

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

# CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN

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# **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Executive Director  
**City of Fort Lauderdale Police and Firefighters' Retirement System**  
Fort Lauderdale, Florida

### *Report on the Financial Statements*

We have audited the accompanying combined financial statements of the City of Fort Lauderdale Police and Firefighters' Retirement System and Supplemental Share Plan (the Plan), which comprise the combined statements of fiduciary net position as of September 30, 2014 and September 30, 2013, and the combined statements of changes in fiduciary net position for the twelve months ended September 30, 2014 and nine months ended September 30, 2013, and the related notes to the combined financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective combined financial position of the Plan, as of September 30, 2014 and September 30, 2013, and the respective changes in financial position for the twelve months ended September 30, 2014 and nine months ended September 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### ***Adoption of New Accounting Pronouncement***

As discussed in Note 2 to the combined financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 67, *Financial Reporting for Pension Plans, An Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

#### ***Restatement***

As discussed in Note 8 to the combined financial statements, the prior period combined financial statements have been restated to correct a misstatement in relation to City contributions. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 4 through 10 and pages 28 to 30, respectively, be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Plan's financial statements. The accompanying combining statements of fiduciary net position and the combining statements of changes in fiduciary net position (supplementary information) are presented for purposes of additional analysis and are not a required part of the combined financial statements.

The combining statements of fiduciary net position and combining statements of changes in fiduciary net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements of fiduciary net position and combining statements of changes in fiduciary net position are fairly stated, in all material respects, in relation to the combined financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015 on our consideration of the Plan's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*Marcum LLP*

Fort Lauderdale, FL  
February 26, 2015

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(MD&A)**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**

Management's discussion and analysis of the City of Fort Lauderdale Police and Firefighters' Retirement System (The System) and Supplemental Share Plan (Share Plan) combined financial performance provides an overview of the System's and Share Plan's financial activities for the year ended September 30, 2014 and the nine months ended September 30, 2013. Please read it in conjunction with the combined financial statements, notes to the combined financial statements and required supplementary information which follow this discussion.

### **FINANCIAL HIGHLIGHTS**

- System and Share Plan assets exceeded its liabilities plus deferred inflows of resources at the close of the year ended September 30, 2014 and the nine months ended September 30, 2013 by approximately \$789 million and \$744 million, respectively (reported as net position restricted for pension benefits). Net position is held in trust to meet future benefit payments.
- Total return on investment for the System and Share Plan were 8.6% for the year ended September 30, 2014 and 10.19% for the nine months ended September 30, 2013.
- The System's and Share Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of October 1, 2013 and January 1, 2013, (dates of the latest actuarial valuations), the funded ratio was approximately 95.1% and 94.5%, respectively.
- Additions to the System and Share Plan's net position for the year ended September 30, 2014 and the nine months ended September 30, 2013 were approximately \$89.3 million and \$90.9 million, respectively, and is comprised of contributions of approximately \$26.0 million and \$21.3 million, respectively, and net investment income of approximately \$63.3 million and \$69.5 million, respectively.
- Deductions to the System and Share Plan's net position for the year ended September 30, 2014 and the nine months ended September 30, 2013 were approximately \$44.8 million and \$31.9 million, respectively, and is comprised primarily of benefit payments of approximately \$44.0 million and \$31.2 million, respectively.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The System was established to administer a defined benefit pension plan for firefighters and police officers employed by the City of Fort Lauderdale, Florida (the City). The Share Plan was created to implement the provisions of Chapter 175, of the Florida Statutes. The System's and Share Plan's financial statements are comprised of a Combined Statements of Fiduciary Net Position, Combined Statements of Changes in Fiduciary Net Position, and Notes to Combined Financial Statements. Also included is certain required supplementary information. These combined financial statements report information about the System and Share Plan, as a whole, and about their combined financial condition that should help answer the question: Is the System and Share Plan, as a whole, better off or worse off as a result of this year's activities?



## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These combined statements include all assets, liabilities and deferred inflows using the economic resource's measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Combined Statements of Fiduciary Net Position presents information on the assets and liabilities plus deferred inflows of resources and the resulting net position restricted for pension benefits. This statement reflects the System's and Share Plan's investments, at fair value, along with cash and cash equivalents, receivables, other assets and liabilities and deferred inflows.

The Combined Statements of Changes in Fiduciary Net Position presents information showing how the System's and Share Plan's net position restricted for pension benefits changed during the fiscal year. It reflects contributions by employees, the State, and the City, along with deductions for retirement benefits, refunds, and administrative expenses.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the financial data provided in the combined financial statements.

The required supplementary information presents a schedule of changes in the employer net pension liability and related ratios, a schedule of employer contributions, and a schedule of investment returns of the System along with a discussion of changes in actuarial assumptions and methods.

## COMBINED SUMMARY OF FIDUCIARY NET POSITION

The following condensed comparative combined Summary of Fiduciary Net Position demonstrates the combined investment position of the System and Share Plan at September 30, 2014 and 2013 and December 31, 2012:

	September 30, 2014	September 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 31,266,373	\$ 29,157,143	\$ 33,059,102
Receivables	9,380,003	2,873,615	16,961,813
Investments, at fair value	753,671,049	721,411,997	666,091,111
Capital assets	—	—	471
<b>Total Assets</b>	<b>794,317,425</b>	<b>753,442,755</b>	<b>716,112,497</b>
Liabilities and Deferred Inflows	5,439,023	9,093,123	30,778,970
<b>Net Position Restricted for Pension Benefits</b>	<b><u>\$ 788,878,402</u></b>	<b><u>\$ 744,349,632</u></b>	<b><u>\$ 685,333,527</u></b>

## **COMBINED SUMMARY OF FIDUCIARY NET POSITION (CONTINUED)**

The System's and Share Plan's total assets as of September 30, 2014 and September 30, 2013 were approximately \$794.3 million and \$753.4 million, respectively, and were mostly comprised of cash and short-term investments, investments, and receivables related to contributions and investments. For the year ended September 30, 2014, total assets increased approximately \$40.9 million or 5.4% from the prior year primarily due to investment returns. For the nine months ended September 30, 2013, total assets increased approximately \$37.3 million or 5.2% from the prior year primarily due to investment returns.

