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, 2012

CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND

FINANCIAL REPORT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Police and Fire Pension Fund (the "Fund") of the Consolidated City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Police and Fire Pension Fund and do not purport to, and do not, present fairly the financial position of the City as of September 30, 2012 and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Fund as of September 30, 2012, and the changes in plan net assets for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Police and Fire Pension Fund taken as a whole. The accompanying required supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. These supplemental schedules are the responsibility of the Fund's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. We have applied certain limited procedures to the supplemental schedules 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 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.

Doran & Associates

January 29, 2013

We are pleased to provide this overview and analysis of the financial activities of the Police and Fire Pension Fund (the "Fund" or "Plan") during the fiscal year ended September 30, 2012. This section presents management's discussion and analysis of key financial performance indicators in a narrative format.

FINANCIAL HIGHLIGHTS

- The net assets of the Fund as of the close of the reporting period were $885,238,008. All of these net assets, which are held in trust for pension benefits, are available to meet the Fund's ongoing obligations to plan participants and their beneficiaries.

- The $885,238,008 value of net assets represents an increase of $133,790,178 or 17.8%. The increase was largely a result of the investment returns available in the financial markets, which when combined with pension contributions, more than adequately supported the level of benefit payments and DROP accruals during the fiscal year.

- 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, 2012, the funded ratio for the Fund was approximately 37.24% which compares to the September 30, 2011 funded ratio of 42.84%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately $0.37 of assets to cover it.

- The Fund's rate of return on investments of positive 19.27% on a market value basis over the fiscal year ended September 30, 2012 was primarily attributable to the strong recovery in the domestic financial markets and solid recovery in the international financial markets. The magnitude of the strong recovery in domestic equity markets over the one year period ended September 30, 2012 is evidenced from the 30.20% return for the S&P 500. The magnitude in the recovery in international equity investments over the one year period ended September 30, 2012 is evidenced from the 15.04% return for the International Equity Index. The return of 19.27% for the Fund was above the Fund Policy Benchmark return of 18.69% and placed the Fund's investment in the 26th percentile when compared to other public pension funds as measured by the Fund's investment performance consultant. This means that the Fund's 19.27% return exceeded the returns of 74% of the other public pension funds. The Fund's annualized rate of return was 9.44% over the last three years, 2.57% over the last five years, and 7.16% over the last ten years.

- Revenues (additions to the fund net assets) other than investment income for the 2012 fiscal year were $94,354,959, which comprises member and employer contributions of $84,253,723 and other additions of $10,101,236. This compares to revenues in the amount of $99,950,564 in the prior fiscal year. This 5.6% decrease was largely attributable to a decrease in the employer pension contributions during the fiscal year ended September 30, 2012 from reduced accruals, increased DROP participation, and a slightly reduced work force.

- Net Revenues (additions to fund net assets) derived from net investment income for the 2012 fiscal year was $181,653,432. This strong return for 2012 compares to net investment income in the amount of $415,476 that was recorded in the prior fiscal year as a result of the modest recovery in the financial markets in the prior fiscal year.

- Expenses (deductions in fund net assets) not related to investment activities for the 2012 fiscal year increased from $132,274,249 to $142,218,213 or approximately 7.5%. The majority of this increase was attributable to an increase in the level of benefits credited to the accounts of active DROP plan participants. The magnitude of this increase was primarily linked to the growing number of DROP participants who became enrolled in the DROP during the 2010, 2011, and 2012 fiscal years. The remaining portion of the increase is attributable to new retirees' benefit payments and the 3% contractual cost of living adjustment (COLA) that was effective in January, 2012.

OVERVIEW OF FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the Fund's financial statements, which are comprised of these components: 1) statement of plan net assets, 2) statements of changes in plan net assets, 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 plan net assets** 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 plan net assets** 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 plan net assets and the statement of changes in plan net assets 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) and depreciated over their useful lives.

   These two statements report the Fund's net assets 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 net assets 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 9-20 of this report).

4) **Required supplementary information.** 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 and 23 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.

FINANCIAL ANALYSIS

The Fund provides retirement benefits to police officers and firefighters employed by the Consolidated City of Jacksonville (the "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 net assets held in trust for benefits at September 30, 2012 were $885,238,008, an increase of $133,790,178 or 17.8% from $751,447,830 at September 30, 2011. The increase was largely a result of the strong investment returns available in the financial markets, which when combined with pension contributions, more than adequately supported the level of benefit payments and DROP accruals during the fiscal year.

As a supplement to the core mission of providing retirement benefits to members, the Fund additionally maintains a separate trust fund to manage a program that allows retirees to transfer the value of retirement leave account balances for use in paying health insurance premiums in retirement. To date, 112 members of the Fund have participated in this Terminal Leave Conversion Program ("TLCP"). During fiscal year 2012 the TLCP received $124,178 in participant-directed remittances and accommodated the payment of $131,741 in City health insurance premiums on behalf of participants. As of September 30, 2012, the cash balance held for the benefit of program participants was $229,185.

