

POLICE AND FIRE PENSION FUND

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"We Serve. . .and We Protect"



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John Keane
Executive Director -
Administrator

February 27, 2015

Chad Poppell, Secretary
Department of Management Services
4050 Esplanade Way
Tallahassee, FL 32399-0950

RE: Your letter of January 27, 2015

Dear Secretary Poppell:

On behalf of the Board, I tender our response to your letter of January 27, 2015.

The Board, as authorized by Florida Statutes, Charter and Ordinance Code operates the Jacksonville Police and Fire Pension Fund in compliance with all applicable statutory and Ordinance Code provisions and requirements. As you know, Section 112.61, FS outlines the intent of the Legislature in implementing the provisions of s. 14, Art. X of the Florida Constitution, relating to governmental retirement systems, which also provides that retirement systems or plans be managed, administered, operated, and funded in such a manner as to maximize the protection of retirement benefits for public employees. Inherent in this intent is the recognition that the pension liabilities attributable to the benefits promised the public employees be fairly, orderly, and equitably funded by the current, as well as future, taxpayers. The required funding of pension benefits enacted by the Jacksonville City Council is certified to the Council annually by the Board.

Due to the economic conditions following the "dot.com" market setback in the early part of the 2000 decade which resulted in a "mild" recession within the domestic economy, our elected Officials reduced the number of City employees. This reduction in new Members resulted in a slower than previously expected growth in the payroll base. The massive disruption in the global and domestic investment markets reached every investor, both institutional and individual. The fallout from the financial crisis in America led to the near failure of the domestic automobile manufacturing industry, which required fiscal intervention by the Federal Government. Dangerous levels of instability in the financial service industry required immediate and extensive participation by the Federal Reserve. Massive job losses led to recent record unemployment levels. The largest number of housing loans in history went into default which led to reduced property values and tax

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Page Two
Letter to Secretary Poppell
February 27, 2015

history went into default which led to reduced property values and tax collections to local government. Government employment was reduced, salaries were frozen and in many cases actually reduced.

The confluence of these events – significant market losses; investment returns below the actuarially assumed rate; reduction in employees; stagnant or reduced payroll levels all served to increase the rate of unfunded liabilities of the Police and Fire Pension Fund.

The Board has taken the following steps to slow, halt and begin to reduce the level of Unfunded Actuarial Accrued Liabilities (UAALs):

- (a) Reduce the assumed rate of return from 8.5% to 7.75% in FY 2012.
- (b) Further reduce the assumed rate of return from 7.75% to 7.00% in FY 2013.
- (c) Agreed to proposed reduction in certain future benefits for current Members.
- (d) Agreed to proposed reduction in the rate of accumulation and increase years of service for new Members.
- (e) Agreed to proposed increase in the rate of contributions for current and future Members.
- (f) Agreed to proposed increase in City contribution level.

The combination of actions slowed, halted and now reduced the level of UAAL. Under current projections, the Plan will be “well-funded” in the mid 2020’s, and fully funded in 2033.

Again, my congratulations to you upon your selection by Governor Scott as Secretary of the Department. We look forward to working with you and your staff in securing the retirement benefits for our Members.

Sincerely,



John Keane
Executive Director - Administrator



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Tel: 850-488-2786 | Fax: 850-922-6149

Rick Scott, Governor

Chad Poppell, Secretary

January 27, 2015

Mr. John Keane, Administrator
Jacksonville Police Officers' & Firefighters' Pension Fund
One West Adams Street, Suite 100
Jacksonville, FL 32202-3616

Dear Mr. Keane:

The Florida Department of Management Services' (DMS) Division of Retirement is responsible for reviewing Florida's local government retirement systems for compliance with applicable statutes and rules. This review consists of assessing each plan's conformance to Part VII of Chapter 112, Florida Statutes, which provides that plans are to be operated and funded in an actuarially sound manner.

Despite routine communication from DMS regarding your plan's actuarial compliance, the most recent actuarial valuation of the City of Jacksonville Police Officers' and Firefighters' Pension Fund (the plan) on file shows your GASB 25 funded status is below 50 percent. Your unfunded actuarial liability is \$1,648.5 million and the plan's assets are sufficient to pay no more than 37.3 cents for every dollar of pension benefits owed to its retirees and current employees. Absent any improvements in funded status, the plan's ability to meet its future obligations is doubtful and your members' benefits will be negatively affected.

As a result, your plan should consider taking action to prevent future taxpayers from having to incur costs. Section 112.61, F.S., states in part, "Inherent in this intent is the recognition that the pension liabilities attributable to the benefits promised public employees be fairly, orderly, and equitably funded by the current, as well as future, taxpayers. Accordingly, except as herein provided, it is the intent of this act to prohibit the use of any procedure, methodology, or assumptions the effect of which is to **transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers** (emphasis added)."

As DMS is aware, the City of Jacksonville Police Officers' and Firefighters' Pension Fund is working with city leaders toward pension reform. These pension reforms are not yet realized. In addition, positive market returns in recent years have not had the effect of funding the expected costs of the plan.

The Department of Management Services requests you immediately notify all active and retired members of the plan regarding the plan's conditions and what actions will be taken to improve it. Based on these concerns, DMS is prepared to offer you any technical assistance that is necessary to address the funding status of your plan. Thank you for your prompt attention to these matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad Poppell", written in a cursive style.

Chad Poppell
Secretary

cc: C. Ronald Belton, CFO