

**CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND**

**A Pension Trust Fund of the City of
Jacksonville Financial Report**

For the Fiscal Year Ended September 30, 2015

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**City of Jacksonville, Florida
Police and Fire Pension Fund Financial Report
For The Fiscal Year Ended September 30, 2015**

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January 29, 2016

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund (Fund), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund, as of September 30, 2015, and the respective changes in the fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



Change in Accounting Principle

As discussed in Note 2F to the financial statements, in 2015 the Fund adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3-6 and pages 21-25, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



KBLD, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

We are pleased to provide this overview and analysis of the financial activities of the Jacksonville Police and Fire Pension Fund (Fund) during the fiscal year ended September 30, 2015. This section presents management's discussion and analysis of key financial performance indicators in a narrative format.

FINANCIAL HIGHLIGHTS

- The fiduciary net position of the Fund as of the fiscal year ended September 30, 2015, was \$1,437,776,631. The fiduciary net position, which is held in trust for pension benefits, is available to meet the Fund's ongoing obligations to plan participants and their beneficiaries.
- The \$1,437,776,631 value of fiduciary net position represents a decrease of \$35,320,421 or 2.4%. The decrease was largely a result of the investment returns available in the financial markets.
- The Fund's ongoing funding objective is to meet long-term benefit obligations through contributions, investment income, and the receipt of various revenue sources. As of September 30, 2015, the funded ratio for the Fund was approximately 42.68% which compares to the September 30, 2014 funded ratio of 46.13%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately \$0.43 of assets to cover it.
- Revenues (additions to the fiduciary net position) other than investment income for the 2015 fiscal year were \$178,551,888, which comprises member and employer contributions of \$166,725,843, and other additions of \$11,826,045. This compares to revenues in the amount of \$173,250,434 in the prior fiscal year. This 3% increase was largely attributable to an increase in the employer pension contributions during the fiscal year ended September 30, 2015, based on the updated actuarial study.
- Net investment loss (part of additions to fiduciary net position) for the 2015 fiscal year was \$63,531,291 compared to net investment income in the amount of \$146,950,776 that was recorded in the prior fiscal year.
- Expenses (deductions in fiduciary net position) not related to investment activities for the 2015 fiscal year increased from \$140,416,391 to \$150,987,677 or approximately 7.53%.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

These two statements report the Fund's fiduciary net position held in trust for pension benefits (the difference between assets and liabilities) as one way to measure the Fund's financial position. Over time, increases and decreases in the Fund's fiduciary net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Fund's overall financial health (See the Fund's financial statements on pages 7 - 8 of this report).

- 3) Notes to the financial statements provide additional Information that is essential to a full understanding of the data provided in the financial statements (see notes to financial statements on pages 10 - 20 of this report).
- 4) In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Fund's progress in funding its obligations to provide pension benefits to members (see required supplementary information on pages 21 - 25 of this report). Management's discussion and analysis described herein is additionally classified as required supplementary information for reporting and auditing purposes even though it is not presented in the required supplementary information section of this report.

Condensed Statement of Fiduciary Net Position

	September 30,		Increase (Decrease)
	2015	2014	2015/2014
Current assets	\$ 38,849,883	\$ 23,579,268	\$ 15,270,615
Investments	1,403,385,901	1,453,353,623	(49,967,722)
Securities lending collateral	141,105,101	125,067,205	16,037,896
Capital assets	17,683	29,182	(11,499)
Total assets	<u>1,583,358,568</u>	<u>1,602,029,278</u>	<u>(18,670,710)</u>
Deferred outflows of resources	273,082	-	273,082
Current liabilities	4,259,802	3,790,963	468,839
Securities lending obligations	141,105,101	125,067,205	16,037,896
Long-term liabilities	490,116	74,058	416,058
Total liabilities	<u>145,855,019</u>	<u>128,932,226</u>	<u>16,922,793</u>
Total fiduciary net position	<u>\$ 1,437,776,631</u>	<u>\$ 1,473,097,052</u>	<u>\$ (35,320,421)</u>

Condensed Statement of Changes in Fiduciary Net Position

	September 30,		Increase (Decrease)
	2015	2014	2015/2014
Plan member contributions	\$ 12,061,321	\$ 11,583,565	\$ 477,756
Employer contributions	154,664,522	150,520,270	4,144,252
Other additions	11,826,045	11,146,599	679,446
Net investment income	(63,531,291)	146,950,776	(210,482,067)
Net securities lending activities	646,659	382,022	264,637
Total additions to fiduciary net position	<u>115,667,256</u>	<u>320,583,232</u>	<u>(204,915,976)</u>
Benefit payments	148,633,308	138,179,183	10,454,125
Grant - expenses	-	12,960	(12,960)
Administrative expenses	2,354,369	2,224,248	130,121
Total deductions to fiduciary net position	<u>150,987,677</u>	<u>140,416,391</u>	<u>10,571,286</u>
Change in fiduciary net position	(35,320,421)	180,166,841	(215,487,262)
Fiduciary net position available for benefits - beginning of year	1,473,097,052	1,292,930,211	180,166,841
Fiduciary net position available for benefits - end of year	<u>\$ 1,437,776,631</u>	<u>\$ 1,473,097,052</u>	<u>\$ (35,320,421)</u>