For the 2012 fiscal year, employer and member contributions were $84,253,723 representing a decrease of 6.4% over the $90,031,989 recorded during the 2011 fiscal year. The decrease in the level of pension contributions experienced during fiscal year 2012 resulted from an increase in the level of actively employed members who elected to become enrolled in the DROP during 2012. Upon such enrollment, the City's 49.6% employer contribution rate is discontinued. The Fund recognized a net investment gain of $181,653,432 for the 2012 fiscal year, compared with a net investment gain of $415,476 for the 2011 fiscal year. The investment gain in 2012 reflected the strong recovery in the domestic financial markets following the modest gains in market values that were experienced in 2011. The magnitude of the comparison in domestic equity markets for the 2012 and 2011 fiscal years is evidenced from the returns from the S&P 500 of 30.20% and 1.14%, 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 Statues. For the 2012 fiscal year, these other revenue sources produced revenues in the amount of $10,101,236 for the Fund, an increase of 1.8% over the $9,918,575 recorded during the 2011 fiscal year.

Deductions from the Fund's net assets held in trust for benefits included mainly retirement and survivor benefits, DROP accruals, refunds of contributions, and administrative expenses. For the 2012 fiscal year, retirement and survivor benefits (including DROP) were $139,866,613, an increase of 7.9% over the $129,634,977 recorded during the 2011 fiscal year. The magnitude of this increase primarily results from the growing number of DROP participants who became enrolled in the DROP during the 2011 and 2012 fiscal years. Administrative expenses during the 2012 fiscal year were $2,351,600 versus $2,639,272 in the prior fiscal year. A large element of this decrease was attributable to decreased levels of expenditures for charges for legal services required from four major court cases in fiscal year 2011 and for renovations to the 3rd floor of the office building.

The Fund's investments, excluding accrued interest and dividends receivable, were $1,110,842,759 at September 30, 2012, which was $159,271,154 or 16.7% more than the $951,571,605 in total Fund investments at September 30, 2011. This increase was primarily a result of the strong investment returns available in the financial markets, which even when combined with decreasing employer pension contributions, were found sufficient to adequately support the level of benefit payments required during the fiscal year.

At September 30, 2012, the Fund held $715,141,781 in U.S. equity and international equity securities, an increase of $134,859,366 or 23.2% from the $580,282,415 held at September 30, 2011. The Fund's money managers administering U.S. equity and international equity securities earned returns of approximately positive 30.18% and positive 14.6%, respectively, for the 2012 fiscal year compared to the Fund's benchmark return of positive 30.2% and positive 15.04%, respectively, on such securities.

At September 30, 2012, the Fund held $279,768,606 in U.S. fixed income securities, an increase of $30,887,949 or 12.4% from the $248,880,657 held at September 30, 2011. The Fund's money managers administering U.S. fixed income securities returned approximately 6.3% for the 2012 fiscal year, compared to the Fund's benchmark return of 5.2% on such securities.

At September 30, 2012, the Fund held $89,154,492 in a commingled U.S. real estate investment trust, an increase of $9,837,279 or 12.4% from the $79,317,213 held at September 30, 2011. The money manager administering real estate products for the Fund earned a return of 12.4% for the 2012 fiscal year, compared to Fund's benchmark return of 11.6% on such investments.

At September 30, 2012, the Fund held $6,757,880 in short-term investments, which represent a decrease of $17,563,748 or minus 72.2% in the $24,321,628 value of short-term investments held at September 30, 2011. 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 PLAN NET ASSETS
AS OF SEPTEMBER 30, 2012

ASSETS:	
Cash and investments	
Cash	$ 183,980
Short-term investments	6,757,880
Investments	1,104,084,879
Total cash and investments	1,111,026,739
Interest and dividends receivable	2,084,038
Due from other governments	2,913,731
Other receivables	230,202
Prepaid assets	63,173
Furniture and equipment:	
Furniture and equipment	356,379
Accumulated depreciation	(303,392)
Net furniture and equipment	52,987
Total Assets	1,116,370,870
LIABILITIES:	
Due to participants	225,728,386
Accounts payable and accrued expenses	2,184,245
Due to City of Jacksonville	3,000,980
Accrued compensated absences and other liabilities	219,251
Total liabilities	231,132,862
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 885,238,008

(See the schedule of funding progress on page 21)

