

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

**COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**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**

### *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, 2018 and 2017, and the combined statements of changes in fiduciary net position for the years then ended, 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 combined 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, 2018 and 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 city net pension liability and related ratios, schedule of city contributions, and schedule of investment returns on pages 4 through 10 and pages 33 to 35, 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 April 9, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's 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  
April 9, 2019

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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 (System) and Supplemental Share Plan (Share Plan) for the Firefighters, combined financial performance provides an overview of the System's and Share Plan's financial activities for the years ended September 30, 2018, 2017 and 2016. 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 at the close of the years ended September 30, 2018, 2017 and 2016 by approximately \$942 million, \$893 million and \$814 million respectively (reported as net position restricted for pension benefits). Net position is held in trust to meet future benefit payments.
- Total return on investments for the System and Share Plan were 7.36%, 11.69% and 8.11%, respectively, for the years ended September 30, 2018, 2017 and 2016.
- The fiduciary net position as a percentage of the total pension liability in accordance with GASB Statement No. 67, Financial Reporting for Pension Plans (funded ratio), as of September 30, 2018 was 96.31%. This compares to the September 30, 2017 and 2016 ratio of 96.10% and 92.52%, respectively.
- Additions to the System and Share Plan's net position for the years ended September 30, 2018, 2017 and 2016 were approximately \$95 million, \$125.7 million and \$89.2 million, respectively, and are comprised of contributions of approximately \$32.6 million, \$29.2 million and \$25.6 million respectively, and net investment income of approximately \$61.9 million, \$96.5 million and \$63.7 million, respectively.
- Deductions to the System and Share Plan's net position for the years ended September 30, 2018, 2017 and 2016 were approximately \$45.7 million, \$47.2 million and \$49.5 million, respectively, and are comprised primarily of benefit payments of approximately \$45 million, \$46.5 million and \$48.7 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 and liabilities 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 and the resulting net position restricted for pension benefits. This statement reflects the System's and Share Plan's investments, at fair value (except for money market funds, which are at amortized cost), along with cash, receivables, other assets and liabilities.

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 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 city net pension liability and related ratios, a schedule of city 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 Combined Summary of Fiduciary Net Position demonstrates the combined financial position of the System and Share Plan at September 30, 2018, 2017 and 2016:

	September 30, 2018	September 30, 2017	September 30, 2016
Cash	\$ 3,257	\$ 3,257	\$ 3,257
Receivables	2,839,052	3,031,441	9,879,300
Investments	<u>946,099,546</u>	<u>895,067,218</u>	<u>809,661,807</u>
<b>Total Assets</b>	948,941,855	898,101,916	819,544,364
Liabilities	<u>7,414,282</u>	<u>5,331,440</u>	<u>5,283,820</u>
<b>Net Position Restricted for Pension Benefits</b>	<u>\$ 941,527,573</u>	<u>\$ 892,770,476</u>	<u>\$ 814,260,544</u>

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

The System's and Share Plan's total assets as of September 30, 2018 and September 30, 2017 were approximately \$949 million and \$898.1 million, respectively, and were mostly comprised of cash, investments, and receivables related to contributions and investments. For the year ended September 30, 2018, total assets increased approximately \$50.8 million or 5.7% from the prior year primarily due to positive investment returns. For the year ended September 30, 2017, total assets increased approximately \$78.6 million or 9.6% from the prior year primarily due to positive investment returns.

Total liabilities as of September 30, 2018 and September 30, 2017 were approximately \$7.4 million and \$5.3 million, respectively, and were mostly comprised of payables for securities purchased, and administrative expenses made by the City of Fort Lauderdale on behalf of the System and Share Plan. Total liabilities at September 30, 2018 increased by approximately \$2.0 million or 39.1% from 2017 due to the increase in unsettled trades by approximately \$2.4 million. Total liabilities at September 30, 2017 increased by approximately \$48,000 or 0.9% from 2016 due to the increase in due to the City of Fort Lauderdale by approximately \$0.1 million.

The System and Share Plan's assets exceeded its liabilities at the close of years ended September 30, 2018 and 2017 by approximately \$941.5 million and \$892.8 million, respectively. For the year ended September 30, 2018, total net position restricted for pension benefits increased approximately \$48.8 million or 5.5% from 2017 primarily due to positive investment earnings. For the year ended September 30, 2017, total net position restricted for pension benefits increased approximately \$78.5 million or 9.6% from 2016 primarily due to positive investment earnings.

## **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 following table reflects a combined summary of the changes in net position and reflects the combined activities of the System and Share Plan for the years ended September 30, 2018, 2017, and 2016:

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

	Year Ended September 30, 2018	Year Ended September 30, 2017	Year Ended September 30, 2016
<b>Additions</b>			
<b>Contributions</b>			
City	\$ 19,328,568	\$ 17,325,393	\$ 13,867,934
Employees	6,891,587	5,925,891	5,806,688
State	<u>6,380,918</u>	<u>5,932,067</u>	<u>5,860,782</u>
<b>Total</b>	32,601,073	29,183,351	25,535,404
<b>Net Investment Income</b>	<u>61,903,958</u>	<u>96,510,340</u>	<u>63,676,001</u>
<b>Total Additions</b>	<u>94,505,031</u>	<u>125,693,691</u>	<u>89,211,405</u>
<b>Deductions</b>			
Benefits paid	44,976,195	46,461,183	48,719,660
Refunds of contributions	123,286	103,001	129,524
Administrative expenses	<u>648,453</u>	<u>619,575</u>	<u>651,146</u>
<b>Total Deductions</b>	<u>45,747,934</u>	<u>47,183,759</u>	<u>49,500,330</u>
<b>Net Increase</b>	48,757,097	78,509,932	39,711,075
<b>Net Position Restricted for Pension</b>			
<b>Benefits - Beginning of Year</b>	<u>892,770,476</u>	<u>814,260,544</u>	<u>774,549,469</u>
<b>Net Position Restricted for Pension</b>			
<b>Benefits - End of Year</b>	<u>\$ 941,527,573</u>	<u>\$ 892,770,476</u>	<u>\$ 814,260,544</u>