FINANCIAL ANALYSIS

The Fund provides retirement benefits to police officers and firefighters employed by the Consolidated City of Jacksonville (City). The pension benefits, which are provided by the Fund, are funded by member and employer contributions, by earnings on investments, and by various revenue sources. The Fund's fiduciary net position held in trust for benefits at September 30, 2015 was \$1,437,776,631, a decrease of \$35,320,421 or 2.4% from \$1,473,097,052 at September 30, 2014. The decrease was largely a result of the unfavorable investment returns available in the financial markets.

For the 2015 fiscal year, employer and member contributions were \$166,725,843 representing an increase of 2.85% over the \$162,103,835 recorded during the 2014 fiscal year. The increase in the level of pension contributions experienced during fiscal year 2015 resulted from the amount of contribution by the City based on the new actuary study. The Fund recognized a net investment loss of \$63,531,291 for the 2015 fiscal year, compared with a net investment gain of \$146,950,776 for the 2014 fiscal year. Fears of deteriorations in global growth drove broad-based equity market declines during the third quarter of 2015, subsequently leading to negative performance for the trailing one-year period ending September 30, 2015. The magnitude of the comparison in domestic equity markets for the 2015 and 2014 fiscal years is evidenced from the returns from the S&P 500 of 2.4% and 19.7%, respectively. Other revenues recorded by the Fund are largely represented by Court Fines and Penalties and Chapter Revenues authorized under Chapters 175 and 185 of the Florida Statutes. For the 2015 fiscal year, these other revenue sources produced revenues in the amount of \$11,826,045 for the Fund, a \$679,446 or 6% increase of as compared to the \$11,146,599 recorded during the 2014 fiscal year.

Deductions from the Fund's fiduciary net position held in trust for benefits included mainly retirement and survivor benefits, DROP payments, refunds of contributions and administrative expenses. For the 2015 fiscal year, retirement and survivor benefits (including DROP) were \$148,633,308. Administrative expenses during the 2015 fiscal year were \$2,354,369 versus \$2,224,248 in the prior fiscal year.

The Fund's investments, excluding accrued interest and dividends receivable, were \$1,437,907,379 at September 30, 2015, which was \$32,734,035 or 2.23% less than the \$1,470,641,414 in total Fund investments at September 30, 2014. This decrease was primarily a result of the investment returns available in the financial markets, which when combined with increasing employer pension contributions, were found sufficient to adequately support the level of benefit payments required during the fiscal year.

At September 30, 2015, the Fund held \$916,358,540 in U.S. equity, international equity securities and MLP's Energy, a decrease of \$81,492,328 or 8% from the \$997,850,868 held at September 30, 2014. The Fund's money managers administering U.S. equity, international equity securities and MLP's Energy earned returns of approximately negative 1.65%, negative 11.62% and negative 33%, respectively, for the 2015 fiscal year compared to the Fund's benchmark return of negative .49%, negative 11.78% and negative 38.77%, respectively, on such securities.

At September 30, 2015, the Fund held \$312,187,349 in U.S. fixed income securities, a decrease of \$200,097 or negative .06% from the \$312,387,446 held at September 30, 2014. The Fund's money managers administering U.S. fixed income securities returned approximately positive 2.58% for the 2015 fiscal year, compared to the Fund's benchmark return of positive 2.94% on such securities.

At September 30, 2015, the Fund held \$172,947,380 in a commingled U.S. real estate investment trust, an increase of \$22,213,127 or 14.74% from the \$150,734,253 held at September 30, 2014. The money manager administering real estate products for the Fund earned a return of positive 14.09% for the 2015 fiscal year, compared to Fund's benchmark return of 10.84% on such Investments.

At September 30, 2015, the Fund held \$24,608,680 in short-term investments, which represent an increase of \$7,410,665 or 43.09% compared to the \$17,198,015 value of short-term Investments held at September 30, 2014. Short-term Investments generally represent liquid assets that are held by investment counseling firms and awaiting investment decisions.