See notes to the financial statements

CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

ADDITIONS:	
Contributions:	
Plan member	$ 11,610,870
Employer	72,642,853
Total contributions	84,253,723
Other contributions:	
Court fines and penalties	770,125
State insurance contributions	9,275,728
Other	55,383
Total other contributions	10,101,236
Investment income (loss)	
Net appreciation in fair value of investments	161,228,529
Interest and dividends	24,864,023
Rental revenue	1,501,891
Investment expenses	(5,745,347)
Rental expenses	(195,664)
Net investment income (loss)	181,653,432
TOTAL ADDITIONS	276,008,391
DEDUCTIONS:	
Pension benefits remitted	96,767,350
DROP benefits remitted	42,791,135
Total benefits remitted	139,558,485
Refunds of contributions	308,128
Administrative expenses:	
Personnel services	1,398,940
Central services	80,456
Supplies	7,494
Depreciation	11,969
Other services and charges	852,741
Total administrative expenses	2,351,600
TOTAL DEDUCTIONS	142,218,213
NET INCREASE (DECREASE)	133,790,178
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	751,447,830
End of year	$ 885,238,008

See notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The financial statements presented are only for the Police and Fire Pension Fund (the "Fund") of the Consolidated City of Jacksonville, Florida (the "City") and are not intended to present the basic financial statements of the City.

The Fund is included in the City's Comprehensive Annual Financial Report (CAFR), which are separately issued documents. Anyone wishing further information about the City is referred to the CAFR in which the Police and Fire Pension Fund has been included.

The Police and Fire Pension Fund (the "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.

Fund Financial Statements
The accounting and financial reporting policies of the Fund included in this report conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Basis of Accounting – These financial statements have been prepared on the accrual basis of accounting. Revenues are recorded at the time they are earned. Benefits paid directly to participants include amounts due to DROP participants, and refunds of contributions are recorded when paid. Refunds of DROP contributions, which are deferred for future pension benefit, are accrued biweekly for DROP remittances and monthly for interest credits. Administrative expenses are recorded when incurred and are financed by the Fund.

Method Used to Value Cash and Investments – Investments, other than non-marketable securities and real estate, are valued at fair market value determined by quoted prices in an active market. For non-marketable 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 market value as determined by appraisals. Short-term investments consist of money market accounts and other short-term invested cash. Such amounts are recorded at cost which approximates market value.

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.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 – PLAN DESCRIPTION

The Fund's membership consists of:

Retirees and beneficiaries currently receiving benefits	2,045
Deferred Retirement Option Program ("DROP") participants	550
Terminated employees entitled to benefits but not yet receiving them	52
Active plan members	2,213
Total	4,860

The Fund, as amended effective April 1, 2001, provides, in general, a 3% annual rate of accrual for retirement benefits after 20 years of credited membership, regardless of age, with a minimum benefit of 60% of the average salary received for the 52 pay periods immediately preceding retirement. An additional 2% for each completed year over 20 up to a maximum of 80% may be earned. There is no mandatory retirement age. Effective April 1, 2000, the Fund provides for a cost of living increase to pensioners and their beneficiaries of 3% per annum.

Pension benefits vest after a minimum of five years of membership. Benefits are computed based on average salary for the 52 pay periods immediately preceding vesting multiplied by 3% times the number of credited years of service. Employees in this category may alternatively select a 100% payout of member contributions to the Fund without interest, upon withdrawal from the Fund.

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 is 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 termination of employment, the member receives the DROP benefits as defined in the plan document and begins to receive normal retirement benefits directly.

Eligible members of the Fund may elect to participate in the Terminal Leave Conversion Program ("TLCP") upon retirement. Upon election to participate, the member's credited Terminal Leave and Retirement Leave account balance is transferred into the Fund. The 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, 2011. The Jacksonville City Council has the authority to amend its contribution to the Fund to not less than the minimum state requirement.

Upon termination of the Fund's pension plan for any reason, the asset value as of the date of termination shall be apportioned as follows:

1. Apportionment shall first be made in respect of each retired police officer and firefighter receiving a retirement income hereunder on such date, each person receiving a retirement income on such date on account of a retired (but since deceased) police officer and firefighter, and each police officer and firefighter who has, by such date, become eligible for normal retirement but has not yet retired.

2. For any value remaining, apportionment shall next be made in respect of each police officer and firefighter in the service of the City on such date who has completed at least 10 years of credited service, and who has contributed to the Fund for at least 10 years.

3. If there remains an asset value after the previous apportionments, apportionment shall lastly be made in respect of each police officer and firefighter in the service of the City on such date who is not entitled to an apportionment under previous paragraphs in the amount equal to his or her total contributions to the Fund to date of termination.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Fund participates in a pooled cash account with other funds at the City. At September 30, 2012, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was $183,980.

The general investment objective of the Fund is to preserve the purchasing power of the Fund's assets and earn a reasonable rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short-term volatility of returns.

The 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, 2012, the carrying amount of these deposits and investments (including the pooled cash account but excluding income producing properties) was $1,091,006,739. 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.

All of the Fund's public deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act* (the "Act"). Under the Act, all qualified public depositories *are* required to pledge eligible collateral having a 'market value equal to or greater than the average daily or monthly balance of all public deposits, multiplied by the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and if necessary, assessments against other qualified public depositories of the same type as the depository in default.