Total liabilities plus deferred inflows as of September 30, 2014 and September 30, 2013 were approximately \$5.4 million and \$9.1 million, respectively, and were mostly comprised of prepaid City contributions, payables for securities purchased, and administrative expenses made by the City of Fort Lauderdale on behalf of the System and Share Plan. Total liabilities plus deferred inflows at September 30, 2014 decreased by approximately \$3.7 million or 40.2% from 2013 due a decrease in the prepaid City contribution by approximately \$3.1 million, a decrease in the amounts due to the City of Fort Lauderdale by approximately \$4.1 million from 2013 netted against an increase in unsettled trades by approximately \$3.3 million. Total liabilities at September 30, 2013 decreased by approximately \$21.7 million, or 70%, from 2012 primarily due a decrease in the prepaid contribution by approximately \$10.2 million and a decrease in unsettled trades as of year end of approximately \$11.5 million.

The System and Share Plan's assets exceeded its liabilities plus deferred inflows at the close of year ended September 30, 2014 and the nine months ended September 30, 2013 by approximately \$788.9 million and \$744.3 million, respectively. For the year ended September 30, 2014, total net position restricted for pension benefits increased approximately \$44.5 million or 6.0% from 2013 primarily due to contributions and investment earnings. For the nine months ended September 30, 2013, total net position held in trust for pension benefits increased approximately \$59.0 million or 8.6% from 2012 primarily due to net investment income.

## **COMBINED SUMMARY OF CHANGES IN FIDUCIARY NET POSITION**

The Combined Summary of Changes in Fiduciary Net Position, displays the effect of pension fund transactions that occurred during the period, where Additions - Deductions = Net Increase in Net Position. The table below reflects a condensed comparative combined summary of the changes in net position and reflects the combined activities of the System and Share Plan for the year ended September 30, 2014, the nine months ended September 30, 2013 and the year ended December 31, 2012:

**COMBINED SUMMARY OF CHANGES IN FIDUCIARY NET POSITION (CONTINUED)**

	Twelve Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Twelve Months Ended December 31, 2012
<b>Additions</b>			
<b>Contributions</b>			
City	\$ 14,498,457	\$ 11,219,401	\$ 188,241,999
Employees	5,581,044	4,113,451	5,399,448
State	<u>5,875,363</u>	<u>6,053,952</u>	<u>5,619,404</u>
<b>Total</b>	25,954,864	21,386,804	199,260,851
<b>Net Investment Income</b>	<u>63,358,858</u>	<u>69,488,348</u>	<u>60,423,696</u>
<b>Total Additions</b>	<u>89,313,722</u>	<u>90,875,152</u>	<u>259,684,547</u>
<b>Deductions</b>			
Benefits paid	44,026,421	31,195,985	43,282,309
Refunds of contributions	111,134	155,686	220,510
Administrative expenses	<u>647,397</u>	<u>507,376</u>	<u>608,703</u>
<b>Total Deductions</b>	<u>44,784,952</u>	<u>31,859,047</u>	<u>44,111,522</u>
<b>Net Increase</b>	44,528,770	59,016,105	215,573,025
<b>Net Position Restricted for Pension</b>			
<b>Benefits - Beginning of Year</b>	<u>744,349,632</u>	<u>685,333,527</u>	<u>469,760,502</u>
<b>Net Position Restricted for Pension</b>			
<b>Benefits - End of Year</b>	<u>\$ 788,878,402</u>	<u>\$ 744,349,632</u>	<u>\$ 685,333,527</u>

## REVENUES – ADDITIONS TO COMBINED FIDUCIARY NET POSITION

The following condensed comparative combined summary demonstrates the additions to the System and Share Plan for the year ended September 30, 2014 and the nine months ended September 30, 2013 and the change to December 31, 2012 (in thousands):

	Twelve Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 14,498	\$ 11,219	\$ 3,279	29.2%
Employee Contributions	5,581	4,114	1,467	35.7%
State Contributions	5,875	6,054	(179)	-3.0%
Net Investment Income	<u>63,359</u>	<u>69,488</u>	<u>(6,129)</u>	-8.8%
<b>Total Additions</b>	<u>\$ 89,314</u>	<u>\$ 90,875</u>	<u>\$ (1,561)</u>	-1.7%

  

	Nine Months Ended September 30, 2013	Twelve Months Ended December 31, 2012	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 11,219	\$ 188,242	\$ (177,023)	-94.0%
Employee Contributions	4,114	5,399	(1,285)	-23.8%
State Contributions	6,054	5,619	435	7.7%
Net Investment Income	<u>69,488</u>	<u>60,425</u>	<u>9,063</u>	15.0%
<b>Total Additions</b>	<u>\$ 90,875</u>	<u>\$ 259,685</u>	<u>\$ (168,810)</u>	-65.0%

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from employees, the State, and the City and through earnings on investments. Contributions and net investment income, for the year ended September 30, 2014 and the nine months ended September 30, 2013 totaled approximately \$89.3 million and \$90.9 million, respectively. Total contributions and net investment income for the year ended September 30, 2014 decreased by approximately \$1.6 million or 1.7% from the nine months ended September 30, 2013. Total contributions and net investment income for the nine months ended September 30, 2013 decreased by approximately \$169 million or 65% from the year ended December 31, 2012.

## REVENUES – ADDITIONS TO COMBINED FIDUCIARY NET POSITION (CONTINUED)

Net investment income for the year ended September 30, 2014 decreased from the nine months ended September 30, 2013 by approximately \$6.1 million while net investment income for the nine months ended September 30, 2013 increased from 2012 by approximately \$9 million due to improved market conditions.