CONTACTING THE FUND'S FINANCIAL MANAGEMENT

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

**City of Jacksonville, Florida
Police and Fire Pension Fund
Statement of Fiduciary Net Position
September 30, 2015**

ASSETS

Cash and cash equivalents	\$ 6,960,201
Short-term investments	24,608,680
Investments	1,403,418,715
Interest and dividends receivable	2,233,074
Due from the City	4,746,214
Other receivables, net	155,130
Prepaid assets	113,770
Furniture and equipment, net	17,683
Securities lending collateral	141,105,101
Total assets	<u>1,583,358,568</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pension	<u>273,082</u>
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LIABILITIES

Accounts payable	1,767,514
Accrued pension pay and wages payable	2,249,619
Compensated absences - current	141,153
Compensated absences - long-term	35,324
Net pension liability	403,827
Other post employment benefits	50,965
Other liabilities	101,516
Securities lending obligations	141,105,101
Total liabilities	<u>145,855,019</u>
Fiduciary net position available for pension benefits	<u><u>\$ 1,437,776,631</u></u>

The accompanying notes are an integral part of these statements.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2015**

ADDITIONS

Contributions:	
Plan member	\$ 10,469,643
Plan member buybacks and pension transfers	1,591,678
Employer	153,014,791
Employer pension transfers	1,649,731
Total contributions	<u>166,725,843</u>
Other additions:	
Court fines and other penalties	920,774
State insurance contributions	10,577,853
Other	327,418
Total other additions	<u>11,826,045</u>
Investment loss:	
Net depreciation in fair value of investments	(86,862,202)
Interest and dividends	30,623,533
Rental revenue	636,085
Investment expenses	(7,697,756)
Rental expenses	(230,951)
Net investment loss	<u>(63,531,291)</u>
Securities lending activities	
Lending revenue	862,008
Lending expense	(215,349)
Total securities lending activities	<u>646,659</u>
Total additions to fiduciary net position	<u>115,667,256</u>

DEDUCTIONS

Pension benefits remitted	118,984,134
DROP benefits remitted	29,244,714
Refunds of contributions	404,460
Administrative expenses:	
Personnel services	1,050,317
Professional services - non investment	659,289
Building rent - office space	250,512
Central services	143,931
Supplies	7,297
Depreciation	11,500
Other services and charges	231,523
Total administrative expenses	<u>2,354,369</u>
Total deductions to fiduciary net position	<u>150,987,677</u>
Change in fiduciary net position	(35,320,421)
Fiduciary net position available for benefits - beginning of year	<u>1,473,097,052</u>
Fiduciary net position available for benefits - end of year	<u>\$ 1,437,776,631</u>

The accompanying notes are an integral part of these statements.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

1. Description of Plan

The City of Jacksonville, Florida (City) Police and Fire Pension Fund (Fund) is a single-employer contributory defined benefit pension plan covering all full-time civil service members of the City Police and Fire Departments. Qualified membership is further limited to only police officers and firefighters. The Fund is administered solely by a five-member board of trustees.

The Fund's membership consists of:

Retirees and beneficiaries currently receiving benefits	2,294
Deferred Retirement Option Program (DROP) participants	541
Terminated employees entitled to benefits but not yet receiving them	71
Active plan members	2,202
Total participants	5,108

Group I members

For members with five or more years of service as of the effective date of June 6, 2015, Ordinance 2015-304-E, those members shall be entitled to a time service retirement benefit equal to a maximum of 80 percent of the average salary (1) received by the member for the 52 pay periods immediately preceding the time of retirement, upon the completion of 30 years of credited service. For each year prior to the thirtieth year of service that a member retires, the 80 percent retirement benefit shall be reduced by two percent, of the average salary (1) received by the member for the 52 pay periods immediately preceding the time of retirement, with the minimum normal retirement benefit being 60 percent after completion of 20 years of credited service.

For members with fewer than five years of service as of the effective date of June 6, 2015, Ordinance 2015-304-E, those members shall be entitled to a time service retirement benefit equal to a maximum of 80 percent of the average salary (1) received by the member for the 104 pay periods immediately preceding the time of retirement, upon the completion of 30 years of credited service. For each year prior to the thirtieth year of service that a member retires, the 80 percent retirement benefit shall be reduced by two percent, of the average salary (1) received by the member for the 104 pay periods immediately preceding the time of retirement, with the minimum normal retirement benefit being 60 percent after completion of 20 years of credited service. However, in no event shall the average salary be less than it would have been using the 52 pay periods ending on the effective date of Ordinance 2015-304-E.

Group II members hired on or after June 6, 2015

Upon reaching 30 years of credited service, Group II members shall be entitled to a time service retirement with a benefit equal to 2.5 percent of average salary multiplied by the number of years of credited service, but not exceeding a maximum of 75 percent of average salary. The term average salary as used in the foregoing sentence means the average salaries (2) received by the Group II member during the 130 bi-weekly pay periods immediately preceding the date of retirement. The annual retirement benefit shall not exceed \$99,999.99, which amount shall be adjusted January 1 of each year beginning with the first January after the effective date of Ordinance 2015-304-E, by the most recent cost of living adjustment applicable to recipients of Social Security retirement benefits, as determined by the U.S. Social Security Administration each calendar year, but not exceeding 1.5 percent.