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 as well as 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 September 8, 2010 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, 2012, the office building and parking garage generated $311,891 in rental revenue. The decrease from the prior fiscal year primarily relates to an allowance for uncollectible accounts of $362,163 that was recorded in the current fiscal year. The Fund had sought damages against Club Deal 108 Jax North Florida Venture, Ltd ("Club Deal"), Jax North Florida Venture, LLC ("Jax North"), and the Greenleaf Building Condominium Association, Inc. (the "Association"). The Fund was awarded a monetary judgment (the "Club Deal Judgment") against Club Deal in the sum of $919,012, plus interest from January 1, 2011. Club Deal instituted a Chapter 11 bankruptcy proceeding in which the Fund filed a claim with respect to the Club Deal Judgment. During the current fiscal year, the Fund agreed to a settlement of $150,000 from Club Deal in consideration of the settlement of any foregoing actions, final judgments, and its claim on the Chapter 11 bankruptcy proceeding with Club Deal, Jax North, and the Association, as applicable.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

In a prior fiscal year, the City approved an ordinance which allowed the City to convey three vacant buildings to the Fund in an exchange for a reduction in the unfunded accrued actuarial liability of the Fund in the amount of $3,025,000. In a prior year, the Fund incurred costs of $1,792,638 to pay for improvements to these buildings, of which $1,050,000 in such costs was reimbursed by the City and the State in the form of matching funds. In a prior fiscal year, the City approved an ordinance which allowed the City to convey one vacant building to the Fund in an exchange for a reduction in the unfunded accrued actuarial liability of the Fund in the amount of $3,000,000, which is the amount that the City paid for the building. The City transferred the property to the Fund on December 5, 2007. In prior fiscal years, the Fund incurred costs of $14,286,448 to pay for improvements to this building, of which $4,286,448 was reimbursed by the City via a transfer from the City's Capital Projects Funds. 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, 2012, the building generated $1,190,000 in rental revenue. According to the terms of the lease, the landlord shall be entitled to 8.5% annual simple interest return on its out-of-pocket costs not to exceed $10 million incurred up to the date of payment during the renovation period prior to the beginning of the lease term. Thereafter, the annual rent will be 11.9% of the total out of pocket costs not to exceed $10,000,000, incurred by the landlord in connection with the premises.

At September 30, 2012, the recorded values of all cash and investments were as follows:

US Government and agency obligations	$	120,080,899
Corporate bonds		59,790,476
Mortgage-backed securities		93,023,508
Asset-backed securities		6,873,723
Common stocks		492,483,565
Funds - common stock		220,930,789
Rights/warrants		11,168
Equity exchange traded fund		1,716,259
JP Morgan Strategic Property Fund		89,154,492
Real estate (land and buildings)		20,020,000
		1,104,084,879
Short-term investments		6,757,880
Cash		183,980
Total cash and investments	$	1,111,026,739

During 2012, the Fund's investments (including investments bought and sold as well as held during the year) appreciated/depreciated in value as follows:

US Government and agency obligations	$	5,240,442
Corporate bonds		3,436,129
Mortgage-backed securities		443,897
Asset-backed securities		93,551
Guaranteed fixed income		(32,263)
Common Stocks		122,703,341
Funds - common stock		21,879,656
Preferred Stock		72,461
Rights/Warrants		7,114
Staped Securities		(1,153)
Equity Exchange Traded Fund		603,833
JP Morgan Strategic Property Fund		5,531,146
Real Estate		1,250,375
	$	161,228,529

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk – This is the risk that changes in market interest rates would adversely affect the fair value of an investment. Other than a general limit on fixed income securities of 25% of Fund assets, the Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the investments over time for the Fund to market interest rate fluctuations is provided in the following table.

As of September 30, 2012, the Fund's debt security investments had the following maturities:

		Investment Maturities (in Years)			
	Fair Value	**Less Than 1**	**1-5**	**6-10**	**More than 10**
US Government and agency obligations	$ 120,080,899	$ 4,639,640	$ 52,736,237	$ 14,943,941	$ 47,761,081
Corporate bonds	59,790,476	-	26,950,442	27,732,763	5,107,271
Mortgage-backed and other asset-backed securities	99,897,231	-	5,366,827	3,402,796	91,127,608
	$ 279,768,606	4,639,640	85,053,506	46,079,500	143,995,960

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.

The Fund holds certain investments in mortgage-backed and other asset-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 these investments.

Foreign Currency Risk – As of September 30, 2012, the Fund's exposure to foreign currency risk is as follows (all such investments are held in foreign common stock):

European Euro	$ 10,105,875
Japanese Yen	10,170,554
British Pound	5,950,492
Swiss Franc	3,218,060
Australian Dollar	1,274,371
Singapore Dollar	816,782
Hong Kong Dollar	1,873,665
Swedish Krona	1,409,802
South African Rand	326,253
Norwegian Krone	241,568
South Korean Won	257,699
	$ 35,645,121

The Fund's investment policy permits it to invest up to 20% of total investments in foreign investments. The Fund's current position is approximately 3.2%.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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 (40%), fixed income securities (25%), real estate (15%), and international equities (20%). 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.

