St. Johns River Power Park System
Employees' Retirement Plan

Financial Statements

For the Year Ended
September 30, 2019

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ASSETS		
Cash and cash equivalents	$	2,370,042
Investments at fair value:		
Bonds and notes		64,406,745
Equities		48,685,856
Mutual funds		45,997,485
Total investments		159,090,086
Receivables:		
Accrued interest and dividends		453,065
Employee		138,311
Due from brokers		18,910
Total receivables		610,286
Total assets		162,070,414
LIABILITIES		
Due to brokers		57,801
Total liabilities		57,801
Fiduciary net position available for benefits	$	162,012,613

St. Johns River Power Park System
Employees' Retirement Plan
Statement of Changes in Fiduciary Net Position (unaudited)
September 30, 2019

Additions to net position:		
Employees' contributions	$	90,149
Investment Income:		
Gains		1,990,718
Interest		1,974,110
Dividends		1,089,689
Other income		33,632
Less investment expenses:		
Investment management fees		(343,906)
Trustee fees		(134,647)
Net investment income		4,609,596
Total additions to fiduciary net position		4,699,745
Deductions from net position:		
Benefits paid directly to participants		13,197,971
Administrative fees		153,941
Total deductions from plan net assets		13,351,912
Net change in fiduciary net position		(8,652,167)
Fiduciary net position available for benefits - beginning of the year		170,664,780
Fiduciary net position available for benefits - end of the year	$	162,012,613

The accompanying notes are an integral part of these statements.

St. Johns River Power Park System
Employees' Retirement Plan
Notes to Financial Statements (unaudited)

1. Description of Plan

The following description of the St. Johns River Power Park System Employees' Retirement Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan is a single employer contributory defined benefit plan that covers former employees of the St. Johns River Power Park System (SJRPP). SJRPP previously operated a coal-fired power plant that was jointly owned and operated by JEA (80% ownership interest) and Florida Power & Light (FPL) (20% ownership interest). As part of the Asset Transfer Agreement with FPL related to the shutdown of SJRPP, JEA assumed all obligations of the Plan. The Plan provides for pension, death and disability benefits. As SJRPP no longer has employees, the Plan will not have any new participants. The Plan is subject to provisions of Chapter 112, Florida Statutes and the oversight of the Florida Division of Retirement. A three member Pension Committee (Committee), made up of the JEA Treasurer (Chair), JEA Controller, and JEA Director of Energy Project Management and Joint Assets, governs the Plan.

As of September 30, 2019, the Plan reported fiduciary net position available for benefits of \$162,012,613. The Plan had assets of \$162,070,414, which include investments of \$159,090,086 cash and cash equivalents of \$2,370,042, accrued interest and dividends of \$453,065, employee receivable of \$138,311, and due from brokers of \$18,910, offset by total liabilities of \$57,801.

Membership in the Plan consisted of the following at October 1, 2019:

Inactive plan members or beneficiaries currently receiving benefits	382
Inactive plan members entitled to but yet receiving benefits	80
Active participants	5
Total participants	467

Plan members are required to contribute 4% of their annual salary in accordance with the provisions of IRC Section 414(h). The Plan requires funding of contributions from SJRPP be made according to an actuarial valuation. All employer contributions are irrevocable. The Plan pays all investment related administrative costs directly while the employer pays all other administrative costs and receives reimbursement from the Plan.

1. Description of Plan (continued)

The Plan's funding policy provides for biweekly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due.

According to the Committee, the funding objective of the Plan is to establish and receive contributions, bringing the funding ratio of the Plan to 100% by October 1, 2019.

Effective February 25, 2013, a Plan amendment closed the Plan to all new employees hired on or after February 25, 2013. The Plan provisions continue only for those employees who have either, as of February 24, 2013, reached age 60 with 5 years of service or completed 20 years of service regardless of age (Tier 1). All other participants had their benefit accruals frozen and had established individual Cash Balance Accounts as of February 25, 2013 (Tier 2). The provisions applicable to Tier 1 govern distributions of the Frozen Tier 1 Benefits.