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

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

Eligible members of the Fund may elect to participate in the DROP. Upon election to participate the member's credited service and final average salary are frozen for purposes of determining pension benefits. The member continues employment with the City for a defined period of time not to exceed 60 months. The deferred monthly retirement benefits under the DROP accrue in the Fund plus interest on behalf of the member. Upon retirement, the member receives his or her DROP distribution or lump sum and bi-weekly pension benefit.

Share Plan

Members of the Fund also participate in a supplemental "Share Plan" which is funded by insurance premium taxes received pursuant to Florida Statute 175.351(1)(b) and 185.35(1)(b). Florida Statutes Chapter 175.351(1)(b) defines the Fire Share Plan and Florida Statutes Chapter 185.35 defines the Police Share Plan and the methodology for funding each plan. The Share Plan is in addition to any other benefits and nothing herein shall in any way affect any other benefits that now exist. The Board of Trustees provides for all assets of the Share Plan to be held in trust solely for the use of paying the benefits provided and expenses of the Share Plan. Membership of the Share Plan consists of all firefighters and police officers in active service on or after June 9, 2015, excluding retired members and people who have entered the DROP. Each year the premium tax monies are allocated to the share accounts maintained for each firefighter and police officer, and the accounts earn interest over time. Upon retirement members receive his or her share account balance and bi-weekly pension benefit.

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

The State of Florida requires funding of pension contributions to be made based upon an actuarial valuation. The most recent full actuarial valuation report available for distribution is dated October 1, 2015. The City Council has the authority to amend its contribution to the Fund but not less than the minimum state requirement.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The Fund's financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when occurred, if measurable. Contributions from the Fund's members and the City are recognized as additions in the period in which the contributions are due. State contributions are recognized when received. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

B. Basis of Presentation

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting Defined Benefit Pension Plans and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

C. Methods Used to Value Investments and Cash Equivalents

Investments, other than non-marketable securities and real estate, are valued at fair value determined by quoted prices in an active market. For nonmarketable securities, the fair value of such shares is determined by the investment manager, based upon the current market values of the underlying investments. Investments in real estate are valued at fair value as determined by appraisals. Highly liquid investments with short maturities, typically less than three months but no more than one year when purchased, are considered to be cash equivalents. Such amounts are recorded at cost which approximates market value.

D. 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%
MLPs/Energy	7.5%	2.5 - 9.5%
Cash	0.0%	0.0 - 20.0%
Total	<u>100.0%</u>	<u>100.0%</u>

E. Furniture and Equipment

Furniture and equipment are carried at historical cost and are depreciated using the straight-line method of depreciation over their respective useful lives.

F. Recently issued accounting standards

In June 2012, GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions*. The new pension accounting and financial reporting standards represent the most significant fundamental changes in reporting requirements for pension plans and plan sponsors in over a decade. The standards require plan sponsors to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The standards also enhance accountability and transparency through revised and new note disclosures and required supplementary information (RSI). For plans, the standards build upon the existing framework for financial reports, enhance the note disclosures and RSI, and require the presentation of new information about annual money-weighted rates of return in the notes to the financial statements. GASB Statement No. 68 provisions were implemented in this fiscal 2015 financial statements.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015

In November 2013, GASB issued Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 provisions were implemented simultaneously with GASB Statement No. 68 in this fiscal 2015 financial statements.

G. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Risk and Uncertainties

Contributions to the Fund and the actuarial information included in the RSI are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is reasonably possible that changes in these assumptions may occur in the near term and could be material to the financial statements.

3. Reserve Accounts

An agreement between the Fund and the City established the Unfunded Actuarial Liability Reserve Account (UALPA) which consists of funds from the City Budget Stabilization Account and Enhanced Benefit Account. The City Budget Stabilization Account is established to account for contributions in excess of current funding requirements. The Enhanced Benefit Account is established to account for State Chapter 175 and 185 funds. At September 30, 2015 the balance of UALPA is \$82,607,122.

4. Deferred Retirement Option Program (DROP)

The DROP is a form of retirement that allows an employee with at least 20 years of service to continue working for a maximum period of five (5) additional years while accumulating a savings account consisting of the retirement benefits that would have been received had the employee actually retired. The individual's retirement amount is calculated based on parameters when the employee enters the DROP. Monthly interest of 8.4% APR is applied to these DROP savings accounts and the retirement amounts are increased by the annual COLAs. From a technical standpoint, a DROP program represents a method of providing for the deferred receipt of retirement benefits from a defined benefit plan and provides the employer with a predictable turnover picture. At the end of the DROP period, the retiree has the option to withdraw all or part of their DROP balance or leave the balance in the interest earning account within the Fund and then subsequently withdrawing equal bi-weekly amounts over a period of time selected by the retiree, up to the maximum time limit set by IRS regulations. The DROP balance as of September 30, 2015 is \$286,436,630.