As of September 30, 2012, the Fund's debt security investments credit risk is as follows:

Credit Risk	Fair Value
U.S. Treasuries	$ 64,191,850
U.S. Agencies	133,067,403
S&P AAA/Moody's Aaa	12,429,938
S&P AA+	8,973,825
S&P AA	494,312
S&P AA-	2,489,771
Moody's Aa3	214,577
S&P A+	8,357,719
S&P A	12,346,510
S&P A-	12,141,429
Moody's A3	69,895
S&P BBB+	6,936,071
S&P BBB	11,720,499
S&P BBB-	6,258,307
S&P BB+	76,500
	$ 279,768,606

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, 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. The Fund's investments are either held in the name of the Fund or held in trust under the Fund's name.

Use of Estimates – The Fund uses various investment instruments which, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of the investment securities will occur in the near term such that changes could materially affect amounts reported in the financial statements.

NOTE 4 – RESERVE ACCOUNTS

An agreement between the Fund and the City established certain reserve accounts consisting of an Enhanced Benefit Reserve Account and a City Budget Stabilization Account. Each reserve account is established to account for contributions in excess of current funding requirements and related earnings thereon for the purpose of leveling the impact of actuarial gain and losses on current funding requirements and to allow greater flexibility in funding options and the granting of enhanced benefits. These reserve accounts totaled $28,406,915 at September 30, 2012.

NOTE 5 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Fund's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the individual entry age actuarial cost method. The Fund also uses the level percentage of payroll method to amortize any unfunded liability and changes in plan provisions, actuarial assumptions, and gains and losses over a period of 5-30 years.

Fund members are required to contribute 7% of their annual covered salary (DROP participants contribute 2%). The City is required to contribute an actuarially determined percentage of the members' annual covered salary (49.60% for 2012). The remaining required contribution is primarily comprised of state insurance contributions, fines and forfeitures, and transfers from the reserve accounts.

The Fund had an annual pension cost of $90,277,776 for the fiscal year ended September 30, 2012, which was equal to the actual and required contributions. Three-year trend information is as follows:

Plan Fiscal Years Ended September 30,	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation
2010	1 $ 95,019,914	100%	-
2011	94,631,375	100%	-
2012	90,277,776	100%	-

1 The value for 2010 was revised by the Fund's actuary.

See Note 8 for actuarial assumptions and methods used.

NOTE 6 – 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, 2012.

NOTE 7 – 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.

NOTE 8 – ACTUARIAL METHODS AND ASSUMPTIONS

The information methods and assumptions used in valuations on which reported information about the Annual Required Contribution, Annual Pension Cost, the funded status, and the funding progress of the pension plan is based on the following:

Valuation date	October 1, 2011
Actuarial cost method	Individual entry age
Amortization method	Level percent; open
Remaining amortization period	5-30 years
Asset valuation method	5 year smoothing
Actuarial assumptions:	
Net investment rate of return * (effective 10/1/11)	7.75%
Projected salary increases *	5.0%
* Includes inflation percentage of	3.0%
Post-retirement benefit increases	3.0%

NOTE 9 – FUNDING PROGRESS

Plan Fiscal Year Ended September 30,		Actuarial Value of Assets	Actuarial Accrued Liability ("AAL")	Unfunded AAL ("UAAL")	Funded Ratio	Annual Covered Payroll	Ratio of UAAL to Annual Covered Payroll
		(a)	(c)	(c-a)	(a/c)	(d)	[(c-a)/d]
2007		$ 930,454,052	$ 1,464,507,647	$ 534,053,595	63.53%	$ 143,006,154	373.45%
2008		894,903,336	1,692,974,683	798,071,347	52.86%	148,276,743	538.23%
2009		855,996,514	1,753,945,664	897,949,150	48.80%	155,557,729	577.24%
2010	1	1,060,406,308	2,024,453,414	964,047,106	52.38%	158,046,680	609.98%
2011	1	1,039,894,242	2,427,197,626	1,387,303,384	42.84%	148,967,906	931.28%
2012*		*	*	*	*	*	*

* An updated actuarial valuation for the Plan was not completed as of the date of issuance of this report.

1 Beginning with plan year 2010, the actuarial value of assets and AAL reflect accumulated DROP payments along with DROP and RLA interest since these are assets of the Trust. Beginning with plan year ending 2011, the Senior Staff Voluntary Retirement Plan is recognized as part of the assets of the Trust.

See Note 8 for actuarial assumptions and methods used and the schedule of funding progress in the Required Supplementary Information section. The schedule of funding progress provides multi-year trend data to help determine whether plan assets are increasing or decreasing relative to the actuarial accrued liability for benefits over time.