Total City contributions for the year ended September 30, 2014 increased from the nine months ended September 30, 2013 by approximately \$3.3 million or 29.2% due to the short system and share plan year. City contributions for the nine months ended September 30, 2013 decreased from December 31, 2012 by approximately \$177 million or 94% due to the short system and share plan year and the City's Pension Obligation Bond contribution of approximately \$173.5 made in October 2012.

## EXPENSES - DEDUCTIONS FROM COMBINED FIDUCIARY NET POSITION

The table below reflects a condensed comparative combined summary of the deductions of the System and Share Plan for the year ended September 30, 2014 and nine months ended September 30, 2013 and the change to December 31, 2012 (in thousands):

	Twelve Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 44,026	\$ 31,196	\$ 12,830	41.1%
Refund of Contributions	111	156	(45)	-28.8%
Administrative Expenses	647	507	140	27.7%
<b>Total Deductions</b>	<b>\$ 44,785</b>	<b>\$ 31,859</b>	<b>\$ 12,926</b>	<b>40.6%</b>

  

	Nine Months Ended September 30, 2013	Twelve Months Ended December 31, 2012	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 31,196	\$ 43,282	\$ (12,086)	-27.9%
Refund of Contributions	156	221	(65)	-29.4%
Administrative Expenses	507	609	(102)	-16.7%
<b>Total Deductions</b>	<b>\$ 31,859</b>	<b>\$ 44,112</b>	<b>\$ (12,253)</b>	<b>-27.8%</b>

The primary deductions of the System and Share Plan include the payment of pension benefits to members and beneficiaries, refund of contributions to former members, and distributions to retirees. Total expenses and deductions for the year ended September 30, 2014 and the nine months ended September 30, 2013 were approximately \$44.8 million and \$31.9 million, respectively, an increase of approximately 40.6% from 2013. Total expenses and deductions for the nine months ended September 30, 2013 and year ended December 31, 2012 were approximately \$31.9 million and \$44.1 million, respectively, a decrease of approximately 27.8% from 2012 expenditures. The fluctuations are primarily due to the short plan year in 2013.

## **EXPENSES - DEDUCTIONS FROM COMBINED FIDUCIARY NET POSITION (CONTINUED)**

The payment of pension benefits to retirees increased for the year ended September 30, 2014 from 2013 by approximately \$12.8 million or approximately 41.1% due to the short plan year in 2013. The payment of pension benefits to retirees decreased for the nine months ended September 30, 2013 from 2012 by approximately \$12 million or approximately 27.9% due to the short plan year.

## **RETIREMENT SYSTEM AS A WHOLE**

With the exception of the year ended 2008 and 2011, the System's and Share Plan's combined net position have experienced increases over the last 5 years. Management believes, and actuarial studies concur, that the System is in a financial position to meet its obligations. We believe the current financial position will continue to improve due to a prudent investment program, cost controls, strategic planning, and the City's continued funding of the required contributions at 100%.

## **CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Retirement Board, our members, taxpayers, investors, and creditors with a general overview of the System's and Share Plan's finances and to demonstrate the System's and Share Plan's accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the Executive Director, City of Fort Lauderdale Police and Firefighters' Retirement System, 888 South Andrews Avenue, #202, Fort Lauderdale, FL 33316.

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# **COMBINED FINANCIAL STATEMENTS**

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**CITY OF FORT LAUDERDALE POLICE & FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**COMBINED STATEMENTS OF FIDUCIARY NET POSITION**

**SEPTEMBER 30, 2014 AND 2013**

	September 30, 2014	(As restated) September 30, 2013
<b>Assets</b>		
<b>Cash and short-term investments</b>	\$ 31,266,373	\$ 29,157,143
<b>Investments, at fair value</b>		
U.S. Treasury securities	63,157,772	49,158,591
U.S. Government agency obligations	6,659,130	22,529,851
Corporate bonds and other fixed income	128,226,515	122,887,029
International equity funds	157,540,114	64,837,178
Common stock	116,309,796	124,256,408
Partnerships	--	55,992,493
Fund of funds	75,804,953	97,662,285
Commingled funds	126,733,511	117,384,485
Real estate	79,239,258	66,703,677
<b>Total Investments</b>	<u>753,671,049</u>	<u>721,411,997</u>
<b>Receivables</b>		
Unsettled trades	2,072,953	137,536
Accrued dividends and interest	2,365,242	2,264,819
City contributions	4,181,214	--
State contribution	549,424	265,122
Employee contributions	211,170	206,138
<b>Total Receivables</b>	<u>9,380,003</u>	<u>2,873,615</u>
<b>Total Assets</b>	<u>794,317,425</u>	<u>753,442,755</u>
<b>Liabilities</b>		
Unsettled trades	4,900,203	1,554,520
Accounts payable and accrued liabilities	538,820	417,537
Due to the City of Fort Lauderdale	--	4,070,312
<b>Total Liabilities</b>	<u>5,439,023</u>	<u>6,042,369</u>
<b>Deferred Inflows of Resources</b>		
Prepaid city contribution	--	3,050,754
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>5,439,023</u>	<u>9,093,123</u>
<b>Net Position Restricted for Pension Benefits</b>	<u>\$ 788,878,402</u>	<u>\$ 744,349,632</u>

*The accompanying notes are an integral part of these combined financial statements.*



