

Transfer of Funds Interest Recommendation

Section 121.114 loosely states that reserve account balances, together with interest, shall be administered by the Board of Trustees for the legal use of the Police Officer and Fire Fighter members as determined by the legally recognized collective bargaining unit.

Past practice has been to define “interest” as the total fund composite return, net of fees, as determined by the PFPF’s Investment Consultant.

Based on that understanding, between the Board of Trustees and the unions, it is recommended that interest on reserve account funds be valued and distributed as follows:

1. Transfer the January 31, 2019 Reserve Account Balance of \$52,672,196.00 to the unions on February 28, 2019 (see attached ‘Reserve Balances as of January 31 and February 20, 2019’ by fund actuary, Pete Strong).
2. The unions are entitled to interest earned on the \$52,672,196.00 from February 1–28, 2019.
3. The PFPF Investment Consultant will calculate February’s interest.
4. Interest will be calculated as \$52,672,196.00 multiplied by the total fund composite return for February 2019, net of fees.
5. If interest for the month of February is determined to be positive, the PFPF will transfer February’s interest on the \$52,672,196.00 to the unions.
6. If interest for the month of February is determined to be negative, the unions will transfer February’s interest on the \$52,672,196.00 to the PFPF.
7. The payment of interest to or from the unions will occur on or about March 29, 2019.

Additionally, regarding remaining reserve account balances in the PFPF’s custody for the legal use of police officer and fire fighter members, it is recommended that interest on these funds be calculated based on the daily rate applied to the PFPF short term investment fund held by its custodian bank. This interest recommendation also applies to all future all Chapter 175-185 Florida Insurance Premium Tax Rebate Dollars received and administered by the PFPF.

Note: The “remaining reserve account balances” refers to the Remaining FY 2017 Premium Tax Distributions to be Allocated to Share Plan valued at \$3,590,479 as of 9/30/2018. This treatment of interest does not include the City of Jacksonville Contribution Reserve with an account value, 9/30/2018, of \$53,934,577. (See attached reconciliation from the 10/1/2018 actuarial report)

THJ/sl 02.22.2019

**EXHIBIT 1: Reserve Account Balances as of September 30, 2018
(Actuarial Valuation Report as of October 1, 2018, page 34)**

RESERVE ACCOUNT BALANCES AS OF SEPTEMBER 30, 2018

	City of Jacksonville Contribution <u>Reserve</u>	Pending Share Plan Contribution	Balance to be Allocated to <u>Police Officers</u>	Balance to be Allocated to <u>Firefighters</u>	<u>TOTALS</u>
Account Value, 10/1/2017	\$ 68,464,281	\$ 0	\$ 20,893,517	\$ 20,893,517	\$ 110,251,315
FY 2017 Chapter Funds received after 10/1/17		5,437,384			5,437,384
Annual Retiree Bonus paid December 2017		<u>(2,138,935)</u>			<u>(2,138,935)</u>
Remaining FY 2017 Premium Tax Distributions to be Allocated to Share Plan		3,298,449			3,298,449
Annual Earnings (7.99%)	5,470,296	292,030	1,669,392	1,669,392	9,101,110
Allocated Towards Required City Contribution	(20,000,000)				(20,000,000)
FY 2018 Chapter Funds			6,779,868	5,011,329	11,791,197
Account Value, 9/30/18	\$ 53,934,577	\$ 3,590,479	\$ 29,342,777	\$ 27,574,238	\$ 114,442,071

**EXHIBIT 2: Reserve Account Balances as of January 31 and February 20, 2019
(February 19, 2019 Pete Strong Letter)**



P: 954.527.1616 | F: 954.525.0083 | www.grsconsulting.com

February 19, 2019

Mr. Timothy Johnson
Executive Director
Jacksonville Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, FL 32202

Re: Jacksonville Police and Fire Pension Fund – Reserve Balances as of January 31 and February 20, 2019

Dear Tim:

As requested, we have calculated the actual reserve balances allocated to Police Officers and Firefighters as of January 31, 2019. We applied the net fiscal year-to-date investment return (from October 1, 2018 through January 31, 2019) for the pension fund of -3.53%, as provided by Wilshire Associates on February 19, 2019. We have also rolled this balance forward to February 20, 2019 using the average daily money market interest rate provided by Northern Trust (0.7 basis points). Our calculations are shown below:

Jacksonville Police and Firefighters Reserve Balances as of January 31, 2019 and February 20, 2019

	Reserve Balance Allocated to <u>Police Officers</u>	Reserve Balance Allocated to <u>Firefighters</u>
Reserve Balance as of October 1, 2018	\$ 29,342,777	\$ 27,574,238
Annual Retiree Bonus paid December 14, 2018	(1,288,128)	(978,493)
Investment Return from 10/1/2018-1/31/2019 (-3.53%)	<u>(1,018,198)</u>	<u>(960,000)</u>
Reserve Balance as of January 31, 2019	\$ 27,036,451	\$ 25,635,745
Money Market Interest from 1/31/2019-2/20/2019 (Average daily interest of 0.007%, per Northern Trust)	<u>37,876</u>	<u>35,914</u>
Reserve Balance as of February 20, 2019	\$ 27,074,327	\$ 25,671,659

If there are any questions, please let us know.

Respectfully submitted,

Peter N. Strong, FSA, EA, MAAA
Senior Consultant and Actuary

The above communication shall not be construed to provide tax advice, legal advice or investment advice.