Employee Group	Eligibility Requirement for Participation in Tier (as of February 24, 2013)	Benefit Changes Made
Group A	Active employees Age 60 with 5 Years of Service (YOS), or Age 55 with 20 YOS, or 30 YOS regardless of age.	None, Future Benefits Accrue as Stated under Current Defined Benefit (DB) Plan – Tier 1.
Group B	20 YOS but less than 30 YOS and have not yet attained Age 55.	Removal of the BACKDROP benefit; All other DB Plan Provisions the same as Group A - Tier 1.
Group C	A Participant who accrued Tier One Benefits in the Plan prior to February 25, 2013, but who does not meet the definition of a Group A or Group B Employee is a Group C employee. Effective February 25, 2013, the Tier One Benefits of Group C employees were frozen. Group C Employees became eligible to accrue Tier Two Benefits effective February 25, 2013.	Effective February 25, 2013, the Tier One Benefits of Group C employees were frozen. Group C Employees became eligible to accrue Tier Two Benefits (a.k.a. Cash Balance Account) effective February 25, 2013.
Group D	A Participant who is newly hired or rehired on or after February 25, 2013. Group D employees are only eligible to accrue Tier Two Benefits.	Employees receive annual pay credits to their Cash Balance accounts.

1. Description of Plan (continued)

All participants who have met the criteria below are entitled to a monthly plan benefit beginning on the first day of the month following the participant's normal retirement date equal to the accrued monthly benefit date:

- Five or more years of vesting service (a year in which an employee has completed 1,000 hours of employment) and have attained age 65
- 20 years of vesting service and have attained age 55
- 30 years of vesting service.

The Plan permits early retirement for participants who have attained the age of 55 and completed ten years, but less than 20 years of vesting service. Early retirement benefits begin the month after the early retirement date. A participant may elect, in writing, to defer the commencement of their benefits until a later date after the early retirement date up to the normal retirement date. As a result of the plant shutdown announced March 17, 2017, all employees actively employed on the plant shutdown date who attained the age of 55 were eligible to retire immediately regardless of the accrued service without a benefit reduction.

BACKDROP benefits are calculated as if the retiree elected to retire up to 5 years earlier. The benefit is based upon the final average earnings (FAE) and Benefit Service as of the beginning of the BACKDROP period and is equal to the accumulation of the retirement benefits that the participant would have received over the BACKDROP period plus interest. Each year, interest is credited or debited to the BACKDROP based upon the Plan's Actuarial rate of return for that year. The rate is guaranteed to be no less than (4) % and no more than 4% per annum.

Termination benefits are available to any participant who terminated employment other than by retirement or death, after completion of five years of vesting service. The termination benefit is the accrued benefit determined as of the date of termination and payment of that benefit commences monthly on the first month after the participant has attained age 65.

If an active participant becomes totally and permanently disabled, the participant is eligible for retirement if they have attained the age of 55 and completed ten years of vesting service.

If a participant should die while in active service, but after early retirement, their surviving spouse is entitled to a benefit based on the participant's years of service to the date of death. This benefit is payable on the first day of the month the participant is retirement eligible and is based on the 75% joint and survivor's form of payment as of the date of commencement of the benefit.

1. Description of Plan (continued)

Benefit terms provide a 1% annual cost-of-living increase for participants retired on or after October 1, 2003, and applicable to Tier One Benefits only; beginning each October 1 following the fifth anniversary of payment commencement.

When JEA and FPL agreed to shut down the coal plant, the following modifications were made to the Plan.

- Participants with at least 30 years of service, who only had Tier 1 defined benefits under the Plan, were allowed to receive their accrued benefit at plant closure. Participants who were at least age 55 were allowed to receive their accrued benefit at plant closure, without any application of early payment reduction factors.

- Participants who have not reached age 55 may draw their pension benefits upon reaching age 55, with no early payment reduction factors as defined in the plan's agreement. If the participant had at least 10 years of service but less than 30 years, they can draw at 88% of the Tier 1 benefit that they would have drawn at age 65 and, if less than 10 years of service, they can draw at 78% of the Tier 1 benefit that they would have drawn at age 65.

- For participants having both Tier 1 and Tier 2 benefits, those benefits must be taken at the same time. If a participant only has Tier 2 benefits, they can receive those benefits as soon as they reach the age of 55.