**CITY OF FORT LAUDERDALE POLICE & FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**COMBINED STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Twelve Months Ended September 30, 2014	(As restated) Nine Months Ended September 30, 2013
<b>Additions</b>		
<b>Contributions</b>		
Employer	\$ 14,498,457	\$ 11,219,401
Plan members	5,581,044	4,113,451
State	5,875,363	6,053,952
<b>Total Contributions</b>	<u>25,954,864</u>	<u>21,386,804</u>
<b>Investment Income</b>		
Net appreciation in fair value of investments	49,613,155	61,878,254
Interest	8,927,232	5,652,416
Dividends	2,987,056	1,788,638
Other income	4,000,034	2,224,050
	<u>65,527,477</u>	<u>71,543,358</u>
Less: investment expenses	2,168,619	2,055,010
<b>Net Investment Income</b>	<u>63,358,858</u>	<u>69,488,348</u>
<b>Total Additions</b>	<u>89,313,722</u>	<u>90,875,152</u>
<b>Deductions</b>		
<b>Benefits Paid</b>		
Retirement	39,758,019	27,906,702
Disability	948,273	742,548
Death	3,320,129	2,546,735
<b>Total Benefits Paid</b>	<u>44,026,421</u>	<u>31,195,985</u>
Refund of Contributions	111,134	155,686
Administrative Expenses	647,397	507,376
<b>Total Deductions</b>	<u>44,784,952</u>	<u>31,859,047</u>
<b>Net Increase in Net Position</b>	44,528,770	59,016,105
<b>Net Position Restricted for Pension Benefits</b>		
Beginning	<u>744,349,632</u>	<u>685,333,527</u>
Ending	<u>\$ 788,878,402</u>	<u>\$ 744,349,632</u>

*The accompanying notes are an integral part of these combined financial statements.*

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## **NOTES TO COMBINED FINANCIAL STATEMENTS**

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# **CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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#### **NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION**

##### *PLAN DESCRIPTION*

The following brief description of the City of Fort Lauderdale Police and Firefighters' Retirement System (the System or the Plan) is provided for general information purposes only. Participants should refer to the applicable laws and the summary plan description for more complete information.

In June 2013, the Board approved to change the year end of the Plan from December 31<sup>st</sup> to September 30<sup>th</sup>.

The System is a single employer defined benefit pension plan established by the City of Fort Lauderdale, Florida (the City) pursuant to the provisions and requirements of Ordinance No. C-72-94. Participation is mandatory for all state certified police officers and firefighters employed by the City of Fort Lauderdale, Florida. Since the System is sponsored by the City, the System is included as a pension trust fund in the City's comprehensive financial annual report as part of the City's financial reporting entity. The Plan may also receive funding under Chapter 175 for firefighters and Chapter 185 for police officers.

Effective October 1, 2005 the City of Fort Lauderdale Firefighter' Supplemental Share Plan (Share Plan), a defined contribution plan, was created to implement the provisions of Chapter 175, Florida Statutes, and to provide a means whereby firefighters of the City of Fort Lauderdale may receive benefits from funds provided for that purpose by Chapter 175, Florida Statutes. The Share Plan is in addition to any other benefits and nothing herein shall in any way affect any other benefits that now or hereafter exist. The Board of Trustees shall provide for all assets of the Share Plan to be held in trust solely for the use of paying the benefits provided and the expenses of the Share Plan.

Additional Premium Tax Revenues to each respective participants account is based upon his or her accrued Credited Service during the relevant period. The additional Premium Tax Revenues that were paid by the State in calendar years 1998 through 2004, exclusive of amounts necessary to meet State minimum standards under Chapter 175, Florida Statutes, shall be the initial allocation of Additional Premium Tax Revenues to each participant's share account. The participants pro rata shares of the initial allocation of Additional Premium Tax Revenues was based on each participants accrued service for each of the seven (7) years from calendar year 1998 through and including calendar year 2004.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

*PLAN DESCRIPTION (CONTINUED)*

For allocations after the initial allocation, the Board shall allocate to each participant's account each year the Additional Premium Tax Revenues it receives under the provisions of Chapter 175, Florida Statutes, based on his or her accrued credit service during the relevant period. Forfeitures are allocated in the same manner as described above.

The Board shall ascertain the value of the assets of the Share Plan as of each Valuation Date and shall allocate to the account of each Participant their share of the increase or decrease of the Share Plan assets and shall bear the same ratio to the total amount of the increase or decrease in the Share Plan as the value of the portion of the Participant's Account invested in the Share Plan to the total value of the Share Plan.

A participant shall receive a benefit from the Share Plan upon his termination of employment, disability, retirement or death in accordance with the Share Plan agreement. However, no Participant shall receive a benefit from the Share Plan in excess of the amount credited to their account.

As of October 1, 2013 (date of latest actuarial valuation) and January 1, 2013, membership in the System consisted of:

	<u>2014</u>	<u>2013</u>
Inactive plan members or beneficiaries currently receiving benefits	988	972
Inactive plan members entitled to but not yet receiving benefits	20	20
Active plan members	<u>780</u>	<u>785</u>
<b>Total Membership</b>	<u><u>1,788</u></u>	<u><u>1,777</u></u>

***CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM***

For all members hired before April 18, 2010, the member's contribution rate is equal to 8.25% of their salary. For all members hired after April 18, 2010, the member's contribution rate is equal to 8.5% of their salary.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

***CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM (CONTINUED)***

Each member's actual contributions are individually accumulated. If a member terminates their employment before they become eligible to receive benefits, the accumulated contributions will be returned to the member plus interest at 3% per year, however, Ordinance No. C-14-17 passed in the current year eliminated interest on refunds for police officers who separated employment with the City on or after December 3, 2013. The City is required to contribute the remaining amounts necessary to fund the Plan, based on an amount determined by the Plan's actuary as of October 1 each year.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

In October 2012, the City Commission approved borrowings in the form of pension obligation bonds to cover a majority of the Plan's unfunded pension liability and approximately \$173.5 million was contributed to the Plan by the City which improved the funded status of the Plan and reduces future amortization requirements.

***CITY CONTRIBUTION RECEIVABLE***

The City typically makes their annual required contribution to the plan each year in the month after the end of the year for which the contribution was due. Prior to year end, the City had approximately \$3,384,000 remaining as a prepaid contribution from a prior year (plus interest) and approximately \$6,933,000 due from the Plan for expenses paid in its behalf over the past two years. Therefore, although the required contribution for 2014 was approximately \$14,498,000, the receivable at September 30, 2014 was only approximately \$4,181,000 as the City utilized their advances and amounts due to them from the Plan prior to year end for the payment of the 2014 contribution.

