

City of Fort Lauderdale



POLICE & FIREFIGHTERS' RETIREMENT SYSTEM ANNUAL REPORT 2018

Funding Remains Strong

Volatile markets put pressure on all sectors of the economy. They affect your personal life, your job, and your pension plan's investment returns which help fund the promised pension benefits for firefighters and police officers.

During the past fiscal year, we adhered to our investment policy which allowed us to improve our financial position and continue paying out nearly \$45 million in retirement benefits to 1,104 members or their beneficiaries. Our investments, allocated in a diverse portfolio, earned 7.36%. Over the past 28 years, our average investment return has been 8.75% - having positive returns in 23 of the 28 years. The market value of the fund has grown to \$905 million and the plan is pre-funded at 93.3% - meaning there are enough funds on hand right now to pay for 93.3% of all present and future benefits. On page 2 of this report, you will see charts showing our financial strength. This strength is further illustrated by our annual audit and actuarial valuation.

The Board of Trustees received, reviewed and approved the Combined Financial Statements for the fiscal year. The audit confirmed the strong position of our retirement fund both financially and fundamentally. The audit statement stated, "With the exception of the year ended 2011, the System's and Share Plan's combined net position have experienced increases over the last nine years. The auditor believes, and actuarial studies concur, that the System is in a financial position to meet its obligations. The Auditor believes 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%."

The Board of Trustees approved the Actuarial Valuation Report as of September 30, 2018. The actuary found a positive increase in almost every metric affecting the plan's funding. The actuary stated, "To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for

which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation." The city's bond rating is AA1 – and Moody's bond rating specifically mentioned that the City's debt and small pension burdens were contributing factors.

During the year, the trustees held its annual investment workshop with the performance manager and all the individual investment managers. The discussions centered around the current state of the economy, where it's going, and how well the managers' strategies adjust for these changes. We held our annual Retirement Planning Seminar to educate and provide assistance to our members and spouses about retirement options and strategies as they approach retirement. Once again, the plan has been recognized by the Public Pension Coordinating Council for excellence in plan funding and administration.

The board fully understands that "past performance is no guarantee of future results," so we continue to stay vigilant in our fiduciary duties to steward our plan during these volatile times. The board also realizes that while the total amount of benefits paid is an impressive number, there are some members whose benefit are not keeping up with inflation.

Your Board of Trustees continues to work with all stakeholders to improve and ensure retirement security for all 1,897 members or beneficiaries. I emphasize the fact that we continue to work with all stakeholders because this board recognizes that the management and stable funding of our members' retirement security requires cooperation from all parties.



Kenneth Rudominer
Chairman

2018 Retirement Plan Highlights

Active Members = 793
 Retirees/Beneficiaries = 921
 Disability Members = 26
 DROP Members = 133
 Terminated Vested = 24
 Total Plan Participants = 1,897
 New Entrants = 48

Market Value of Plan Assets = \$905 million
 Benefits Paid = \$45 million
 Member Contributions = \$6.8 million
 City Contributions = \$19.3 million
 State Contributions = \$4.8 million
 Net Investment Income = \$61.9 million
 Pre-Funded Ratio = 93.3%

Overview of Your Plan's Finances

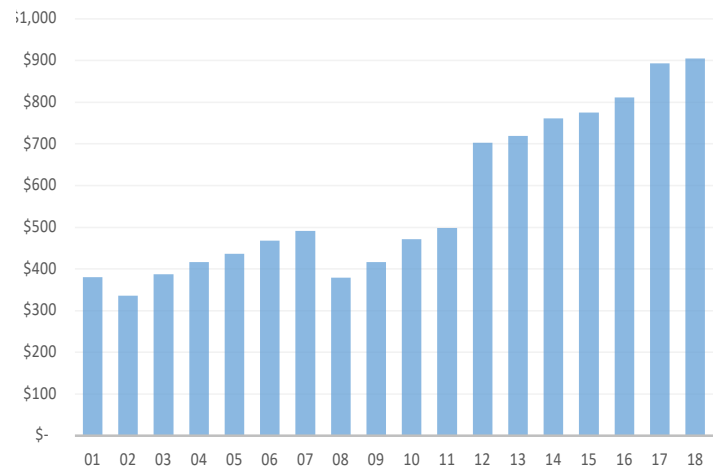
These charts provide you an overview of your retirement plan. The assets of the plan have grown over the past 18 years – from \$380 million to \$905 million, a growth of \$525 million. The average return on investments over the past 28 years is 8.75%. The plan's returns have been positive for