## REVENUES – ADDITIONS TO COMBINED FIDUCIARY NET POSITION

The following comparative combined summary demonstrates the additions to the System and Share Plan for the years ended September 30, 2018, 2017 and 2016 (in thousands):

	Year Ended September 30, 2018	Year Ended September 30, 2017	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 19,329	\$ 17,325	\$ 2,004	11.6%
Employee Contributions	6,892	5,926	966	16.3%
State Contributions	6,381	5,932	449	7.6%
Net Investment Income	<u>61,904</u>	<u>96,510</u>	<u>(34,606)</u>	-35.9%
<b>Total Additions</b>	<b><u>\$ 94,505</u></b>	<b><u>\$ 125,693</u></b>	<b><u>\$ (31,188)</u></b>	<b>-24.8%</b>

  

	Year Ended September 30, 2017	Year Ended September 30, 2016	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 17,325	\$ 13,868	\$ 3,457	24.9%
Employee Contributions	5,926	5,807	119	2.0%
State Contributions	5,932	5,861	71	1.2%
Net Investment Income	<u>96,510</u>	<u>63,676</u>	<u>32,834</u>	51.6%
<b>Total Additions</b>	<b><u>\$ 125,693</u></b>	<b><u>\$ 89,212</u></b>	<b><u>\$ 36,481</u></b>	<b>40.9%</b>

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 years ended September 30, 2018 and 2017 totaled approximately \$94.5 million and \$125.7 million, respectively. Total contributions and net investment income for the year ended September 30, 2018 decreased by approximately \$31.1 million or 24.8% from the year ended September 30, 2017 as a result of lower than expected market conditions. Total contributions and net investment income for the year ended September 30, 2017 increased by approximately \$36 million or 40.9% from the year ended September 30, 2016 as a result of better than expected market conditions.

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

Net investment income for the year ended September 30, 2018 decreased from the year ended September 30, 2017 by approximately \$34.6 million and net investment income for the year ended September 30, 2017 increased from the year ended September 30, 2016 by approximately \$32.8 million.

Total City contributions for the year ended September 30, 2018 increased from the year ended September 30, 2017 by approximately \$2 million or 11.6%. Total City contributions for the year ended September 30, 2017 increased from the year ended September 30, 2016 by approximately \$3.5 million or 24.9%.

## EXPENSES - DEDUCTIONS FROM COMBINED FIDUCIARY NET POSITION

The table below reflects a comparative combined summary of the deductions of the System and Share Plan for the years ended September 30, 2018, 2017 and 2016 (in thousands):

	Year Ended September 30, 2018	Year Ended September 30, 2017	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 44,976	\$ 46,461	\$ (1,485)	-3.2%
Refund of Contributions	123	103	20	19.7%
Administrative Expenses	648	620	28	4.6%
<b>Total Deductions</b>	<b>\$ 45,748</b>	<b>\$ 47,184</b>	<b>\$ (1,436)</b>	<b>-3.0%</b>

  

	Year Ended September 30, 2017	Year Ended September 30, 2016	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 46,461	\$ 48,720	\$ (2,259)	-4.6%
Refund of Contributions	103	130	(27)	-20.8%
Administrative Expenses	620	651	(31)	-4.8%
<b>Total Deductions</b>	<b>\$ 47,184</b>	<b>\$ 49,501</b>	<b>\$ (2,317)</b>	<b>-4.7%</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 years ended September 30, 2018 and 2017 were approximately \$45.7 million and \$47.2 million, respectively, a decrease of approximately 3% from 2017. Total expenses and deductions for the years ended September 30, 2017 and 2016 were approximately \$47.2 million and \$49.5 million, respectively, a decrease of approximately 4.7% from 2016.

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

The payment of pension benefits to retirees decreased for the year ended September 30, 2018 from 2017 by approximately \$1.5 million or approximately 3.2%. The payment of pension benefits to retirees decreased for the year ended September 30, 2017 from 2016 by approximately \$2.3 million or approximately 4.6%.

## **RETIREMENT SYSTEM AS A WHOLE**

With the exception of the year ended 2011, the System's and Share Plan's combined net position have experienced increases over the last 9 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 of Trustees, 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, 2018 AND 2017**

	2018	2017
<b>Assets</b>		
Cash	\$ 3,257	\$ 3,257
<b>Investments</b>		
Money market funds	24,245,887	13,289,317
U.S. Treasury securities	54,722,648	63,755,193
U.S. Government agency obligations	189,443	352,869
Corporate bonds and other fixed income	135,594,011	145,326,162
Index funds and other	197,300,179	194,907,421
Equity securities	120,911,005	103,233,044
Commingled equity funds	224,807,074	206,128,887
Real estate funds	134,882,047	119,178,626
Hedge fund of funds	37,716,504	37,857,277
Private debt and equity funds	15,730,748	11,038,422
<b>Total Investments</b>	946,099,546	895,067,218
<b>Receivables</b>		
Unsettled trades	576,175	586,280
Accrued dividends and interest	2,259,012	2,426,418
State contribution	3,865	18,743
<b>Total Receivables</b>	2,839,052	3,031,441
<b>Total Assets</b>	948,941,855	898,101,916
<b>Liabilities</b>		
Unsettled trades	4,902,726	2,460,625
Accounts payable and accrued liabilities	476,481	855,614
Due to the City of Fort Lauderdale	2,035,075	2,015,201
<b>Total Liabilities</b>	7,414,282	5,331,440
<b>Net Position Restricted for Pension Benefits</b>	\$ 941,527,573	\$ 892,770,476