- An alternative refund option was offered to those employees who were under age 55 and did not have 30 years of service where they could choose to forfeit their entire benefits under the Plan and instead receive a refund, without interest, consisting of their total participant contributions made during participation in the Plan.

2. Summary of Significant Accounting Policies

A. Basis of presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

B. Cash and cash equivalents

The Plan's cash and cash equivalents include cash on hand, bank demand accounts, money market mutual funds, and short-term liquid investments purchased with an original maturity of 90 days or less.

C. Investment valuation and income recognition

Investments in U.S. Treasury, federal agency, corporate bonds, mortgage/asset–backed securities, other fixed income securities, and common stock are recorded at fair value as determined by quoted market prices. Investments in money market mutual funds are recorded at cost, which approximates fair value. Realized gains and losses on sales of investments are calculated using the average cost for the fund.

D. Payment of benefits

The Plan's benefit payments to participants are recorded upon distribution.

E. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

3. Cash and Investments

Cash balances are amounts on deposit with the Plan's trust bank, as well as amounts held in various money market funds as authorized in the Investment Policy Statement (Policy). All investments shall comply with the Policy as approved by the Committee, and with the fiduciary standards set forth by the Employee Retirement Income Security Act and requirements set forth by the Florida Statutes. The trust bank balances are collateralized and subject to the Florida Security for Public Deposits Act of Chapter 280, *Florida Statutes*.

The Plan follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments are presented at fair value, which is based on available or equivalent market values. The money market mutual fund is a 2a-7 fund registered with the SEC and, therefore is presented at actual pooled share price, which approximates fair value.

At September 30, 2019, the Plan's cash and cash equivalents consist of the following:

Cash on hand	$ 1,740
Cash equivalents:	
Wells Fargo Treasury Plus Money Market Account	2,368,302
Total cash and cash equivalents	$2,370,042

The Policy specifies investment objectives and guidelines for the Plan's investment portfolio and provides asset allocation targets for various asset classes.

At September 30, 2019, investments controlled by the Plan that represent 5% or more of the Plan's net position were the Alliance Domestic Passive Collective Trust with a basis of $14,867,724 and a fair market value of $45,997,485. This investment represent 28% of the fiduciary net position available for benefits.

Interest rate risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally speaking, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan's fixed income portfolio manager monitors the duration of the fixed maturity securities portfolio as part of the strategy to manage interest rate risk. As of September 30, 2019, the average modified duration of the managed fixed securities portfolio was 4.5 years.

3. Cash and Investments (continued)

Credit risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to real or perceived changes in the ability of the issuer to repay its debt. The Plan's rated debt instruments as of September 30, 2019 were rated by Standard & Poor's and/or an equivalent nationally recognized statistical rating organization. The fixed income managers limit their investments to securities with an investment grade rating (BBB or equivalent) and, as of September 30, 2019, the overall weighted average composite quality rating of the managed fixed income portfolio was Aa3.

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All the Plan's investments are held by the Plan's directed trustee and custodian in the Plan's name, or by an agent in the Plan's name.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The Policy specifies an overall target allocation of 55% equities and 45% fixed income, including cash and further specifies target allocations for the equity investments among several asset classes. The Policy also allows the percentage allocation to each asset class to vary by plus or minus 5% depending upon market conditions.

The fair value of the asset classes and portfolio as of September 30, 2019 and specific target allocations are as follows:

	Fair Value	Actual Percent	Target Percent
U.S. Government & Agencies	$ 35,008,099	22%	N/A
Corporate bonds and notes	29,398,645	18%	N/A
Money Market / Cash	2,368,302	1%	N/A
Total fixed income	$ 66,775,047	41%	45%
S&P 500 Index Fund	45,997,485	28%	28%
S&P 400 Mid-Cap Index Fund	20,394,470	13%	11%
Small and Mid-Cap Value Fund	14,486,754	9%	8%
International Equities	13,804,632	9%	8%
Total equities	$ 94,683,341	59%	55%
Total	$ 161,458,388		

3. Cash and Investments (continued)

For the year ended September 30, 2019, the annual money-weighted rate of return on pension plan investments was 2.81%. This reflects the changing amounts actually invested.