5. Deposits and Investments

For the year ended September 30, 2015, the annual money-weighted rate of return on pension plan investments was -3.95%. This reflects the changing amounts actually invested.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

The Fund participates in a pooled cash account with other funds at the City. At September 30, 2015, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was \$6,960,201.

Deposits and investments of the Fund which have been transferred to the pension custodians are held separately from those of other City funds and are required to be administered by nationally recognized investment counseling firms. At September 30, 2015, the carrying amount of these deposits and investments was \$1,428,027,395. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits.

The Fund is authorized to invest in certificates of deposit, obligations of the U. S. Treasury, its agencies and instrumentalities, repurchase and reverse repurchase agreements, the local government surplus fund's trust fund, obligations of the City, the State of Florida, fixed income obligations issued by foreign governments if the obligations are rated Investment grade by at least one nationally recognized rating service, commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service, bankers' acceptances, group annuity contracts, corporate bonds, including collateralized mortgage obligations, preferred stocks, common stocks, foreign securities, securities lending transactions, and real estate investments. For the comprehensive list of available investments, the Statement of Investment Policy approved by the Board of Pension Trustees on December 20, 2012 should be referenced.

The Fund purchased land, an office building with related improvements, and a parking garage in fiscal year 1999. Upon purchase of the parking garage, the Fund took assignment of the existing management agreement and receives rental revenue from parking tenants. This asset is reported at its fair value, as determined by appraisals, and has been classified as an investment, as it is an income-producing asset.

During the fiscal year ended September 30, 2015, the office building and parking garage generated \$636,085 in rental revenue.

The table below shows the Fund's investments with the custodian by type as of September 30, 2015:

Cash and cash equivalents:	
Short term investments	<u>\$ 24,608,680</u>
Fixed:	
Asset-backed securities	499,802
Commercial mortgage backed	2,632,228
Corporate bonds	67,980,881
Government bonds	15,658,333
Government mortgage backed securities	47,414,213
Municipal bonds	513,401
Funds-other fixed income	<u>177,488,491</u>
	312,187,349
Equity:	
Common stock	914,200,972
Preferred	<u>2,157,568</u>
	<u>916,358,540</u>
Real estate	<u>172,947,380</u>
Total	<u><u>\$ 1,426,101,949</u></u>

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

Interest Rate Risk

Interest rate risk is the risk that changes in market interest values will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Fund diversifies its investments by security type and limits holdings in any one type of investment with any one issuer with various durations of maturities.

The Fund holds certain investments in government mortgage-backed securities. Generally these are securities whose cash flows are backed by the principal and interest payments of a set of loans and payments are typically made monthly over the lifetime of the underlying loans. These types of investments are subject to various risks which have the potential to result in a decline in the value of the investments. For example, credit risk can be affected by borrowers defaulting on their loans. In addition, a change in interest rates may result in mortgage borrowers refinancing their loans or payment lives may change which will impact the life of the security. If the investments are backed by risky loans or sub-prime home loans for which the monthly interest payments fall, there is a potential for a decline in the value of the these investments.

Information about the sensitivity of the fair value of the Fund's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund's investments by maturity at September 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Asset Backed Securities	\$ 499,701	31.31
Commercial Mortgage-Backed	2,624,106	39
Corporate Bonds	67,162,627	7.66
Government Bonds	15,575,964	11.83
Government Mortgage Backed Securities	47,279,663	21.01
Municipal Bonds	503,050	9.14
Total Fair Value	<u>\$ 133,645,111</u>	
Portfolio Weighted Average Maturity		13.47

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

Foreign Currency Risk

Foreign currency is the risk that changes in exchange rates will adversely affect the fair value of investment as of September 30, 2015, the Fund has no foreign currency risk as all investments are in the U.S. dollars.

Credit and Concentration Risk

The Fund's investment policy was designed to mitigate both credit and concentration risk by providing specific guidance as to the weighting and integrity of the deposit and investment Instruments. The Statement of Investment Policy currently in effect provides for a strategic assets allocation mix that is comprised of domestic equities (35%), fixed income securities (22.5%), international equities (20%), real estate (15%), and MLPs-Energy (7.5%). The Trustees additionally seek diversification within the investment portfolio through the utilization of various investment styles, particularly within the stock component of the portfolio. The composite credit ratings of applicable equity investments are not currently available.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

As of September 30, 2015, the Fund's debt security investments credit risk is as follows:

	Fair Value S&P		Fair Value Moody's
AAA	\$ 1,904,773	Aaa	\$ 19,059,608
AA	1,583,004	Aa	1,560,661
A	21,938,673	A	19,514,449
BBB	31,996,460	Baa	32,766,921
BB	7,964,470	Ba	6,436,970
B	2,027,840	B	3,555,340
Not Rated	206,003,537	Caa	399,556
Total	\$ 273,418,758	Not Rated	205,701,216
		Total	\$ 288,994,721

Custodial Credit Risk

Custodial risk for investments is the risk that, in the event of failure of the counterparty a transaction, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Fund, and are held either by the counterparty or the counterparty's trust department or agent but not in the Fund's name.