*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 YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>Additions</b>		
<b>Contributions</b>		
City	\$ 19,328,568	\$ 17,325,393
Employees	6,891,587	5,925,891
State	6,380,918	5,932,067
<b>Total Contributions</b>	<b>32,601,073</b>	<b>29,183,351</b>
<b>Investment Income</b>		
Net appreciation in fair value of investments	44,390,969	79,872,797
Interest	7,134,676	7,390,036
Dividends	4,505,978	5,417,131
Real estate income	8,885,038	6,291,617
Other income	5,914	203,944
	64,922,575	99,175,525
Less: investment expenses	3,018,617	2,665,185
<b>Net Investment Income</b>	<b>61,903,958</b>	<b>96,510,340</b>
<b>Total Additions</b>	<b>94,505,031</b>	<b>125,693,691</b>
<b>Deductions</b>		
<b>Benefits Paid</b>		
Retirement	39,909,005	41,482,792
Disability	1,088,888	1,103,263
Death	3,978,302	3,875,128
<b>Total Benefits Paid</b>	44,976,195	46,461,183
Refund of contributions	123,286	103,001
Administrative expenses	648,453	619,575
<b>Total Deductions</b>	<b>45,747,934</b>	<b>47,183,759</b>
<b>Net Increase in Net Position</b>	<b>48,757,097</b>	<b>78,509,932</b>
<b>Net Position Restricted for Pension Benefits</b>		
Beginning of year	892,770,476	814,260,544
End of year	<b>\$ 941,527,573</b>	<b>\$ 892,770,476</b>

*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 YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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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.

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 annual financial 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.

The Plan is administered by a Board of Trustees. The Board is comprised of seven members; four elected and three appointed. Two of the three appointive Members shall be appointed by the City Commission, each of whom must be a legal resident of the City. The two above appointive Members appointed after September 18, 2012 shall serve as trustee for a period of 4 years, unless sooner replaced by the City Commission at whose pleasure they shall serve. The third appointive Member shall be chosen by a majority of the previous six Members and such person's name shall be submitted to the City Commission. Upon receipt of the seventh person's name, the City Commission shall, as a ministerial duty, appoint such person to the Board of Trustees as its seventh Member. The seventh Member shall have the same rights as each of the other six Members appointed or elected as herein provided, shall serve on the Board for a period of four years, and may succeed himself or herself in office.

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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

*PLAN DESCRIPTION (CONTINUED)*

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.

For allocations after the initial allocation, the Board shall allocate to each participants account each year a portion of 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, 2017 (date of latest actuarial valuation) and October 1, 2016, membership in the System consisted of:

	October 1,	
	2017	2016
Inactive plan members or beneficiaries currently receiving benefits	1,063	1,050
Inactive plan members entitled to but not yet receiving benefits	25	20
Active plan members	<u>786</u>	<u>779</u>
<b>Total Membership</b>	<u><u>1,874</u></u>	<u><u>1,849</u></u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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

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

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

Effective October 1, 2017, for all Police Officer members, the member contribution rate was increased to 10% of their pensionable wages. In addition, effective October 1, 2017, Tier 1 Police Officer members, defined as entering the Deferred Retirement Option Program (DROP) on or before April 10, 2010, and current DROP members, are required to contribute 1.75% of their pensionable wages. Tier 2 members, defined as members hired after April 10, 2010, will be required to contribute 10% of their pensionable wages for the first 60 months of the member's 96 month DROP period. Thereafter, DROP Police Officer members will be required to contribute 1.5%.

Effective October 1, 2018, for all Firefighter members, the member contribution rate will be equal to 10% of their pensionable wages. Effective October 1, 2018, Tier 1 Firefighter members, defined as entering the entering the DROP on or before April 10, 2010, and current DROP members, will be required to contribute 1.75% of their pensionable wages. Tier 2 members, defined as members hired after April 10, 2010, will be required to contribute 10% of their pensionable wages for the first 60 months of the member's 96 month DROP period. Thereafter, DROP Firefighter members will be required to contribute 1.5%.

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 and C-15-28 eliminated interest on refunds for police officers who separated employment with the City on or after December 3, 2013 and firefighters who separated on or after October 1, 2014. 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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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

***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.

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 after April 1, 2014 and Firefighters hired after October 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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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

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

***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. Once a member has reached the maximum benefit accrual, the maximum DROP participation will be reduced for each month the member delays entry to the Plan.

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 70 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. A member who elects a DROP retirement is not eligible to participate in the BACDROP.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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

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

***Deferred Retirement Option Program (continued)***

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, 2018 and September 30, 2017 was \$41,488,073 and \$32,721,166, respectively. There were 156 and 135 participants in DROP as of September 30, 2018 and 2017, respectively. These amounts are included in the total investment balance presented on the combined statements of fiduciary net position.

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

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 Plan and 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 YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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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 except for money market funds which are reported at amortized cost. 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. Purchases and sales of investments are recorded on a 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. For more detail regarding the methods used to measure the fair value of investments refer to the fair value hierarchy in Note 3.