Foreign currency risk

Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair market value of the investment or a deposit. The Plan is exposed to foreign currency risk through investments in international equity mutual funds. Investments in international equities are limited by the Policy's target asset allocation for that asset class. The target for international equities is 8% of the total portfolio. The international fund comprised 9% of total investments as of September 30, 2019.

4. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. It provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

SJRPP categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that are accessible at the measurement date
- Level 2 – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for an asset or liability

4. Fair Value Measurements (continued)

The table below summarizes the Plan's investments. Level 1 investments are valued using prices quoted in active markets for those securities. Level 2 investments are valued using direct market observations combined with quantitative pricing models to generate prices.

	Level 1	Level 2	Total
U.S. Government & Agencies	$ 21,960,297	$ 13,047,802	$ 35,008,099
Corporate bonds and Notes	$ -	$ 29,398,645	$ 29,398,645
Wells Fargo Treasury Plus Money Market Fund	$ 2,368,302	$ -	$ 2,368,302
Total fixed income	$ 24,328,600	$ 42,446,447	$ 66,775,047
S&P 500 Index Fund	$ -	$ 45,997,485	$ 45,997,485
S&P 400 Mid-Cap Index Fund	$ 19,885,592	$ 508,879	$ 20,394,470
Small and Mid-Cap Value Fund	$ 12,585,271	$ 1,901,482	$ 14,486,754
International Equities	$ 134,291	$ 13,670,341	$ 13,804,632
Total equities	$ 32,605,154	$ 62,078,187	$ 94,683,341
Total	$ 56,933,754	$ 104,524,634	$ 161,458,388

5. Federal Income Taxes

The Plan obtained a determination letter on the plan documents as of March 4, 1986 and an updated determination letter as of August 21, 2003, in which the Internal Revenue Service stated that the Plan, as then designed, complied with the applicable requirements of the Internal Revenue Code (IRC). The Plan administrator believes the Plan has operated in accordance with the Plan documents and the IRC as a governmental pension plan. The Plan is not subject to the requirements of the Employee Retirement Income Security Act.

6. Actuarial method and assumptions

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees' who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation during their last five years of credited service. The accumulated plan benefits for active employees are based on their average compensation during the five years ending on the date as of which the benefit information is presented (the valuation date).

Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

6. Actuarial method and assumptions (continued)

The annual required contribution was determined by actuarial valuation using the Individual Entry Age Actuarial Cost Method. Under this method, the cost of each participant's projected retirement benefit is funded through a series of annual payments, determined as a level of percentage of each year's earnings, from age at hire to assumed exit age. The actuarial accrued liability (AAL) less the fair value of plan assets is the unfunded actuarial accrued liability (UAAL). The actuarial assumptions include the updated life expectancy calculation to coincide with the change made by the Florida Retirement System for its July 1, 2017 actuarial valuation. The updated calculation uses the RP-2000 Generational Table Scale BB, a 6.00% investment rate of return (net of investment expenses), and projected salary increases, depending on years of service per year and including an inflation component. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. Refer to the supplemental schedules to review the actuarial assumptions in more detail. The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the years 2004 – 2012.

7. Funded Status and Funding Progress

The funded status of the Plan as of September 30, 2018, the most recent measurement date, is as follows:

Fiduciary Net Position of Plan	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
$149,807,117	$169,806,566	$19,999,449	88%	$452,525	4420%

Additional information as of the latest actuarial valuation follows:

Valuation Date	10/1/2019
Actuarial cost method	Individual Entry Age
Amortization method	Goal-oriented
Remaining amortization periods	2
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return	6.00%
Projected salary increases	2.5% - 12.5%
Includes price inflation	2.50%
COLAs	1.00%

8. Plan Termination

If the Plan terminates, the net position of the Plan will be allocated among participants and their beneficiaries in the following order:

Priority Class A: The portion of the participants' accrued benefits that are derived from participant contributions.

Priority Class B: In the case of benefits payable as an annuity, equally among participants and beneficiaries whose benefits were in pay status.

Priority Class C: Equally among active participants who are eligible for normal retirement but have not yet retired.

Priority Class D: Equally among all other vested accrued benefits of both active and terminated participants.

Priority Class E: All other non-vested accrued benefits under the Plan.