23 of the past 28 years. The total membership continues to grow, with retirees increasing and active members remaining constant. The plan's funds are invested in a diversified portfolio and rebalanced regularly.

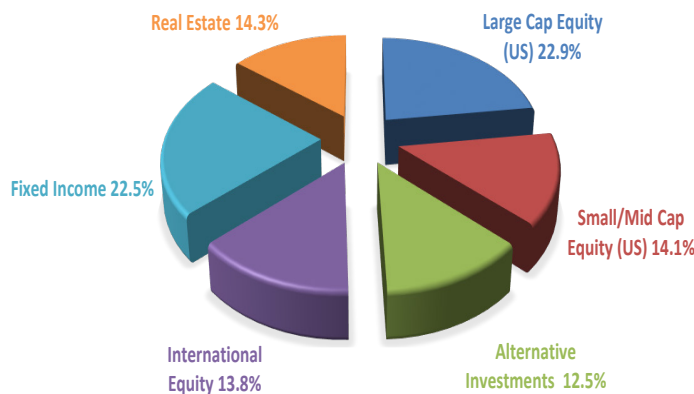
Percentage Return on Investments
1991-2018



Growth of Plan Assets 2001-2018
(in millions)



HOW PLAN ASSETS ARE INVESTED



Active and Retired Plan Members
1997-2018



Board of Trustees



Pension Trustees (seated l to r) Dennis Hole; Kenneth Rudominer, Chairman; Jeffrey Cameron; **(back row l to r)** Derek Joseph; Richard Fortunato, Vice Chairman; J. Scott Bayne, Secretary; and Jim Naugle.

Dems and GOP Agree About Pensions

Despite deep political polarization, Americans are united in their concern about retirement. In overwhelming numbers, Americans say the nation faces a retirement crisis, with Democrats at 80 percent, Republicans at 75 percent, and Independents at 75 percent. New research also finds that Americans see government playing an important role in helping workers prepare for retirement, “Americans are divided on so many issues, but not when it comes to their economic insecurity in retirement. Democrats, Republicans and Independents alike are concerned that they won’t be able to achieve financial security in retirement and that managing investments in retirement is problematic,” said Diane Oakley, NIRS executive director.

Across party lines, Americans have highly favorable views about pensions (Democrats at 80 percent, Republicans at 81 and Independents at 75 percent). More than three-fourths of Americans have a favorable view of defined benefit pensions. Some 64 percent say pensions are better than 401(k) accounts in terms of ensuring retirement security. And, 77 percent say those with pensions likely feel more comfortable retiring than those relying on individual savings.

Some 82 percent say police officers and fire fighters deserve a pension because they have risky jobs, while 74 percent say teachers deserve pensions to compensate for low pay. The overwhelming majority (79 percent) say all workers, not just state and local workers, should have a pension. Some 83 percent say pensions are a good way to recruit and retain state and local workers.

Who Pays for Pensions?

Many times, on tv or in newspapers, there are negative reports or comments about the costs of public pensions. These news stories, supported by some organizations opposed to public pensions, give the impression that all the costs are borne by the taxpayers.