Consistent with the Fund's investment policy, the investments are held by the Fund's custodial bank and registered in the Fund's name. All of the Fund's deposits are insured and or collateralized by a financial institution separate from the Fund's depository financial institutions.

Securities Lending

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized, Northern Trust Company, acting as agent, to lend securities held in the portfolios with the intent of generating additional interest income. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

Securities are loaned against collateral that may include cash, U.S. government securities, and irrevocable letters of credit. Securities are loaned against collateral valued at a minimum of 102% of the market value of the securities plus any accrued interest. If the broker/dealer fails to return the security upon request, the custodian, acting as agent, will utilize the collateral to replace the security borrowed. When non-cash collateral is provided the collateral must be obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. The Fund cannot pledge or sell these obligations in the absence of a default by the borrower.

The transaction establishes a rebate interest rate, which is due back to the broker/dealer upon return of the security. The cash is then invested short-term and the Fund and the custodian share in the incremental return available above the rebated interest rate. The short-term fixed income instruments can be invested in high quality, dollar denominated fixed income instruments, with a policy dollar-weighted, average maturity limit of less than thirty days.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

As of September 30, 2015, the Fund maintained collateral on loaned securities of \$141,105,101 and earned a net income of \$646,659.

The following represents the balance relating to the securities lending transactions as of September 30, 2015:

Security Type	Fair Value Securities Lent for Cash	Cash Collateral Received	Securities Lent for Non-Cash Collateral	Securities Received as Collateral
GLOBAL Equities	\$ -	\$ -	\$ 1,087	\$ 1,128
US Corporate Fixed	7,754,650	7,855,852	566,510	571,538
US Equities	128,799,422	130,162,987	10,531,696	10,600,099
US Government Fixed	3,040,309	3,086,262	-	-
	<u>\$ 139,594,381</u>	<u>\$ 141,105,101</u>	<u>\$ 11,099,293</u>	<u>\$ 11,172,765</u>

6. Other Receivables

The other receivable balance below includes an amount for an allowance for doubtful accounts.

Other Accounts Receivable	Allowance for Doubtful Accounts	Shown on Statement of Fiduciary Net Position
\$ 181,585	\$ (26,455)	\$ 155,130

7. Net Pension Liability of the City

Total pension liability	\$ 3,142,228,212
Fiduciary net position	(1,341,094,047)
City's fiduciary net pension liability	1,801,134,165

Fiduciary net position as a percentage of the total pension liability	42.68%
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8. Actuarial Methods and Assumptions

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2011 – September 30, 2015.

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

Mortality rates were based on the RP-2014, combined Blue Collar, age set forward 2 years for males and 1 year for females, with MP-2014 Improvement Scale, generational, sex distinct.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

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).

Asset Class	Long-Term Expected Real Rate of Return (gross less 2.5% inflation)
Domestic equity	5.4%
International equity	5.5%
Fixed income	1.3%
Real estate	4.5%
Cash	1.4%
MLPs/Energy	5.5%

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City'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 (6%)	Current Discount (7%)	1% Increase (8%)
City's net pension liability	\$ 2,205,005,851	\$ 1,801,134,165	\$ 1,537,813,679

10. Tax Status

The Fund obtained a determination letter on January 20, 1999, in which the Internal Revenue Service stated that the Fund, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Fund has been amended since receiving the determination letter. The Fund's administrator believes that the Fund is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Fund's administrator believes the Fund was qualified and the related trust was tax exempt as of September 30, 2015.

11. Claims and Litigation

The Fund is involved in various claims and litigation arising in the ordinary course of operations, most of which, in the opinion of the Fund's Administrator, will not have a material effect on the Fund's financial position.

12. Pension Plans for Fund Employees

A defined benefit pension plan is a type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

A defined contribution plan is a type of retirement plan in which the employer, employee, or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts plus any investment earnings on the money in the account. Only employer contributions to the account are guaranteed, not the future benefits.

The Fund sponsors a single-employer contributory defined benefit plan called the Senior Staff Voluntary Retirement Plan (SERP) that provides retirement, death, and disability benefits. The SERP is administered by the Fund's five member Board of Trustees and was adopted on September 20, 2000 and lastly amended on November 9, 2009. The Fund's Board of Trustees is responsible for establishing or amending the pension plan. The SERP currently has one active participant, one retiree, one surviving spouse, and is closed to new members. There are no separately issued financial statements for the SERP.