***PENSION BENEFITS OF THE SYSTEM***

***Normal Retirement***

Any member who has completed 20 years of creditable service or has attained 55 years of age and completed 10 or more years of creditable service may retire on a normal retirement benefit. A member has vested benefits after 10 years of creditable service in accordance with qualifications under the plan.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

***PENSION BENEFITS OF THE SYSTEM (CONTINUED)***

***Normal Retirement (continued)***

Police and Firefighters hired on or before April 1, 2014

Members will receive a monthly pension benefit equal to 3.38% of the Average Monthly Earnings, defined as the highest two years preceding retirement, for all years of service to a maximum accrual of 81% of Final Average Monthly Earnings.

A certain group of police officers with 25 or more years of service on October 1, 2000 are subject to a maximum of 91.26% and a certain group of firefighters with 25 or more years of service on October 1, 2002 are subject to a maximum of 91.26%.

Firefighters

Firefighters who were employed before December 11, 1993 will receive an additional 2.0% bonus at retirement.

Certain firefighters hired prior to December 11, 1993 may have elected to remain in the old plan. Members that have made this election will receive a monthly pension benefit of 3.0% of Final Average Monthly Earnings multiplied by the years of service up to 20, plus 2.0% of Final Average Monthly Earnings multiplied by years of service beyond 20 years to a maximum accrual of 100%.

Police Hired On or After April 1, 2014

Members will receive a monthly pension benefit equal to 3.0% of the Average Monthly Earnings, defined as the highest five years preceding retirement, for all years of service to a maximum accrual of 75% of Final Average Monthly Earnings.

Early retirement, disability, death and other benefits are also provided.

***Deferred Retirement Option Program***

Members who continue employment with the City past normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Program (DROP). Maximum participation in the DROP shall be 96 months based on years of service; however, for police officers hired on or after April 1, 2014, the maximum DROP participation will be reduced for each month the officer delays entry to the plan.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

*PENSION BENEFITS OF THE SYSTEM (CONTINUED)*

*Deferred Retirement Option Program (continued)*

For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the System into the employee's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits plus interest based on the actuarially assumed rate of return for the Plan. Effective in 2010, the interest rate earned was modified to be 6% for the first 5 years and a variable rate of return between 3% to 6% for years 6 through 8 based on the actual returns of the plan. If a member leaves their DROP account with the plan they will receive the Plan return less an administrative fee. Upon termination of employment, a member may receive distribution from the DROP account in the following manner or maintain a balance in their account until they reach the age of 59 ½:

- Lump sum distribution or
- Roll over of the balance to another qualified retirement plan

A DROP participant shall not be entitled to receive an ordinary or service disability retirement and in the event of death of a DROP participant, there shall be no accidental death benefit for pension purposes. DROP participation does not affect any other death or disability benefits provided to a member under federal law, state law, City ordinance, or any rights or benefits under any applicable collective bargaining agreement.

The DROP of the System also consists of a Benefit Actuarially Calculated DROP (BACDROP). A member may elect to BACDROP to a date not to exceed 36 months after the member's termination of employment with the City; however, a 60 month option was available if elected prior to October 1, 2011. A member who elects a DROP retirement is not eligible to participate in the BACDROP.

Effective as of April 2010, DROP may not extend employment beyond 32 years.

The value of the DROP account including earnings as of September 30, 2014 and September 30, 2013 was \$21,902,641 and \$19,622,141, respectively. These amounts are included in the total investment balance presented on the combined Statements of Fiduciary Net Position.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

***COST OF LIVING ADJUSTMENTS (COLA)***

Monthly benefits paid under the System shall be adjusted, on July 1 of any year, to reflect the increase, if any, in the cost of living. A benefit shall be adjusted if it is being paid as of such adjustment date and was being paid as of July 1 of the preceding year. The benefit paid to any beneficiary of a deceased member shall be adjusted if either the benefit paid to the beneficiary or to the deceased member was paid effective as of July 1 of the preceding year.

The COLA increases may be granted only if the System remains in a net positive experience position, determined by the actuary on a cumulative basis.

On July 15, 2008, the COLA provision of the Plan expired for future COLA benefits for members that retired after July 2008.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***BASIS OF ACCOUNTING***

The combined financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. Contributions from the City of Fort Lauderdale, as calculated by the System's actuary, are recognized as revenue when due and when the City has made a formal commitment to provide the contributions. Interest and dividend income are recorded as earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the System and Share Plan.

***PRINCIPLES OF COMBINATION***

The combined financial statements include the accounts of the City of Fort Lauderdale Firefighters' Share Plan (see Note 1), a plan affiliated by virtue of a common Board of Trustees. All interfund balances and transactions have been eliminated in the combined financial statements.



# **CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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#### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION***

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments, which consist of money market funds and commercial paper, are reported at cost, which is fair value. Securities traded on a national exchange are valued at the last reported sales price or current exchange rates. Investments that do not have an established market are reported at estimated fair value. Net appreciation or depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. The fair value of real estate investments have been estimated based upon latest appraisal information. Commingled funds that do not have an established market are reported at the net asset value of shares owned at the end of the year as determined by the fund manager.

Purchases and sales of securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date. Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers. The investment managers are monitored by an investment advisor.

##### ***DEFERRED OUTFLOWS/INFLOWS OF RESOURCES***

In addition to assets, the combined Statements of Fiduciary Net Position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Plan has no items that qualify for reporting in this category.

In addition to liabilities, the combined Statements of Fiduciary Net Position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Plan's one item that qualifies for reporting in this category is a prepaid city contribution of \$3,050,754 received prior to the year ended September 30, 2013 relating to the subsequent reporting period.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*USE OF ESTIMATES*

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of amounts and disclosures. Actual results could differ from those estimates.

*IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS*

The Plan implemented the following GASB Statement during the year ended September 30, 2014 that had a significant impact on the combined financial statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment to GASB Statement No. 25*

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefit provided through the plan (net pension liability), about which information is required to be presented.