#### *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 has no items that qualify for reporting in this category.

#### *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 and disclosures. Actual results could differ from those estimates.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 3 - INVESTMENTS**

The System and Share Plan investment policy is determined by the Board of Trustees. 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:

Investment allocation for the year ended September 30, 2018 in accordance with policy in effect since May 2016:

Asset Class	Target			Actual
	Allocation	Minimum	Maximum	
<b>Domestic Equity</b>				
Large cap equity	17.5%	10%	30%	22%
Mid/Small cap equity	12.5%	5%	20%	13%
<b>International Equity</b>	15%	10%	20%	13%
<b>Alternative Investments</b>				
Global Infrastructure	5%	2.5%	7.5%	7%
Real Estate	12.5%	7.5%	17.5%	14%
Multi-Strategy	7.5%	2.5%	12.5%	8%
<b>Fixed Income (Including Cash)</b>	30%	25%	35%	23%

Investment allocation for the year ended September 30, 2017 in accordance with policy in effect since May 2016:

Asset Class	Target			Actual
	Allocation	Minimum	Maximum	
<b>Domestic Equity</b>				
Large cap equity	17.5%	10%	30%	22%
Mid/Small cap equity	12.5%	5%	20%	13%
<b>International Equity</b>	15%	10%	20%	14%
<b>Alternative Investments</b>				
Global Infrastructure	5%	2.5%	7.5%	7%
Real Estate	12.5%	7.5%	17.5%	13%
Multi-Strategy	7.5%	2.5%	12.5%	7%
<b>Fixed Income (Including Cash)</b>	30%	25%	35%	24%

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**NOTE 3 – INVESTMENTS (CONTINUED)**

***RATE OF RETURN***

For the years ended September 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.36% and 11.69%, respectively. 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.

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	September 30, 2018				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 54,722,648	\$ 8,111,060	\$ 30,063,836	\$ --	\$ 16,547,752
U.S. Government agency obligations	189,443	1,420	20,744	--	167,279
Corporate bonds and other fixed income	<u>135,594,011</u>	<u>14,035,305</u>	<u>92,548,803</u>	<u>27,625,783</u>	<u>1,384,120</u>
<b>Total Fixed Income Securities</b>	<u>\$ 190,506,102</u>	<u>\$ 22,147,785</u>	<u>\$ 122,633,383</u>	<u>\$ 27,625,783</u>	<u>\$ 18,099,151</u>

Investment Type	September 30, 2017				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 63,755,193	\$ --	\$ 31,423,416	\$ 32,331,777	\$ --
U.S. Government agency obligations	352,869	2,698	53,128	--	297,042
Corporate bonds and other fixed income	<u>145,326,162</u>	<u>11,976,937</u>	<u>97,586,380</u>	<u>33,881,962</u>	<u>1,880,884</u>
<b>Total Fixed Income Securities</b>	<u>\$ 209,434,224</u>	<u>\$ 11,979,635</u>	<u>\$ 129,062,924</u>	<u>\$ 66,213,739</u>	<u>\$ 2,177,926</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***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, 2018 and 2017, all of the Plan's investments met this requirement.

***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, 2018 and 2017, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's investments or 5% or more of fiduciary net position.

***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.

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

## NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### *FOREIGN CURRENCY RISK*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As of September 30, 2018 and 2017, the Plan has no exposure to foreign currency risk as all investments are denominated in U.S. dollars.

#### *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 combined statements 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.

#### *FAIR VALUE HIERARCHY*

The Plan categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles (GAAP). The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 - Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 - Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 - Investments' fair values based upon unobservable inputs.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

*FAIR VALUE HIERARCHY (CONTINUED)*

The following is a description of the fair value techniques for the Plan's investments:

Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian bank:

Short-term investments, which consist of money market funds, are reported at amortized cost.

Equity securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates (Level 1). This includes common stock and American Depository Receipts (ADR), and mutual fund equities.

Debt securities are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity (Level 2). This includes U.S. Treasury bonds and notes, inflation-indexed bonds, U.S. federal agencies, mortgage backed and collateralized securities, municipal bonds, mutual bond funds and corporate obligations, including asset backed, foreign bonds and notes.

The Plan has investments in alternative asset classes including commingled equity funds, real estate funds, hedge funds and private equity funds which hold a variety of investment vehicles that do not have readily available market quotations. These investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies which include pricing models, discounted cash flow models and similar techniques.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**NOTE 3 – INVESTMENTS (CONTINUED)**

***FAIR VALUE HIERARCHY (CONTINUED)***

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2018:

Investment Instruments Measured at Fair Value

	9/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. Treasury Securities	\$ 54,722,648	\$ --	\$ 54,722,648	\$ --
U.S. Government agency obligations	189,443	--	189,443	--
Corporate obligations	135,594,011	--	135,594,011	--
<b>Total Debt Securities</b>	<u>190,506,102</u>	<u>--</u>	<u>190,506,102</u>	<u>--</u>
<b>Index Funds and Other</b>	<u>197,300,179</u>	<u>197,300,179</u>	<u>--</u>	<u>--</u>
Equity securities:				
Common stock	119,139,825	119,139,825	--	--
ADR	1,771,180	1,771,180	--	--
<b>Total Equity Securities</b>	<u>120,911,005</u>	<u>120,911,005</u>	<u>--</u>	<u>--</u>
<b>Total Investments at Fair Value</b>	<u>508,717,286</u>	<u>318,211,184</u>	<u>190,506,102</u>	<u>--</u>
<b>Investments Measured at the Net Asset Value (NAV)*</b>				
Commingled equity funds	224,807,074			
Real estate funds	134,882,047			
Hedge fund of funds	37,716,504			
Private equity funds	12,980,748			
Private debt fund	2,750,000			
Total investments measured at NAV	<u>413,136,373</u>			
Money market funds (exempt)	24,245,887			
<b>Total Investments</b>	<u>\$ 946,099,546</u>			

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**NOTE 3 – INVESTMENTS (CONTINUED)**

***FAIR VALUE HIERARCHY (CONTINUED)***

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2017:

Investment Instruments Measured at Fair Value

	9/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. Treasury Securities	\$ 63,755,193	\$ --	\$ 63,755,193	\$ --
U.S. Government agency obligations	352,869	--	352,869	--
Corporate obligations	<u>145,326,162</u>	<u>--</u>	<u>145,326,162</u>	<u>--</u>
<b>Total Debt Securities</b>	<u>209,434,224</u>	<u>--</u>	<u>209,434,224</u>	<u>--</u>
<b>Index Funds and Other</b>	<u>194,907,421</u>	<u>194,907,421</u>	<u>--</u>	<u>--</u>
Equity securities:				
Common stock	100,857,482	100,857,482	--	--
ADR	<u>2,375,562</u>	<u>2,375,562</u>	<u>--</u>	<u>--</u>
<b>Total Equity Securities</b>	<u>103,233,044</u>	<u>103,233,044</u>	<u>--</u>	<u>--</u>
<b>Total Investments at Fair Value</b>	<u>507,574,689</u>	<u>\$ 298,140,465</u>	<u>\$ 209,434,224</u>	<u>\$ --</u>
<b>Investments Measured at the Net Asset Value (NAV)*</b>				
Commingled equity funds	206,128,887			
Real estate funds	119,178,626			
Hedge fund of funds	37,857,277			
Private equity fund	<u>11,038,422</u>			
Total investments measured at NAV	<u>374,203,212</u>			
Money market funds (exempt)	<u>13,289,317</u>			
<b>Total Investments</b>	<u>\$ 895,067,218</u>			

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

**NOTE 3 – INVESTMENTS (CONTINUED)**

***FAIR VALUE HIERARCHY (CONTINUED)***

\* As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the combined statements of fiduciary net position.

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

September 30, 2018				
<b>Investments Measured at the NAV</b>				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Commingled equity funds <sup>1</sup>	\$ 224,807,074	\$ --	Daily	1
Real estate funds <sup>2</sup>	134,882,047	--	Quarterly	10 - 90
Hedge fund of funds <sup>3</sup>	37,716,504	--	Quarterly	95
Private equity funds <sup>4</sup>	12,980,748	4,099,385	N/A	N/A
Private debt fund <sup>5</sup>	<u>2,750,000</u>	22,250,000	N/A	N/A
<b>Total Investments Measured at NAV</b>	<b><u>\$ 413,136,373</u></b>			

September 30, 2017				
<b>Investments Measured at the NAV</b>				
	Fair Value	Unfunded Commitments	Frequency (if Currently Eligible)	Notice Period
Commingled equity funds <sup>1</sup>	\$ 206,128,887	\$ --	Daily	1
Real estate funds <sup>2</sup>	119,178,626	10,041,000	Quarterly	10 - 90
Hedge fund of funds <sup>3</sup>	37,857,277	3,576,906	Quarterly	95
Private equity funds <sup>4</sup>	<u>11,038,422</u>	4,099,385	N/A	N/A
<b>Total Investments Measured at NAV</b>	<b><u>\$ 374,203,212</u></b>			

1 *Commingled equity funds* – Consists of three equity index collective trusts considered commingled in nature which are designed to match the return of their respective benchmark index. Each are valued at the net asset value held at the end of the period based upon the fair value of the underlying investments.

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

## NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### *FAIR VALUE HIERARCHY (CONTINUED)*

- 2 *Real estate funds* – Consists of three open end real estate partnerships. Two of the funds primarily invest in stable institutional quality office, retail, industrial, hotel and multi-family residential properties that are substantially leased and have minimal deferred maintenance. The other fund is a commingled insurance company separate account designed for use as a funding vehicle for tax-qualified pension plans and certain non-profit organizations. Its investments are comprised primarily of real estate investments either directly owned or through partnership interests, and mortgages and other loans on income producing real estate.
- 3 *Hedge fund of funds* – The Plan invests in two hedge fund of funds partnership vehicles. The objectives of these funds are to seek above-average rates of return and long-term capital growth through an investment in a master fund of funds with a diversified portfolio of private investment entities and separately managed accounts.
- 4 *Private equity funds* – The Plan invests in three private equity partnership vehicles. The private equity funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average will occur over a period of 5 to 10 years.
- 5 *Private debt funds* – The Plan invests in one private debt partnership vehicle. The private debt fund is not eligible for redemption. Distributions are received as underlying investments within the fund produce income or principal is returned, which should occur on a quarterly basis over the 6 to 7 year life of the fund.

### 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 Plan has been amended since receiving the determination letter, however, Plan management and the Plan's legal counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 5 – NET PENSION LIABILITY OF THE CITY**

The components of the net pension liability of the City at September 30, 2018 and 2017:

	2018	2017
Total pension liability	\$ 977,637,343	\$ 928,971,000
Plan fiduciary net position	<u>(941,527,573)</u>	<u>(892,770,476)</u>
Net pension liability	<u>\$ 36,109,770</u>	<u>\$ 36,200,524</u>

<b>Plan Fiduciary Net Position as a Percent of the Total Pension Liability</b>	<u>96.31%</u>	<u>96.10%</u>
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***SIGNIFICANT ACTUARIAL ASSUMPTIONS***

The total pension liability as of September 30, 2018 was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions applied to the measurement period:

Inflation	2.75%
Salary increases	0.50% - 3.00%
Investment rate of return	7.35%
Mortality Rates:	
Healthy	RP2000 Generational, Scale BB
Disabled	RP2000 Disabled, no projection scale

The total pension liability as of September 30, 2017 was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions applied to the measurement period:

Inflation	2.75%
Salary increases	0.50% - 3.00%
Investment rate of return	7.40%
Mortality Rates:	
Healthy	RP2000 Generational, Scale BB
Disabled	RP2000 Disabled, no projection scale

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 5 – NET PENSION LIABILITY OF THE CITY (CONTINUED)**

***SIGNIFICANT ACTUARIAL ASSUMPTIONS (CONTINUED)***

The actuarial assumptions used in the September 30, 2017 and 2016 valuations were based on the results of an actuarial experience study dated July 10, 2015 for the period from January 1, 2008 to September 30, 2014.