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

Senior Staff Voluntary Retirement Plan (SERP)

1. Plan Description – The SERP provides vesting of benefits after five years of credited service. Members are eligible for normal retirement at age 65 with five years of service. Retirement benefits shall be equal to three percent of average final compensation which is based on the average for the last 24 months of compensation immediately preceding retirement for each year of credited service. Benefits shall be paid on a bi-weekly basis. Early retirement is at the age of 60 with five years of credited service; however, the benefits are reduced at the rate of 0.5% per month for each month that the member's retirement date precedes the attainment of age 65. A member may elect a deferred retirement upon the completion of five years of credited service, but delayed implementation under the provisions of normal retirement and early retirement above. The plan also provides for a delayed retirement benefit payable at age 70.5, disability retirement, and death benefits. A cost of living increase of 3% per year is provided to pensioners and their beneficiaries.
2. Net pension liability of the Fund -

Total pension liability	\$	4,406,121
Fiduciary net position		(4,002,294)
City's fiduciary net pension liability		403,827
Fiduciary net position as a percentage of the total pension liability		90.83%

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

3. Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2015, the Fund recognized pension expense of \$130,745. At September 30, 2015, the Fund reported deferred outflows of resources related to pensions from the following source:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 273,082

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending September 30,	Amount
2016	\$ 68,270
2017	68,270
2018	68,270
2019	68,272

4. Actuarial Methods and Assumptions –

Valuation Date (used for fiscal year 2015)	10/1/2015
Actuarial cost method	Individual Entry Age
Amortization method	Aggregate Method*
Asset valuation method	Market Value
Actuarial assumptions:	
Net investment rate of return**	7.00%
**Includes inflation at	2.50%
Projected salary increases	None
Mortality table in use	Post retirement: RP-2014 Blue Collar Annuitant Post Disability: RP-2014 Disabled Annuitant
Post-retirement benefit increase (COLA)	3.00%
Percent married	100%
Retirement ages	The active employee is assumed to retire immediately
Age differences for spouses of employed	Females are 3 years younger than males

* The actuarial cost method used by the Plan is the Aggregate Method which does not have an explicit amortization method of period. Instead, the total cost is paid for over the expected future working lifetime.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to the Financial Statements
September 30, 2015**

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

The following presents the net pension liability of the Fund for SERP, calculated using the discount rate of 7.0%, as well as what the Fund'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 (6%)	Current Discount (7%)	1% Increase (8%)
The Fund's net pension liability	\$ 881,372	\$ 403,827	\$ 1,775

13. Supplemental Information

Minimum Required Contribution

In accordance with ORD 2015-304-E for fiscal year 2016 the City will contribute the greatest of 109.92% of covered payroll or \$148,079,912 and contribute an additional \$5,000,000 to the Fund.

14. Subsequent Event

Management has evaluated subsequent events through January 29, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Jacksonville, Florida Police and Fire Pension Fund
Schedule of Changes in Net Pension Liability and Related Ratios
for the Senior Staff Voluntary Retirement Plan
For the Year Ended September 30, 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total pension liability					
Service cost (BOY)	\$ (56,578)				
Interest on total pension liability	281,837				
Changes of assumptions	153,704				
Benefit payments, including refunds of member contributions	<u>(109,482)</u>				
Net change in total pension liability	269,481				
Total pension liability -- beginning	<u>4,136,640</u>				
Total pension liability -- ending(a)	<u>\$ 4,406,121</u>	<u>\$ 4,136,640</u>			
Plan fiduciary net position					
Contributions--member	\$ 21,520				
Net investment income	(166,821)				
Benefit payments, including refunds of member contributions	<u>(109,482)</u>				
Net change in plan fiduciary net position	(254,783)				
Plan fiduciary net position -- beginning	<u>4,257,077</u>				
Plan fiduciary net position -- ending(b)	<u>4,002,294</u>				
Plan net pension liability--ending(a)-(b)	<u>\$ 403,827</u>				
Plan fiduciary net position as a percentage of the total pension liability	90.83%				
Covered-employee payroll	\$0				
City's pension liability as a percentage of covered-employee payroll	N/A				

**City of Jacksonville, Florida Police and Fire Pension Fund
Schedule of Contributions for the Senior Staff Voluntary Retirement Plan
For the Year Ended September 30, 2015**

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
2015	\$ -	\$ -	\$ -	\$ 307,429	0.00%
2014	28,098	7,205	20,893	298,471	2.41%
2013	28,098	248,016	(219,918)	289,786	85.59%
2012	523,102	117,460	405,642	354,971	33.09%
2011	142,308	101,004	41,304	484,071	20.87%
2010	134,889	247,476	(112,587)	506,043	48.90%
2009	218,904	183,351	35,553	507,900	36.10%

* No contribution amount was required because the Plan was 100% funded last fiscal year

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

Methods used to determine contribution rates:

Actuarial cost method:	Individual entry age
Amortization method:	Aggregate method
Asset valuation method:	Market Value
Inflation:	2.5%
Investment rate of return:	7.0%, including inflation
Cost of living adjustments:	3.00%
Mortality Table in use	Postretirement: RP-2014 Blue Collar Annuitant Postretirement: RP-2014 Disabled Annuitant All tables are set forward 2 years for males and 1 year for females, use MP-2014 Improvement Scale, 2D generational, separate by sex.
Age differences for spouses:	Females are assumed to be 3 years younger than males
Percent married	100%