The Plan implemented the following GASB Statements during the year ended September 30, 2014, which did not have a significant impact on the combined financial statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 3 - INVESTMENTS**

The System and Share Plan investment policy is determined by the Board of Trustees. The investment policy was amended and has been in effect since May 2014. The investment of funds shall be in a manner that is consistent with the applicable sections of the City Code as well as State and Federal laws within the allocation percentages as follows:

Asset Class	Target			Actual
	Allocation	Minimum	Maximum	
<b>Domestic Equity</b>				
Large cap equity	17.5%	10%	30%	18%
Mid/Small cap equity	12.5%	5%	20%	13%
<b>International Equity</b>	15%	10%	20%	15%
<b>Alternative Investments</b>				
Global Infrastructure	5%	2.5%	7.5%	5.0%
Real Estate	10%	5%	15%	10%
Multi-Strategy	10%	5%	15%	10%
<b>Fixed Income (Including Cash)</b>	30%	25%	35%	29%

***RATE OF RETURN***

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.60%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

***INTEREST RATE RISK***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, 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 System and Share Plan diversifies their investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

**NOTE 3 – INVESTMENTS (CONTINUED)**

***INTEREST RATE RISK (CONTINUED)***

Information about the sensitivity of the fair values of the System's and Share Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the System's and Share Plan's investments by maturity:

Investment Type	Fair Value	September 30, 2014			
		Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 63,157,772	\$ 3,400,870	\$ 36,134,230	\$ 23,622,672	\$ --
U.S. Agencies	6,659,130	--	4,342,062	249,848	2,067,220
Corporate Bonds and Debentures	<u>128,226,515</u>	<u>6,826,651</u>	<u>86,063,722</u>	<u>28,400,508</u>	<u>6,935,634</u>
<b>Total Fixed Income Securities</b>	<u>\$ 198,043,417</u>	<u>\$ 10,227,521</u>	<u>\$ 126,540,014</u>	<u>\$ 52,273,028</u>	<u>\$ 9,002,854</u>

Investment Type	Fair Value	September 30, 2013			
		Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 49,158,591	\$ 12,730,646	\$ 9,976,362	\$ 26,451,583	\$ --
U.S. Agencies	22,529,851	--	19,135,149	343,331	3,051,371
Corporate Bonds and Debentures	<u>122,887,029</u>	<u>4,602,819</u>	<u>92,180,810</u>	<u>19,835,586</u>	<u>6,267,814</u>
<b>Total Fixed Income Securities</b>	<u>\$ 194,575,471</u>	<u>\$ 17,333,465</u>	<u>\$ 121,292,321</u>	<u>\$ 46,630,500</u>	<u>\$ 9,319,185</u>

***CREDIT RISK***

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy requires that investments in fixed income type securities to be rated in the fifth major rating category by all recognized rating services. The overall portfolio quality of the active bond portfolios shall be maintained at A or higher. At September 30, 2014 and 2013, all of the Plan's investments met this requirement.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
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**NOTE 3 – INVESTMENTS (CONTINUED)**

***CONCENTRATION OF CREDIT RISK***

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. No more than 5% of the portfolio may be invested in the shares of a single corporate issuer at cost. Investments in stocks of foreign companies shall be limited to 25% of the value of the portfolio. The Plan utilizes limitations on securities of a single issuer to manage this risk.

As of September 30, 2014 and 2013, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's investments.

***CUSTODIAL CREDIT RISK***

This is the risk that in the event of the failure of the counterparty, the System and Share Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the System's and Share Plan's investment policy, the investments are held by Systems and Share Plan's custodial bank and registered in the System's and Share Plan's name.

***FOREIGN CURRENCY RISK***

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's exposure to foreign currency risk denominated in currency other than U.S. dollars are as follows:

<u>Investment</u>	<u>September 30, 2013</u>		
	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
Thornburg Intl Equity Fund	Various	Not Applicable	\$ 55,992,493

As of September 30, 2014, the Plan has no exposure to foreign currency risk as all investments are denominated in U.S. dollars.

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
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**NOTE 3 – INVESTMENTS (CONTINUED)**

***RISKS AND UNCERTAINTIES***

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Statement of Fiduciary Net Position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

**NOTE 4 – TAX STATUS**

The Internal Revenue Service has determined and informed the Trustees by a letter dated January 16, 2015 that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC). The most recent determination letter expires on January 31, 2019.

**NOTE 5 – NET PENSION LIABILITY**

The components of the net pension liability at September 30, 2014:

Total pension liability	\$ 808,594,678
Plan fiduciary net position	<u>(788,878,402)</u>
Net pension liability	<u>\$ 19,716,276</u>
Plan fiduciary net position as a percent of the total pension liability	<u>97.56%</u>

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 5 – NET PENSION LIABILITY (CONTINUED)**

***SIGNIFICANT ACTUARIAL ASSUMPTIONS***

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods:

Inflation	2.75%
Salary increases	0.50% - 3.00%
Investment rate of return	7.50%
Mortality Rates	
Healthy	RP-2000 table projected by Scale AA to 2012
Disabled	RP-2000 disabled table projected by Scale AA to 2012

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study dated May 16, 2012 for the period from January 1, 2007 to December 31, 2011.

