

PENSION BOARD CONSULTANTS, I
CONSULTING, ACTUARIAL & ADMINISTRATIVE SERVICES

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January 30, 2015

Mr. John Keane, Administrator
Jacksonville Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, Florida 32202-3616

Senate Bill 534 Information

Dear John:

Senate Bill 534 amends Chapter 112, Florida Statutes to require each public pension plan to submit information to the Department of Management Services within 60 days after receipt of the actuarial report. Attached are calculations detailing the information required for the Jacksonville Police and Fire Pension Fund. A summary is as follows:

- The attached Table A shows financial information for PYE2014 for two interest rates.

	<u>i=5.00%</u>	<u>i=7.00%</u>
a. Total pension liability	\$3,851,656,305	\$3,012,590,568
b. Plan fiduciary net position	\$1,389,747,615	\$1,389,747,615
c. City's net pension liability	\$2,461,908,690	\$1,622,842,953
d. Plan fiduciary net position as a percentage of total pension liability	36.08%	46.13%
- Table B details the number of years for which the current market value of assets is adequate to sustain the payment of expected retirement benefits. With an investment assumption of 5.00%, the Fund can sustain payments for 9 years 6 months and using an investment assumption of 7.00%, can sustain payments for 10 years 8 months.
- Table C shows the derivation of the required contribution levels for two interest rates. Calculations were based on data, assumptions and the Plan shown in our October 1, 2014 Actuarial Report.

	<u>i=5.00%</u>	<u>i=7.00%</u>
Total Required Contribution BOY	\$245,881,311	\$169,058,047
As a percentage of covered payroll	182.78%	125.67%
Total Required Contribution on 12/1	\$249,039,127	\$171,339,673
As a percentage of covered payroll	185.13%	127.37%

Mr. John Keane
January 30, 2015
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In addition to the preceding information and actuarial report, the Fund (if available) and sponsor websites must include five years', from October 1, 2013, active and expected net asset yields and asset class percentages and a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Fund. This must be transmitted electronically within 60 days of receipt of the actuarial report. Based on information found in our Actuarial Reports:

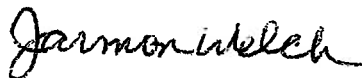
<u>FYE</u>	<u>Actual Market Value Rate of Return</u>	<u>Expected Rate of Return</u>
2014	10.73%	7.00%
2013	14.29%	7.00%
2012	18.25%	7.75%
2011	0.64%	8.50%
2010	8.45%	8.50%

Expense provisions under GASB 68 will be shown commencing next year.

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

Please let us know if you find you need additional information. Best regards.

Cordially yours,



Jarmon Welch, A.S.A.
President

Attachments

cc: Mr. Kevin Stork
Ms. Kelly Shelton

JACKSONVILLE POLICE AND FIRE PENSION FUND

Schedule of Changes in Net Pension Liability and Related Ratios

	i=5.0%	i=7.0%
	2014	2014
Total pension liability		
Service Cost (BOY)	\$47,915,012	\$47,915,012
Interest on total pension liability	\$203,577,435	\$203,577,435
Changes of benefit terms	\$0	\$0
Experience deviations including buybacks	\$22,671,112	\$22,671,112
Changes of assumptions	\$839,065,737	\$0
Benefit payments, including refunds of member contributions	(\$138,179,183)	(\$138,179,183)
Net change in total pension liability	\$975,050,113	\$135,984,376
Total pension liability -- beginning	\$2,876,606,192	\$2,876,606,192
Total pension liability -- ending(a)	\$3,851,656,305	\$3,012,590,568
Plan fiduciary net position		
Contributions--employer	\$148,277,368	\$148,277,368
Contributions--member	\$10,067,765	\$10,067,765
Buybacks and transfers--employer	\$2,242,902	\$2,242,902
Buybacks and transfers--member	\$1,515,800	\$1,515,800
Net investment income	\$146,950,776	\$146,950,776
Securities Lending	\$382,022	\$382,022
Benefit payments, including refunds of member contributions	(\$138,179,183)	(\$138,179,183)
Administrative expense	(\$2,224,248)	(\$2,224,248)
Chapter 175/185	\$10,110,493	\$10,110,493
Court Fines	\$881,291	\$881,291
Other	\$141,855	\$141,855
Net change in plan fiduciary net position	\$180,166,841	\$180,166,841
Plan fiduciary net position -- beginning	\$1,292,930,211	\$1,292,930,211
Plan fiduciary net position -- ending	\$1,473,097,052	\$1,473,097,052
less Reserve Accounts and Sr. Staff Assets	(\$83,349,437)	(\$83,349,437)
Total Plan fiduciary net position -- ending(b)	\$1,389,747,615	\$1,389,747,615
City's net pension liability--ending(a)-(b)	\$2,461,908,690	\$1,622,842,953
Plan fiduciary net position as a percentage of the total pension liability	36.08%	46.13%
Covered-employee payroll	\$134,521,216	\$134,521,216
City's net pension liability as a percentage of covered-employee payroll	1830.13%	1206.38%