**City of Jacksonville, Florida Police and Fire Pension Fund
Schedule of City Contributions
Last 10 Fiscal Years and
For the Year Ended September 30, 2015**

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
2015	\$ 153,603,996	\$ 153,935,565	\$ (331,569)	\$ 132,735,243	115.97%
2014	142,432,577	149,158,659	(6,726,082)	134,521,216	110.88%
2013	99,996,835	122,580,317	(22,583,482)	130,972,174	93.59%
2012	73,729,000	70,598,682	3,130,318	133,611,459	52.84%
2011	77,065,314	75,902,934	1,162,380	148,967,906	50.95%
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%

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

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 contribution 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:	3.5%, including inflation
Investment rate of return:	7.0%, including inflation
Cost of living adjustments:	3.0%, compounded annually
Mortality Table in use	RP-2014, Blue Collar, age set forward 2 years for males and 1 year for females with MP-2014 Improvement Scale, generational, separate by sex.
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 inactives

City of Jacksonville, Florida Police and Fire Pension Fund
Schedule of Investment Returns
Annual money-weighted rate of return, net of investment expenses
For the Year Ended September 30, 2015

For Year Ended	Percentage
2015	-3.95%
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%

City of Jacksonville, Florida Police and Fire Pension Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years and
For the Year Ended September 30, 2015

	2015	2014	2013	2012	2011
Total pension liability					
Service Cost (BOY)	\$ 46,662,780	\$ 47,915,012	\$ 46,109,290	\$ 47,569,761	
Interest on total pension liability	210,942,612	203,577,435	195,519,742	190,343,631	
Changes of benefit terms	(28,684,960)	-	-	-	
Experience deviations including buybacks	24,831,339	22,671,112	(4,675,994)	(12,512,641)	
Changes of assumptions	24,514,349	-	5,332,605	227,333,255	
Benefit payments, including refunds of member contributions	(148,628,476)	(138,179,183)	(128,655,957)	(116,955,126)	
Net change in total pension liability	129,637,644	135,984,376	113,629,686	335,778,880	
Total pension liability -- beginning	3,012,590,568	2,876,606,192	2,762,976,506	2,427,197,626	
Total pension liability -- ending(a)	<u>\$ 3,142,228,212</u>	<u>\$ 3,012,590,568</u>	<u>\$ 2,876,606,192</u>	<u>\$ 2,762,976,506</u>	
Fiduciary net position					
Contributions--employer	\$ 153,014,791	\$ 148,277,368	\$ 121,822,333	\$ 69,828,557	
Contributions--member	10,469,643	10,067,765	9,682,998	11,204,317	
Buybacks and transfers--employer	1,649,732	2,242,902	-	2,814,296	
Buybacks and transfers--member	1,591,678	1,515,800	1,070,503	406,553	
Net investment income	(63,531,293)	146,950,776	169,202,439	181,653,432	
Securities Lending	646,659	382,022	-	-	
Benefit payments, including refunds of member contributions	(148,628,476)	(138,179,183)	(128,655,957)	(116,955,126)	
Administrative expense	(2,228,452)	(2,224,248)	(2,505,985)	(2,351,598)	
Chapter 175/185	10,577,853	10,110,493	9,667,185	9,275,728	
Court Fines	920,774	881,291	757,984	770,125	
Other	327,418	141,855	1,187,289	55,383	
Net change in fiduciary net position	(35,189,673)	180,166,841	182,228,789	156,701,667	
Fiduciary net position -- beginning	1,473,097,052	1,292,930,211	1,110,737,208	954,035,541	
Fiduciary net position -- ending	1,437,907,379	1,473,097,052	1,292,965,997	1,110,737,208	
less Reserve Accounts and Sr. Staff Assets	(96,813,332)	(83,349,437)	(31,830,621)	(31,830,621)	
Total fiduciary net position -- ending(b)	1,341,094,047	1,389,747,615	1,228,131,184	1,078,906,587	
City's fiduciary net pension liability--ending(a)-(b)	<u>\$ 1,801,134,165</u>	<u>\$ 1,622,842,953</u>	<u>\$ 1,648,475,008</u>	<u>\$ 1,684,069,919</u>	
Fiduciary net position as a percentage of the total pension liability	42.68%	46.13%	42.69%	39.05%	
Covered-employee payroll	\$132,735,243	\$134,521,216	\$130,972,174	\$133,611,459	
City's fiduciary net pension liability as a percentage of covered-employee payroll	1356.94%	1206.38%	1258.65%	1260.42%	

January 29, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Jacksonville Police and Fire Pension Fund (Fund), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature in black ink, appearing to read 'KBLD LLC'.

KBLD, LLC