***LONG-TERM EXPECTED RATE OF RETURN***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 5 – NET PENSION LIABILITY (CONTINUED)**

***LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)***

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.0%	6.60%
International equity	15.0%	7.13%
Domestic bonds	30.0%	1.79%
Real estate	10.0%	6.70%
Other	<u>15.0%</u>	4.97%
<b>Total</b>	<b><u>100.0%</u></b>	

***DISCOUNT RATE***

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE***

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 105,690,549	\$ 19,716,276	\$ (52,956,142)



**CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND  
THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

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**NOTE 6 - DUE TO THE CITY OF FORT LAUDERDALE**

The System and Share Plan uses the City of Fort Lauderdale as a paying agent for the payment of all the investment, benefit and administrative expenses. The System and Share Plan reimburses the City on an ongoing basis. The amounts due to the City as of September 30, 2013 were \$4,070,312. There were no amounts due to the City as of September 30, 2014.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

***OPERATING LEASE***

The System and Share Plan is obligated under an operating lease for office space, which expires on February 28, 2018. The following is a schedule of the aggregate future minimum rental payments under this lease:

For the Year Ending September 30,	Amount
2015	\$ 50,000
2016	51,000
2017	53,000
2018	22,000
<b>Total</b>	<b>\$ 176,000</b>

***CONTINGENCIES***

The System and Share Plan are exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of legal counsel and management, the resolution of these matters will not have a material adverse effect on the financial condition of the Plan.

**NOTE 8 – RESTATEMENT**

The Plan restated its financial statements for the nine months ended September 30, 2013 to properly reflect City contributions for the short plan year. The effect of the correction was to increase employer contributions by approximately \$11,219,000, decrease net investment income by approximately \$996,000 and increase the prepaid City contribution (deferred inflow) and net position restricted for pension benefits by approximately \$10,223,000 as of September 30, 2013.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF FORT LAUDERDALE  
POLICE & FIREFIGHTERS' RETIREMENT SYSTEM**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE  
EMPLOYER NET PENSION LIABILITY AND RELATED RATIOS**

	2014
<b>Total Pension Liability</b>	
Service cost	\$ 18,025,712
Interest	57,797,227
Change in excess state money	(1,223,158)
Share plan allocation	2,561,814
Changes of benefit terms	--
Differences between expected and actual experience	--
Changes of assumptions	--
Benefit payments, including refunds of member contributions	<u>(44,137,555)</u>
<b>Net Change in Total Pension Liability</b>	33,024,040
<b>Total Pension Liability - Beginning</b>	<u>775,570,638</u>
<b>Total Pension Liability - Ending (a)</b>	<u>808,594,678</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	14,498,457
Contributions - member	5,581,044
Contributions - nonemployer contributing member	5,875,363
Net investment income	59,358,824
Benefit payments, including refunds of member contributions	(44,137,555)
Administrative expenses	(647,397)
Other	<u>4,000,034</u>
<b>Net Change in Plan Fiduciary Net Position</b>	44,528,770
<b>Plan Fiduciary Net Position - Beginning</b>	<u>744,349,632</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 788,878,402</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 19,716,276
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.56%
Covered-Employee Payroll	\$ 67,147,870
Net Pension Liability as Percentage of Covered-Employee Payroll	29.36%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a fully 10-year trend is compiled, pension plans should present information for those years for which information is available.

**CITY OF FORT LAUDERDALE  
POLICE & FIREFIGHTERS' RETIREMENT SYSTEM**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 19,012,474	\$ 19,012,474	\$ --	\$ 67,147,870	28.31%
2013	\$ 14,208,593	\$ 14,208,593	\$ --	\$ 68,314,824	20.80%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a fully 10-year trend is compiled, pension plans should present information for those years for which information is available.

**Note to Schedule:**

Valuation date: October 1, 2013

Actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal actuarial cost method. An interest load to October 15 of the applicable plan year is utilized for determination of the Total Required Contribution.
Amortization method	Level percentage of pay, closed
Remaining amortization period	20 years
Actuarial value of assets	The actuarial value of assets is calculated by recognizing 20% of the difference between the market value of assets and the expected actuarial value of assets.
Cost-of-living adjustments	None
Inflation	2.75%
Salary increases	0.50% - 3.00%
Investment rate of return	7.50% per year, compounded annually, net of investment related expenses
Marital status	All employed members and all retired members are assumed to be married. Females are assumed to be 3 years younger than males.
Mortality rates	RP-2000 Table projected by Scale AA to 2012
Disabled mortality rates	RP-2000 Disabled Table projected by Scale AA to 2012

**CITY OF FORT LAUDERDALE  
POLICE & FIREFIGHTERS' RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT RETURNS**

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	2014	2013
Annual Money-Weighted Rate of Return, net of Investment Expense	8.60%	10.10%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a fully 10-year trend is compiled, pension plans should present information for those years for which information is available.

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## **SUPPLEMENTARY INFORMATION**

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**CITY OF FORT LAUDERDALE POLICE & FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**COMBINING STATEMENTS OF FIDUCIARY NET POSITION**