NOTE 10 – MODIFICATIONS TO THE PLAN

Due to the fiscal situation caused by worldwide economic issues, meltdown of the Domestic stock market, credit crisis, record unemployment and historic decline in property values and tax receipts, the Trustees recognize the concept of meaningful modifications to the pension funding and benefit structure for new members. Any modifications to the current pension benefit structure shall be limited to new members of the Fund who become members after the effective date of amendments to the Ordinance Code implementing any modifications to the pension benefit structure and State approval as may be required. As of the report date, no formal action has been taken.

NOTE 11 – PENSION PLANS FOR FUND EMPLOYEES

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, and one surviving spouse. 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 of Jacksonville's Comprehensive Annual Financial Report (CAFR).

A. 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. Employer contributions – The Fund is required to contribute such sums as are necessary, together with member contributions and earnings, to maintain the Plan on a sound actuarial basis. The contribution rate for fiscal year 2012 was 33.09%. For the fiscal years ended September 30, 2012, 2011, and 2010, the Fund contributed $117,460, $101,004, and $247,476, respectively, to the SERP for covered employees. For the fiscal years ended September 30, 2012, 2011, and 2010, the Fund's actual contribution amount exceeded the annual required contribution (ARC) amount by $7,419, $0, and $148,010, respectively. A net pension asset (negative net pension obligation) was not recorded as it was immaterial to the Fund and the SERP is not fully funded on an actuarial basis (see UAAL in 4. below).

3. Employee contributions – The employees contribute seven percent of their salary. For the fiscal years ended September 30, 2012, 2011, and 2010, the employees contributed $24,848, $33,885, and $35,423 respectively, to the SERP.

NOTE 11 – PENSION PLANS FOR FUND EMPLOYEES (Continued)

4. Funding progress –

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
October 1, 2011*	$ 2,345,679	$ 3,346,073	$ 1,000,394	70.1%	$ 238,702	419.1%

*Since the aggregate method does not separately amortize unfunded actuarial liabilities, the actuarial accrued liability for the Plan is determined using the entry age actuarial cost method. See below for actuarial assumptions and methods used and the schedule of funding progress in the Required Supplementary Information section. The schedule of funding progress provides multi-year trend data to help determine whether plan assets are increasing or decreasing relative to the actuarial accrued liability for benefits over time.

5. Annual Pension Cost/Annual Required Contributions –

Plan Fiscal Year Ended September 30,	Employee Contributions	Employer Contributions	Total Contributions	Annual Pension Cost (APC)/ Annual Required Contribution (ARC)	Percent of APC Contributed	Net Pension Obligation/ (Asset)
2010	$ 35,423	$ 247,476	$ 282,899	$ 134,889	210%	$ (148,010)
2011	33,885	101,004	134,889	134,889	100%	-
2012	24,848	117,460	142,308	134,889	106%	(7,419)

* Note: The Net Pension Asset was not recorded as it was immaterial to the Pension Fund and the SERP is not fully funded on an actuarial basis.

6. Actuarial Methods and Assumptions –

Valuation date	October 1, 2011
Actuarial cost method	Aggregate
Amortization method*	N/A
Amortization period*	N/A
Asset valuation method	5 year smoothing

Actuarial assumptions:

Net investment rate of return: 7.75% compounded annually.
Inflation rate: 3.0% annually.
Mortality Table in use: RP-2000 Combined Healthy Mortality Table, separate by sex; Projection Scale AA to valuation date.
Salary Scale: None.
Post-retirement benefit increases: 3.0% compounded annually.
Percent Married: 100%
Retirement Ages: The active employee is assumed to retire in two years.
Age Differences for Spouses of Employed: Females are 3 years younger than male

*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.

NOTE 11 – PENSION PLANS FOR FUND EMPLOYEES (Continued)

B. City of Jacksonville Retirement System (JRS)

1. Plan Description –

   a. The GEPP Contributory Defined Benefit (DB) Pension Plan provides vesting of benefits after five years of creditable service. Members are eligible for normal retirement on the next pay period following: the date upon which the member completes 30 years of credited service, regardless of age; or the date upon which the member attains age 55 with 20 years of credited service or the date upon which the member attains age 65 with five years of service. Retirement benefits shall be equal to 2.5% of average final compensation for each year of credited service. Benefits shall be paid on a bi-weekly basis. Early retirement shall be available to a member the first full pay period following the completion of 25 or more years of service, but less than 30 years of service, regardless of age with a benefit of 2.0% per year of credited service or the attainment of age 50 and a completion of 20 years of credited service with the benefit of 2.5% of credited service reduced at the rate of 0.5% per month for each month that the member's retirement date precedes the attainment of age 55. 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 disability retirement and death benefits.

   b. The GEPP Defined Contribution (DC) Pension Plan provides vesting of benefits at 25% upon the conclusion of two years of credited service and shall vest an additional 25% each year thereafter until fully vested upon the conclusion of five years of credited service.