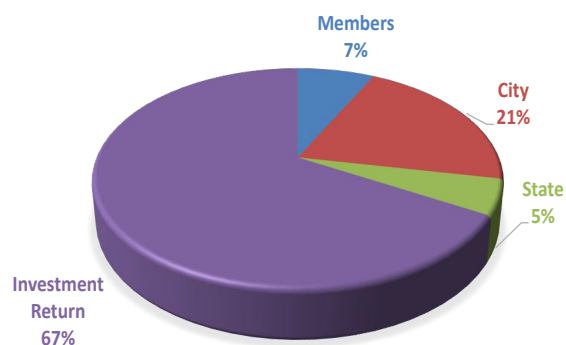
Pension Staff



Pension Staff Pictured (l to r) Alexandra Goyes, Deputy Director; Lynn Wenguer, Executive Director; and Jacqueline Garcia, Office Assistant. The pension office is located at 888 S. Andrews Avenue, Suite 202 in Fort Lauderdale, FL 33316 or call 954-828-5595.

The Fort Lauderdale Police and Firefighters’ plan funding comes from four sources. In the last fiscal year, funding came from the following: Member Contributions \$6.8 million (the total contributions by active members compared to the total income for the plan); City Contribution (required) \$19.3 million; State Contribution \$4.8 million (excluding amount for the Share Plan); and Investment Returns \$61.9 million. Across the nation, approximately two-thirds of all plan’s funding come from investment earnings. Fort Lauderdale is in line with other pension plans across the nation.

SOURCE OF PENSION PLAN FUNDING 2018



Finding Your Pension Benefit

The Pension Office provides an annual benefit estimate at the end of each calendar year, posted to your online member page. The Pension Office will also provide you with additional statements upon request. It is important to remember that benefit estimates are preliminary, rough calculations of the amount of money that you will receive from the plan when you retire. The closer you are to your retirement date, the more accurate an estimate will be. Although it is unlikely that your estimate will be the same as your actual benefit, it will give you an idea of what to expect and help you plan for your retirement years.

Police and Firefighters' Retirement System
888 S. Andrews Avenue, Suite 202
Fort Lauderdale, Florida 33316

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Mission Statement: The pension plan for the police officers and firefighters in the city of Fort Lauderdale is a defined benefit plan. The plan is administered by the Fort Lauderdale Police and Firefighters' Board of Trustees. The mission of the trustees is the efficient stewardship of the statutory pension benefits of its active members, retirees, and beneficiaries in such a manner as to safeguard retirement security.

SAVE THE DATE!

2019 Retirement Planning Seminar: Are you on track to achieve your retirement goals?



When: Friday, September 27th, from 8:30 a.m. to 2:30 p.m.

Where: 1st Floor Commission Chambers

Topics include:

- Estate Planning
- Tax Mistakes in Retirement
- Medicare and Social Security
- Lunch sessions for Deferred Compensation
- Individualized consultation will be available at the conclusion of the seminar

Who: Open to members of the Police and Firefighters Retirement Systems Spouses are welcome and encouraged to attend.

Hosted by the City of Fort Lauderdale Police & Firefighters Retirement System

Summary Plan Description

The Summary Plan Description 2018 is a synopsis of the retirement plan and your rights, obligations and benefits under the plan. This document shall not be deemed to interpret, extend or change the provisions of your plan in any way. The provisions of your plan may only be determined accurately by reading the actual plan documents as adopted in the Ordinances of the City of Fort Lauderdale Code of Ordinances. In the event of any discrepancy between this Summary Plan Description and the actual provisions of the plan, the plan shall govern. This Summary Plan Description was published October, 2018. If you require additional information, have comments or concerns regarding the plan, contact the Police & Firefighters' Retirement System office at 954-828-5595.

Nine Years Continued Recognition

The Fort Lauderdale Police and Firefighters' Retirement System has received the Public Pension Coordinating Council's (PPCC) award for plan funding and administration of its retirement system. The award recognizes the professional standards as set forth in the Public Pension Standards. This is the ninth consecutive year the plan has received the award. Approximately 200 retirement systems received this recognition in 2018 out of over 2,500 public pension plans. Three organizations comprise the PPCC: National Conference on Public Employees Retirement System (NCPERS), National Council on Teacher Retirement (NCTR), and National Association of State Retirement Administrators (NASRA).