



POLICE AND FIRE PENSION FUND
ONE WEST ADAMS STREET, SUITE 100
JACKSONVILLE, FLORIDA 32202-3616

"We Serve. . .and We Protect"

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January 25, 2018

Office of City Council
City Hall
117 W. Duval St., Suite 425
Jacksonville, FL 32202

Office of Mayor Lenny Curry
City Hall at St. James, Suite 400
117 W. Duval St.
Jacksonville, FL 32202

Dear Mayor Curry and Council President Brosche:

The Police and Fire Pension Fund Board of Trustees shall have the duty to have an annual actuarial valuation of the Police and Fire Pension Fund performed by the Board of Trustees' actuary. This valuation shall be performed as of October 1 of each year. The annual actuarial valuations shall be completed and delivered as expeditiously as possible to the Board, the Financial Investment and Advisory Committee, the City's Director of Finance and Administration and to the City Council Auditor promptly upon completion but, in any event, the Board of Trustees shall have the valuation analyses and reports completed and delivered no later than 120 days after October 1.

In order to meet the deadline imposed by Sec. 121.603. Ord. [2015-304-E](#), § 4; Ord. [2016-140-E](#), § 16, the Police and Fire Pension Fund Board adopted (at its January 19, 2017 meeting) a draft report prepared by Gabriel Roeder and Smith, subject to revision by the Board due to subsequent events. The updated report dated January 25, 2018 is attached.

Based on this 10/1/2017 actuarial valuation of the Police and Fire Pension Fund, the required employer contribution is \$130,527,718 if contributed on 12/1/2018.

This report contains this conclusion of our actuary, *"It is important to note that the Fund's assets are insufficient to cover the actuarial liabilities for inactive members... Given the low funded ratio and the fact that the pension liability surtax revenues will not be received until more than 13 years from now, it is advisable to consider making contributions to the Fund in excess of the minimum required contribution shown in this report."* - Peter N. Strong, FSA, EA, MAAA, FCA

FY 2017 was extraordinary for the Police and Fire Pension Fund, in that actual experience varied significantly from expectations. Investment gains surpassed expectations with the PFPF earning over 14% compared to the target 7%. Also, salary increases were lower than expected at 6.3% vs. 10% (including the first negotiated 6.5% across-the-board increase). These factors combined reduced the City's contribution by almost \$10 million.

In consideration of these factors, it is the recommendation of the PFPF Board that the Mayor and Council consider splitting the above-mentioned savings and add \$5 million to the required contribution of \$130,527,718 for a total of \$135,527,718.

This will have the impact of reducing the net unfunded actuarial liability and subsequent years' required City contributions. Every additional \$1.00 contributed now reduces aggregate future City contributions by approximately \$2.40 over a 30-year period, thus saving the City approximately \$1.40. Contributing \$5 million more today will reduce aggregate future City contributions by approximately \$12 million over the next 30 years.

Sincerely,



Timothy H. Johnson
Executive Director – Plan Administrator

cc:

PFPF Board of Trustees
Financial Investment and Advisory Committee
City's Director of Finance and Administration
City Council Auditor
City Treasurer