JACKSONVILLE POLICE AND FIRE PENSION FUND

Payment of Expected Retirement Benefits

	Investment Assumption = 5.00%		Investment Assumption = 7.00%	
	Plan fiduciary net position on 10/1	Expected Payout	Plan fiduciary net position on 10/1	Expected Payout
2014	\$1,389,747,615	\$140,000,000	\$1,389,747,615	\$140,000,000
2015	1,312,234,996	144,000,000	1,337,229,948	144,000,000
2016	1,226,646,746	152,000,000	1,276,756,044	152,000,000
2017	1,128,379,083	160,000,000	1,203,488,968	160,000,000
2018	1,016,798,037	168,000,000	1,116,533,195	168,000,000
2019	891,237,939	172,000,000	1,014,930,519	172,000,000
2020	755,199,836	176,000,000	901,935,655	176,000,000
2021	608,159,828	180,000,000	776,751,151	180,000,000
2022	449,567,819	184,000,000	638,523,732	184,000,000
2023	278,846,210	188,000,000	486,340,393	188,000,000
2024	95,388,520	192,000,000	319,224,220	192,000,000
2025			136,129,916	196,000,000
				\$1,337,229,948
				1,276,756,044
				1,203,488,968
				1,116,533,195
				1,014,930,519
				901,935,655
				776,751,151
				638,523,732
				486,340,393
				319,224,220
				136,129,916
				-64,060,990

Notes:

1. The total Plan fiduciary net position as of October 1, 2014, was \$1,473,097,052 less reserve accounts of \$83,349,437.
2. Payout increases of \$4 million/year are assumed, except twice that for 2016, 2017 and 2018.

TABLE C

JACKSONVILLE POLICE AND FIRE PENSION FUND

Derivation of Minimum Required Contribution

	<u>i=5.0%</u> <u>10/1/2014</u>	<u>i=7.0%</u> <u>10/1/2014</u>
1. Present Value of Future Benefits		
a. Active Participants		
(i) Retirement	\$1,786,505,053	\$1,124,661,272
(ii) Death	\$15,750,661	\$10,217,144
(iii) Disability	\$31,255,081	\$20,765,600
(iv) Withdrawal	\$25,055,925	\$15,053,979
(v) Return of Contributions	<u>\$499,030</u>	<u>\$444,967</u>
(vi) Total	\$1,859,065,750	\$1,171,142,962
b. Inactive Participants		
(i) Retirees and Beneficiaries	\$1,785,207,313	\$1,448,819,684
(ii) Disableds	\$31,983,362	\$25,657,666
(iii) Terminated Vested	\$23,240,857	\$15,998,385
(iv) DROP Participants ¹	<u>\$929,263,224</u>	<u>\$766,443,503</u>
(v) Total	\$2,769,694,756	\$2,256,919,238
c. Total (a. + b.)	\$4,628,760,506	\$3,428,062,200
2. Market Value of Assets		
a. Gross Market Value ¹	\$1,473,097,052	\$1,473,097,052
b. Reserve Accounts	\$79,092,361	\$79,092,361
c. Sr. Staff Plan Assets	<u>\$4,257,077</u>	<u>\$4,257,077</u>
d. Net Market Value (a. - b. - c.)	\$1,389,747,614	\$1,389,747,614
3. Unfunded Actuarial Accrued Liability	\$2,461,908,691	\$1,622,842,954
a. UAAL Amortization Payment ²	\$156,331,362	\$111,578,279
4. Present Value of Future Normal Costs	\$777,104,201	\$415,471,632
5. Ratio of Present Value of Future Salaries to Current Salaries		
a. 1% of PV of Future Salaries	\$13,157,980	\$11,766,604
b. Covered Payroll (no DROP)	\$134,521,216	\$134,521,216
c. Ratio (a. / b.)	9.781342	8.747025
d. DROP Payroll	\$37,438,559	\$37,438,559
6. Normal Actuarial Cost		
a. Dollar Amount (Individual EA)	\$79,685,263	\$47,615,082
b. As % of Covered Payroll	59.24%	35.40%
7. Expense Funding		
a. Annual Expense	\$9,864,686	\$9,864,686
b. As % of Covered Payroll	7.33%	7.33%
8. Total Cost for the Year		
a. Total Cost BOY (3.a. + 6.a. + 7.a.)	\$245,881,311	\$169,058,047
b. As % of Covered Payroll (8.a. / 5.b.)	182.78%	125.67%
c. Total Cost as of December 1 ³	\$249,039,127	\$171,339,673
d. As % of Covered Payroll on December 1 ³	185.13%	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