***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, 2018 and 2017 are summarized in the following table:

Asset Class	2018		2017	
	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic equity	30.0%	30.0%	4.80%	6.90%
International equity	15.0%	15.0%	5.00%	6.80%
Domestic bonds	30.0%	30.0%	0.80%	1.80%
Real estate	12.5%	12.5%	3.80%	4.50%
Other	<u>12.5%</u>	<u>12.5%</u>	2.00%	3.30%
<b>Total</b>	<u>100.0%</u>	<u>100.0%</u>		

***DISCOUNT RATE***

The discount rate used to measure the total pension liability was 7.35% and 7.40% for the years ended September 30, 2018 and 2017, respectively. 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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 5 – NET PENSION LIABILITY OF THE CITY (CONTINUED)**

***DISCOUNT RATE (CONTINUED)***

The following presents the net pension liability of the City, calculated using the discount rate of 7.35% for the year ended September 30, 2018, and the discount rate of 7.40% for the year ended September 30, 2017, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Net Pension Liability		
	1% Decrease (6.35%)	Discount Rate (7.35%)	1% Increase (8.35%)
September 30, 2018	\$141,803,385	\$36,109,770	(\$51,365,489)

  

	Net Pension Liability		
	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
September 30, 2017	\$137,999,522	\$36,200,524	(\$48,085,239)

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

The System and Share Plan use 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, 2018 and 2017 were \$2,035,075 and \$2,015,201, respectively.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

***OPERATING LEASE***

The System and Share Plan are obligated under an operating lease for office space, which expired on February 28, 2018 and was extended to February 28, 2021. The following is a schedule of the aggregate future minimum rental payments under this lease:

For the Year Ending September 30,	Amount
2019	\$ 54,000
2020	55,000
2021	23,000
<b>Total</b>	<b>\$ 132,000</b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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**NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

*CONTINGENCIES*

The System and Share Plan are exposed to various asserted and unasserted potential claims encountered in the normal course of operations. 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.

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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  
CITY NET PENSION LIABILITY AND RELATED RATIOS**

September 30,	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 20,478,769	\$ 20,106,284	\$ 19,199,538	\$ 18,531,300	\$ 18,025,712
Interest	68,505,318	65,765,964	62,181,617	60,367,031	57,797,227
Change in excess state money	--	--	--	--	(1,223,158)
Share plan allocation	1,599,747	1,653,054	1,732,185	1,826,197	2,561,814
Changes of benefit terms	6,411	--	--	1,097,988	--
Differences between expected and actual experience	(1,668,323)	(2,762,831)	(5,100,657)	(7,319,054)	--
Changes of assumptions	4,790,360	10,692,637	16,504,779	(2,194,981)	--
Contributions - buy back	2,371,335	24,749	73,763	43,865	--
Contributions - transfer from general plan	--	--	--	26,692	--
Benefit payments, including refunds of member contributions	(47,417,274)	(46,564,184)	(48,849,184)	(46,660,430)	(44,137,555)
<b>Net Change in Total Pension Liability</b>	48,666,343	48,915,673	45,742,041	25,718,608	33,024,040
<b>Total Pension Liability - Beginning</b>	928,971,000	880,055,327	834,313,286	808,594,678	775,570,638
<b>Total Pension Liability - Ending (a)</b>	977,637,343	928,971,000	880,055,327	834,313,286	808,594,678
<b>Plan Fiduciary Net Position</b>					
Contributions - employer (city)	19,328,568	17,325,393	13,867,934	15,599,916	14,498,457
Contributions - member (state)	6,380,918	5,932,067	5,860,782	5,799,229	5,581,044
Contributions - nonemployer contributing member	9,209,380	5,925,891	5,806,688	5,654,820	5,875,363
Net investment income	61,903,958	96,510,340	63,676,001	5,969,880	59,358,824
Benefit payments, including refunds of member contributions	(47,417,274)	(46,564,184)	(48,849,184)	(46,660,430)	(44,137,555)
Administrative expenses	(648,453)	(619,575)	(651,146)	(692,348)	(647,397)
Other	--	--	--	--	4,000,034
<b>Net Change in Plan Fiduciary Net Position</b>	48,757,097	78,509,932	39,711,075	(14,328,933)	44,528,770
<b>Plan Fiduciary Net Position - Beginning</b>	892,770,476	814,260,544	774,549,469	788,878,402	744,349,632
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 941,527,573	\$ 892,770,476	\$ 814,260,544	\$ 774,549,469	\$ 788,878,402
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 36,109,770	\$ 36,200,524	\$ 65,794,783	\$ 59,763,817	\$ 19,716,276
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.31%	96.10%	92.52%	92.84%	97.56%
Covered Payroll *	\$ 72,960,842	\$ 71,050,792	\$ 69,470,181	\$ 68,064,001	\$ 67,279,327
Net Pension Liability as Percentage of Covered Payroll	49.49%	50.95%	94.71%	87.81%	29.31%

\* The covered payroll numbers shown are in compliance with GASB 82.

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CITY CONTRIBUTIONS**

Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2018	\$ 23,513,971	\$ 24,109,739	\$ (595,768)	\$ 72,960,842	33.04%
2017	\$ 21,265,207	\$ 21,604,408	\$ (339,201)	\$ 71,050,792	30.41%
2016	\$ 17,665,942	\$ 17,996,531	\$ (330,589)	\$ 69,470,181	25.91%
2015	\$ 18,913,469	\$ 18,913,469	\$ --	\$ 68,064,001	27.79%
2014	\$ 19,012,474	\$ 19,012,474	\$ --	\$ 67,279,327	28.26%
2013	\$ 14,208,593	\$ 14,208,593	\$ --	\$ 65,886,733	21.57%

**Notes to Schedule:**

Valuation date: October 1, 2016

Actuarially determined contribution rates are calculated as of October 1, two years 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. Additionally, beginning with the pension fund's plan year ended September 30, 2015, a full year salary load based on the current 4.7% assumption is utilized under the projection funding method, as mandated by the Division of Retirement.
Amortization method	Level percentage of pay, closed
Remaining amortization period	20 years
Actuarial value of assets	All assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year
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	
Female:	RP-2000 Generational, 100% Annuitant White Collar, Scale BB.
Male:	RP-2000 Generational, 10% Annuitant White Collar / 90% Annuitant Collar, Scale BB.
Disabled mortality rates	
Female:	60% RP-2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
Male:	60% RP2-000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

\* The covered payroll numbers shown are in compliance with GASB 82.