2. Employer contributions –

   a. DB Plan - The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate assets to pay benefits when due. For the fiscal years ended September 30, 2012, 2011, and 2010, the Fund contributed $53,557, $40,028, and $39,528, respectively, to the DB Plan for covered employees which was equal to the required contributions.

   b. DC Plan - The Plan's funding policy provides for a 7.7% bi-weekly contribution to the City's DC Trust Administrator on behalf of the employee. For the fiscal years ended September 30, 2012, 2011, and 2010, the Fund contributed $5,002, $0, and $0 respectively, to the DC Plan for covered employees.

3. Employee contributions –

   a. DB Plan - The employees contribute 7.7% of their salary. For the fiscal years ended September 30, 2012, 2011, and 2010, the employees contributed $23,545, $22,976, and $22,394 respectively, to the GEPP DB Plan.

   b. DC Plan – One employee contributes 7.7% of his salary. For the fiscal years ended September 30, 2012, 2011, and 2010, the employee contributed $5,002, $0, and $0 respectively, to the GEPP DC Plan.

4. Disability – For both the DB and DC plans, the employer and employee contribute 0.3% of wages for the disability provision.

5. Funding progress – Please see the City of Jacksonville's CAFR for Funding Progress of the GEPP DB Plan. The GEPP DC Plan is fully funded on a bi-weekly payroll basis.

NOTE 12 – SUBSEQUENT EVENTS

Change in Market Value of Investments

As of December 31, 2012, the market value of investments including accruals of interest and dividends receivable was $1,218,690,399. This balance includes a transfer of $103,443,000 from the City. As such, the change in market value attributable to investment returns from September 30, 2012 is approximately 8% when annualized.

Litigation

Subsequent to fiscal year end, Resolution 2012-624 was approved by City Council authorizing General Counsel to commence litigation to determine legal validity of the Fund's Senior Staff Voluntary Retirement Plan (discussed in Note 11 above).

Minimum Required Contribution

As of October 1, 2011, the City's contribution rate was increased to 81.91% of active members' salaries.

REQUIRED SUPPLEMENTAL SCHEDULES

CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND

SCHEDULE OF FUNDING PROGRESS AS OF SEPTEMBER 30, 2012

Plan Fiscal Year Ended September 30,	Actuarial Value of Assets (a)	Accumulated Reserve Accounts (b)	Actuarial Accrued Liability ("AAL") (c)	Unfunded AAL ("UAAL") (c-a)	Funded Ratio (a/c)	Covered Valuation Payroll (d)	UAAL as a Percentage of Covered Payroll [(c-a)/d]
2006	$ 827,337,661 [1]	$ 12,177,690	$ 1,376,658,788	$ 549,321,127	60.10%	$ 134,694,392	407.83%
2007	930,454,052	19,895,785	1,464,507,647	534,053,595	63.53%	143,006,154	373.45%
2008	894,903,336	12,723,482	1,692,974,683	798,071,347	52.86%	148,276,743	538.23%
2009	855,996,514	13,048,401	1,753,945,664	897,949,150	48.80%	155,557,729	577.24%
2010	1,060,406,308 [2]	22,116,760	2,024,453,414	964,047,106	52.38%	158,046,680	609.98%
2011	1,039,894,242 [2]	24,371,814	2,427,197,626	1,387,303,384	42.84%	148,967,906	931.28%
2012*	*	*	*	*	*	*	*

* An updated actuarial valuation for the Plan was not completed as of the date of issuance of this report.

1 For Plan Years ending 9/30/06 and 9/30/07, the Actuarial Value of Assets was changed to equal Market Value.

2 Beginning with plan year 2010, the actuarial value of assets and AAL reflect accumulated DROP payments along with DROP and RLA interest since these are assets of the Trust. Beginning with plan year ending 2011, the Senior Staff Voluntary Retirement Plan is recognized as part of the assets of the Trust.

Changes from the October 1, 2008 valuation to the October 1, 2011 valuation:

Mortality for healthy lives was changed from 1994 GAM, separate by sex, to RP-2000. Combined Healthy Mortality Table, separate from sex, Projection Scale AA to valuation date. Mortality for disabled lives was changed from 1994 GAM, separate by sex, with 10 year set forward to RP-2000 Disabled Retiree Table, separate by sex, Projection Scale AA to valuation date.

The salary scale was decreased from 5.5% to 5.0%.

The retirement decrements were increased and revised to use service based rates rather than age based.

The net investment yield assumption was reduced for 8.5% to 7.75% compounded annually, net of investment expenses.

The amortization of the unfunded actuarial accrued liability assumes a payroll increase of 4.5% per year, decreased from the prior 5.25% per year.

Disability decrements have been eliminated.