**SEPTEMBER 30, 2014 AND 2013**

	September 30, 2014			(As restated) September 30, 2013		
	System	Share Plan	Total	System	Share Plan	Total
	<b>Assets</b>					
<b>Cash and Short-Term Investments</b>	\$ 31,266,373	\$ --	\$ 31,266,373	\$ 29,157,143	\$ --	\$ 29,157,143
<b>Investments, at Fair Value</b>						
U.S. Treasury securities	63,157,772	--	63,157,772	49,158,591	--	49,158,591
U.S. Government agency obligations	6,659,130	--	6,659,130	22,529,851	--	22,529,851
Corporate bonds and other fixed income	128,226,515	--	128,226,515	122,887,029	--	122,887,029
International equity funds	157,540,114	--	157,540,114	64,837,178	--	64,837,178
Common stock	116,309,796	--	116,309,796	124,256,408	--	124,256,408
Partnerships	--	--	--	55,992,493	--	55,992,493
Fund of funds	75,804,953	--	75,804,953	97,662,285	--	97,662,285
Commingled funds	126,733,511	--	126,733,511	117,384,485	--	117,384,485
Real estate	79,239,258	--	79,239,258	66,703,677	--	66,703,677
<b>Total Investments</b>	<u>753,671,049</u>	<u>--</u>	<u>753,671,049</u>	<u>721,411,997</u>	<u>--</u>	<u>721,411,997</u>
<b>Receivables</b>						
Unsettled trades	2,072,953	--	2,072,953	137,536	--	137,536
Accrued dividends and interest	2,365,242	--	2,365,242	2,264,819	--	2,264,819
City contribution receivable	4,181,214	--	4,181,214	--	--	--
State contribution receivable	549,424	--	549,424	265,122	--	265,122
Employee contributions receivable	211,170	--	211,170	206,138	--	206,138
Due to/from retirement system	(28,007,712)	28,007,712	--	(24,035,444)	24,035,444	--
<b>Total Receivables</b>	<u>(18,627,709)</u>	<u>28,007,712</u>	<u>9,380,003</u>	<u>(21,161,829)</u>	<u>24,035,444</u>	<u>2,873,615</u>
<b>Total Assets</b>	<u>766,309,713</u>	<u>28,007,712</u>	<u>794,317,425</u>	<u>729,407,311</u>	<u>24,035,444</u>	<u>753,442,755</u>
<b>Liabilities</b>						
Unsettled trades	4,900,203	--	4,900,203	1,554,520	--	1,554,520
Accounts payable and accrued liabilities	538,820	--	538,820	417,537	--	417,537
Due to the City of Fort Lauderdale	--	--	--	4,070,312	--	4,070,312
<b>Total Liabilities</b>	<u>5,439,023</u>	<u>--</u>	<u>5,439,023</u>	<u>6,042,369</u>	<u>--</u>	<u>6,042,369</u>
<b>Deferred Inflows of Resources</b>						
Prepaid city contribution	--	--	--	3,050,754	--	3,050,754
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>5,439,023</u>	<u>--</u>	<u>5,439,023</u>	<u>9,093,123</u>	<u>--</u>	<u>9,093,123</u>
<b>Net Position Restricted for Pension Benefits</b>	<u>\$ 760,870,690</u>	<u>\$ 28,007,712</u>	<u>\$ 788,878,402</u>	<u>\$ 720,314,188</u>	<u>\$ 24,035,444</u>	<u>\$ 744,349,632</u>

**CITY OF FORT LAUDERDALE POLICE & FIREFIGHTERS'  
RETIREMENT SYSTEM AND SUPPLEMENTAL SHARE PLAN**

**COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013**

	Twelve Months Ended September 30, 2014			(As restated) Nine Months Ended September 30, 2013		
	System	Share Plan	Total	System	Share Plan	Total
	<b>Additions</b>					
<b>Contributions</b>						
Employer	\$ 14,498,457	\$ --	\$ 14,498,457	\$ 11,219,401	\$ --	\$ 11,219,401
Plan members	5,581,044	--	5,581,044	4,113,451	--	4,113,451
State	3,313,551	2,561,812	5,875,363	3,335,346	2,718,606	6,053,952
<b>Total Contributions</b>	<u>23,393,052</u>	<u>2,561,812</u>	<u>25,954,864</u>	<u>18,668,198</u>	<u>2,718,606</u>	<u>21,386,804</u>
<b>Investment Income</b>						
Net appreciation in fair value of investments	47,557,346	2,055,809	49,613,155	59,895,801	1,982,453	61,878,254
Interest	8,927,232	--	8,927,232	5,652,416	--	5,652,416
Dividends	2,987,056	--	2,987,056	1,788,638	--	1,788,638
Other income	4,000,034	--	4,000,034	2,224,050	--	2,224,050
	63,471,668	2,055,809	65,527,477	69,560,905	1,982,453	71,543,358
Less: investment expenses	2,168,619	--	2,168,619	2,055,010	--	2,055,010
<b>Net Investment Income</b>	<u>61,303,049</u>	<u>2,055,809</u>	<u>63,358,858</u>	<u>67,505,895</u>	<u>1,982,453</u>	<u>69,488,348</u>
<b>Total Additions</b>	<u>84,696,101</u>	<u>4,617,621</u>	<u>89,313,722</u>	<u>86,174,093</u>	<u>4,701,059</u>	<u>90,875,152</u>
<b>Deductions</b>						
<b>Benefits Paid</b>						
Retirement	39,140,811	617,208	39,758,019	27,500,387	406,315	27,906,702
Disability	948,273	--	948,273	742,548	--	742,548
Death	3,320,129	--	3,320,129	2,478,868	67,867	2,546,735
<b>Total Benefits Paid</b>	<u>43,409,213</u>	<u>617,208</u>	<u>44,026,421</u>	<u>30,721,803</u>	<u>474,182</u>	<u>31,195,985</u>
Refund of Contributions	111,134	--	111,134	155,686	--	155,686
Administrative Expenses	619,252	28,145	647,397	468,023	39,353	507,376
<b>Total Deductions</b>	<u>44,139,599</u>	<u>645,353</u>	<u>44,784,952</u>	<u>31,345,512</u>	<u>513,535</u>	<u>31,859,047</u>
<b>Net Increase in Net Position</b>	<u>40,556,502</u>	<u>3,972,268</u>	<u>44,528,770</u>	<u>54,828,581</u>	<u>4,187,524</u>	<u>59,016,105</u>
<b>Net Position Restricted for Pension Benefits</b>						
Beginning	720,314,188	24,035,444	744,349,632	665,485,607	19,847,920	685,333,527
Ending	<u>\$ 760,870,690</u>	<u>\$ 28,007,712</u>	<u>\$ 788,878,402</u>	<u>\$ 720,314,188</u>	<u>\$ 24,035,444</u>	<u>\$ 744,349,632</u>



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## **REPORTING SECTION**

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**INDEPENDENT AUDITORS' 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 and Executive Director  
**City of Fort Lauderdale Police and Firefighters' Retirement System**  
Fort Lauderdale, Florida

We have audited, in accordance with the 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, the combined financial statements of the City of Fort Lauderdale Police and Firefighters' Retirement System and Supplemental Share Plan (the Plan) which comprise the statement of fiduciary net position as of September 30, 2014 and the statement of changes of fiduciary net position for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated February 26, 2015.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the combined financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

*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 Plan's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Fort Lauderdale, FL  
February 26, 2015