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

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

**SCHEDULE OF INVESTMENT RETURNS**

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September 30,	2018	2017	2016	2015	2014	2013
Annual Money-Weighted Rate of Return, net of Investment Expense	7.36%	11.69%	8.11%	0.74%	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, the Plan will 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, 2018 AND 2017**

	2018			2017		
	System	Share Plan	Total	System	Share Plan	Total
<b>Assets</b>						
<b>Cash</b>	\$ 3,257	\$ --	\$ 3,257	\$ 3,257	\$ --	\$ 3,257
<b>Investments</b>						
Money market funds	24,245,887	--	24,245,887	13,289,317	--	13,289,317
U.S. Treasury securities	54,722,648	--	54,722,648	63,755,193	--	63,755,193
U.S. Government agency obligations	189,443	--	189,443	352,869	--	352,869
Corporate bonds and other fixed income	135,594,011	--	135,594,011	145,326,162	--	145,326,162
Index funds and other	197,300,179	--	197,300,179	194,907,421	--	194,907,421
Equity securities	120,911,005	--	120,911,005	103,233,044	--	103,233,044
Commingled equity funds	224,807,074	--	224,807,074	206,128,887	--	206,128,887
Real estate funds	134,882,047	--	134,882,047	119,178,626	--	119,178,626
Hedge fund of funds	37,716,504	--	37,716,504	37,857,277	--	37,857,277
Private equity funds	15,730,748	--	15,730,748	11,038,422	--	11,038,422
<b>Total Investments</b>	<u>946,099,546</u>	<u>--</u>	<u>946,099,546</u>	<u>895,067,218</u>	<u>--</u>	<u>895,067,218</u>
<b>Receivables</b>						
Unsettled trades	576,175	--	576,175	586,280	--	586,280
Accrued dividends and interest	2,259,012	--	2,259,012	2,426,418	--	2,426,418
State contribution	3,865	--	3,865	18,743	--	18,743
Due to/from retirement system	(36,377,173)	36,377,173	--	(35,033,323)	35,033,323	--
<b>Total Receivables</b>	<u>(33,538,121)</u>	<u>36,377,173</u>	<u>2,839,052</u>	<u>(32,001,882)</u>	<u>35,033,323</u>	<u>3,031,441</u>
<b>Total Assets</b>	<u>912,564,682</u>	<u>36,377,173</u>	<u>948,941,855</u>	<u>863,068,593</u>	<u>35,033,323</u>	<u>898,101,916</u>
<b>Liabilities</b>						
Unsettled trades	4,902,726	--	4,902,726	2,460,625	--	2,460,625
Accounts payable and accrued liabilities	476,481	--	476,481	855,614	--	855,614
Due to the City of Fort Lauderdale	2,035,075	--	2,035,075	2,015,201	--	2,015,201
<b>Total Liabilities</b>	<u>7,414,282</u>	<u>--</u>	<u>7,414,282</u>	<u>5,331,440</u>	<u>--</u>	<u>5,331,440</u>
<b>Net Position Restricted for Pension</b>						
<b>Benefits</b>	<u>\$ 905,150,400</u>	<u>\$ 36,377,173</u>	<u>\$ 941,527,573</u>	<u>\$ 857,737,153</u>	<u>\$ 35,033,323</u>	<u>\$ 892,770,476</u>

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

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

**FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018			2017		
	System	Share Plan	Total	System	Share Plan	Total
<b>Additions</b>						
<b>Contributions</b>						
Employer	\$ 19,328,568	\$ --	\$ 19,328,568	\$ 17,325,393	\$ --	\$ 17,325,393
Plan members	6,891,587	--	6,891,587	5,925,891	--	5,925,891
State	4,819,806	1,561,112	6,380,918	4,274,909	1,657,158	5,932,067
<b>Total Contributions</b>	<u>31,039,961</u>	<u>1,561,112</u>	<u>32,601,073</u>	<u>27,526,193</u>	<u>1,657,158</u>	<u>29,183,351</u>
<b>Investment Income</b>						
Net appreciation in fair value of investments	44,231,218	159,751	44,390,969	76,379,645	3,493,152	79,872,797
Interest	7,134,676	--	7,134,676	7,390,036	--	7,390,036
Dividends	4,505,978	--	4,505,978	5,417,131	--	5,417,131
Real estate income	8,885,038	--	8,885,038	6,291,617	--	6,291,617
Other income	5,914	--	5,914	203,944	--	203,944
	64,762,824	159,751	64,922,575	95,682,373	3,493,152	99,175,525
Less: investment expenses	3,018,617	--	3,018,617	2,665,185	--	2,665,185
<b>Net Investment Income</b>	<u>61,744,207</u>	<u>159,751</u>	<u>61,903,958</u>	<u>93,017,188</u>	<u>3,493,152</u>	<u>96,510,340</u>
<b>Total Additions</b>	<u>92,784,168</u>	<u>1,720,863</u>	<u>94,505,031</u>	<u>120,543,381</u>	<u>5,150,310</u>	<u>125,693,691</u>
<b>Deductions</b>						
<b>Benefits Paid</b>						
Retirement	39,570,894	338,111	39,909,005	40,560,222	922,570	41,482,792
Disability	1,088,888	--	1,088,888	1,103,263	--	1,103,263
Death	3,978,302	--	3,978,302	3,875,128	--	3,875,128
<b>Total Benefits Paid</b>	<u>44,638,084</u>	<u>338,111</u>	<u>44,976,195</u>	<u>45,538,613</u>	<u>922,570</u>	<u>46,461,183</u>
Refund of contributions	123,286	--	123,286	103,001	--	103,001
Administrative expenses	609,551	38,902	648,453	578,615	40,960	619,575
<b>Total Deductions</b>	<u>45,370,921</u>	<u>377,013</u>	<u>45,747,934</u>	<u>46,220,229</u>	<u>963,530</u>	<u>47,183,759</u>
<b>Net Increase in Net Position</b>	47,413,247	1,343,850	48,757,097	74,323,152	4,186,780	78,509,932
<b>Net Position Restricted for Pension Benefits</b>						
Beginning of year	<u>857,737,153</u>	<u>35,033,323</u>	<u>892,770,476</u>	<u>783,414,001</u>	<u>30,846,543</u>	<u>814,260,544</u>
End of year	<u>\$ 905,150,400</u>	<u>\$ 36,377,173</u>	<u>\$ 941,527,573</u>	<u>\$ 857,737,153</u>	<u>\$ 35,033,323</u>	<u>\$ 892,770,476</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**