See Note 8 to the notes to the financial statements

CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND

SCHEDULE OF FUNDING PROGRESS AS OF SEPTEMBER 30, 2012
FOR THE SENIOR STAFF VOLUNTARY RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL), Entry Age^ (b)	(Over) Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percent of Covered Payroll [(b-a)/c]
July 1, 2005	$ 1,220,720	$ 1,917,409	$ 696,689	63.7%	$ 409,631	170.1%
October 1, 2006*	*	*	*	*	*	*
October 1, 2007*	*	*	*	*	*	*
October 1, 2008*	*	*	*	*	*	*
October 1, 2009**	2,018,764	2,733,453	714,689	73.9%	265,612	269.1%
October 1, 2010*	*	*	*	*	*	*
October 1, 2011	2,345,679	3,346,073	1,000,394	70.1%	238,702	419.1%

^ The actuarial accrued liability for the Plan is determined using the entry age actuarial cost method.

* The Fund elected not to have an actuarial valuation performed.

** The Fund elected to move the actuarial valuation date from a July 1 basis to an October 1 basis.

Actuarial Assumptions:
- Earnings rate: 7.75% compounded annually.
- Mortality Table in use: RP-2000 Combined Healthy Mortality Table, separate by sex; Projection Scale AA to valuation date.
- Salary Scale: None.
- Cost of Living Adjustments (COLA): 3.0% compounded annually.
- Percent Married: 100%
- Retirement Ages: The active employee is assumed to retire in tw o years.
- Age Differences for Spouses of Employed: Females are 3 years younger than males.

Changes since the October 1, 2009 valuation:
- The salary scale has been eliminated.
- The net investment yield w as reduced for 8.5% to 7.75% compounded annually.
- The active employee is assumed to retire in tw o years.
- Disability decrements have been eliminated.

See Note 11 to the notes to the financial statements

CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Plan Fiscal Year Ended September 30,		Annual Required Contributions (ARC)*	City Cash Contributions	Allocated from CBSA	Court Fines	Premium-Tax Refunds	Total Employer Contributions	Total Member Contributions	Percentage Contributions
2006		$ 53,263,387	$34,711,990	$2,105,596	$1,412,475	$5,387,776	$ 43,617,837	$ 9,645,550	100%
2007		55,926,556	42,866,015	(4,358,257)	1,341,955	5,720,247	45,569,960	10,356,596	100%
2008		65,389,407	47,145,307	442,776	1,218,796	5,931,069	54,737,948	10,651,459	100%
2009		67,993,368	49,246,033	329,448	988,726	6,222,309	56,786,516	11,206,852	100%
2010	1	95,019,914	81,170,863	(5,014,820)	1,026,015	6;321,868	83,503,926	11,515,988	100%
2011		94,631,375	75,038,616	1,162,380	864,318	5,958,716	83,024,030	11,607,345	100%
2012		90,277,776	69,828,557	3,130,318	770,125	5,344,459	79,073,459	11,204,317	100%

* Excess contributions from all sources are accumulated in the City Budget Stabilization Account (CBSA), which is drawn upon if actual contributions fall below the annual required contribution.

1 The value for 2010 has been revised.

In all years shown, 100% of the ARC has been contributed thus producing a Net Pension Obligation of $0 for all years.
City Cash Contributions shown above do not include employer buyback contributions.
Total Member Contributions shown above include DROP contributions, but do not include employee buyback contributions.

See Note 8 to the notes to the financial statements

CITY OF JACKSONVILLE, FLORIDA
POLICE AND FIRE PENSION FUND

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND MEMBERS FOR THE SENIOR STAFF VOLUNTARY RETIREMENT PLAN FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Plan Fiscal Year Ended September 30,	Annual Required Contributions (ARC)	Member Contributions	Employer Contributions	Total Contributions	Percentage Contributions
2007	$ 121,637	$ 32,174	$ 133,029	$ 165,203	136%
2008	121,637	33,837	155,214	189,051	155%
2009	121,637	35,553	183,352	218,905	180%
2010	134,889	35,423	247,476	282,899	210%
2011	134,889	33,885	101,004	134,889	100%
2012	134,889	24,848	117,460	142,308	106%

Certain adjustments are made to the annual required contribution (ARC) if the plan carries a net pension obligation (NPO). The NPO (asset if a credit) is defined in GASB No. 27 as the cumulative difference at the date of adoption (or transition) between annual requirements and actual contributions plus the cumulative difference between the requirements and contributions after that date. For 2012, additional contributions resulted in a net pension credit (negative NPO) of $7,419.

See Note 11 to the notes to the financial statements

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

We have audited the financial statements of the Police and Fire Pension Fund (the "Fund") of the Consolidated City of Jacksonville, Florida (the "City") as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated January 29, 2013. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

This report is intended solely for the information and use of the Board of Trustees, management of the Fund, and Fund members and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Associates

January 29, 2013