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, 2018 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 April 9, 2019.

***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*.

However, we have one matter we have identified to management in the accompanying management letter.

### ***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  
April 9, 2019

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

## MANAGEMENT LETTER

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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### OBSERVATION AND RECOMMENDATION

#### MLC 2018-1 Police Officer Employee Contributions

##### *Criteria*

In August 2018, the City of Fort Lauderdale (the City) approved Ordinance 18-21, which made certain changes to employee required contributions.

- Effective October 1, 2017, police officers currently in or entering DROP were required to contribute 1.75% of their pensionable earnings until termination of their DROP.
- The required contribution for active police officers increased from 8.25% to 10% of the member's earnings.

##### *Condition*

Certain police officers did not contribute the correct amounts to the Plan during fiscal year 2018.

As part of our audit procedures, Marcum randomly selected police officers to test contributions made during fiscal year ending September 30, 2018.

- 5 police officers in DROP were selected for testing. None of the police officers in the DROP selected for testing contributed the required 1.75% during fiscal year 2018 as required by the new Ordinance.
- 5 existing police officer plan members were selected for testing. None of the existing police officers, hired before October 1, 2017, made the correct contributions of 10% during fiscal year 2018 as required by the new Ordinance.

##### *Cause*

The cause of the error is a lack of adequate internal controls over employee payroll deductions. Bi-weekly payroll deductions prepared by the City's payroll department were not reviewed for accuracy and completeness on a timely basis.

- The City relied on the payroll system to calculate pensionable wages for the police officers in DROP; however, pensionable wages were not being calculated correctly as it was excluding the first 40 hours of overtime which is considered pensionable wages in accordance with the provisions of the plan.

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

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**OBSERVATION AND RECOMMENDATION (CONTINUED)**

**MLC 2018-1 Police Officer Employee Contributions (continued)**

*Cause (continued)*

- For the existing police officers, as the Ordinance was not passed until August 2018 but was retroactive to October 1, 2017, the City applied the effect of the adjustment retroactively on the payroll for the period ending September 22, 2018 to catch up the employee contribution to 10% for the year. As of September 30, 2018, the retroactive contributions were not calculated correctly for each of the employees selected for testing.

*Effect*

Employee contributions are incorrectly deducted for the fiscal year ended September 30, 2018.

- In all cases, the actual deductions for police officers in DROP were less than the 1.75% required contribution for the fiscal year.
- For the active police officers, the differences were not consistent and some contributed more while others contributed less than the required 10% for fiscal year 2018.

As the differences noted were not significant to the Plan, only a few hundred dollars, Marcum does not believe these errors caused a material misstatement in the financial statements. However, these could be significant to the employees if left undetected and uncorrected.

*Recommendation*

We make the following recommendations as a result of the conditions discussed above:

- We recommend that the City's payroll department implement an internal control procedure to review the inputs to the payroll system especially as it relates to the Plan whenever a change is made for items such as a new Ordinance or Plan amendments to ensure the change is properly applied in the payroll system.
- We recommend that the City, based on Marcum's findings, review all the employee contributions during fiscal year 2018 to ensure that the amounts deducted were accurate and to correct any employee contributions that were not accurately determined.

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

**MANAGEMENT LETTER**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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**OBSERVATION AND RECOMMENDATION (CONTINUED)**

**MLC 2018-1 Police Officer Employee Contributions (continued)**

*Recommendation (continued)*

- We recommend that the pension office implement an internal control procedure to include a review of bi-weekly employee contributions on a regular basis to verify that the contributions are properly deducted in accordance with the plan documents and to ensure that amendments to the Plan are accurately implemented.

*Views of Responsible Officials and Planned Corrective Actions*

The City concurs with the current year observation and recommendation. The City's Finance Department has implemented an additional review process prior to making revisions based on Ordinances or Plan changes that impact employees' records. The City is in the process of reconciling impacted employees to ensure that contributions are in accordance with changes to Ordinance 18-21. Going forward, in order to ensure that the City has properly applied Plan amendments, the Plan Administrator will request supporting details from the City to review for all retroactive adjustments prior to the adjustments being made to employee compensation. In addition, the Plan Administrator will be involved in the planning process for plan-wide retroactive salary changes in the future to ensure their accuracy. After the implementation of a change to the Plan, the Plan Administrator will review the reconciliations performed by the City to verify the correct adjustments were made to each member of the Plan.