

City of Fort Lauderdale



POLICE & FIREFIGHTERS' RETIREMENT SYSTEM ANNUAL REPORT 2016

Keeping Our Pension Promise



That's the goal of the pension trustees, "Keeping Our Pension Promise" to those who have served and retired before us and to those currently working and looking forward to a secure retirement. This goal can be accomplished by ensuring the plan is funded and professionally administered. On behalf of the

seven member Board of Trustees, I am happy to report to you that our retirement plan is financially solid.

The plan's return on investments was 8.11%, with a three-year return of 5.79% and a five-year return of 9.13%. Over the past 26 years, the plan's average return on investments was 8.69%. For the seventh consecutive year, the retirement plan was recognized by the Public Pension Coordinating Council for meeting the national standards in plan funding. A one-day investment seminar was held with all the investment managers, discussing performance and projected investment strategies.

The board approved a revised **Summary Plan Description** that reflects changes in the pension plan resulting from the collective bargaining agreements and board policies. Copies can be obtained on the pension plan website or by calling the pension office.

As chairman of the board, I made a formal presentation to the city commission in June, providing an overview of

the plan and its performance. The presentation was well received. It is important to keep the plan sponsor educated on the plan's financial status and to review the overall structure and operation of the plan.

We hosted a Retirement Planning Seminar for members and their spouses to learn about issues facing those nearing retirement. If you are nearing retirement or just want some excellent planning information, you should plan to attend in 2017 on September 15.

During the year, the trustees approved the annual audit, annual actuarial report and filed our annual report with the state of Florida. The board meets monthly (usually second Wednesday) to conduct our normal business and hear the input of the Retirees' Association. We continue to work with the Retirees' Association to address their issues and seek ways to overcome statutory and legal challenges to improving benefits. The minutes of these meetings and the agenda are posted on the plan's website. We work with the city and unions to ensure the plan is funded and administered appropriately.

As we end this fiscal year, we are proud of the professional services provided to our active and retired members and we remain committed to **keeping our pension promise** to you and your survivors.

Michael Dew

Michael Dew, Chairman

2016 Retirement Plan Highlights

Active Members = 779
 Retirees/Beneficiaries = 920
 Disability Members = 28
 DROP Members = 102
 Terminated Vested = 20
 Total Plan Participants = 1,849
 New Entrants = 43

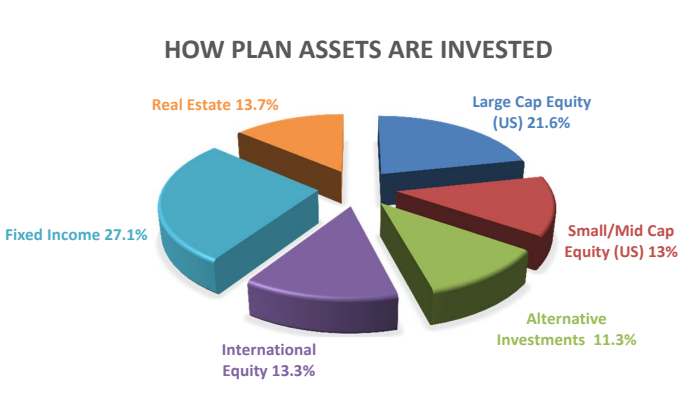
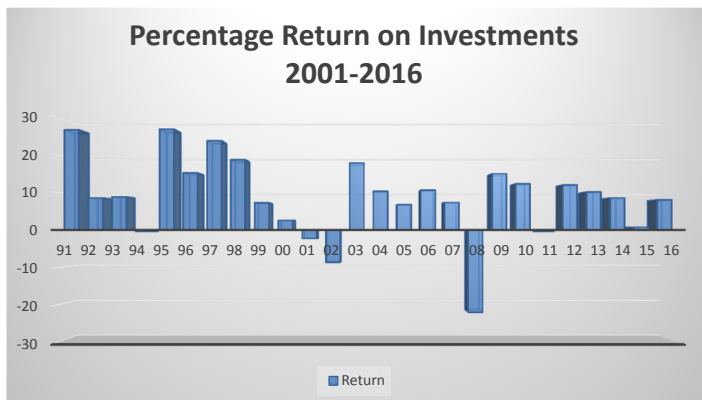
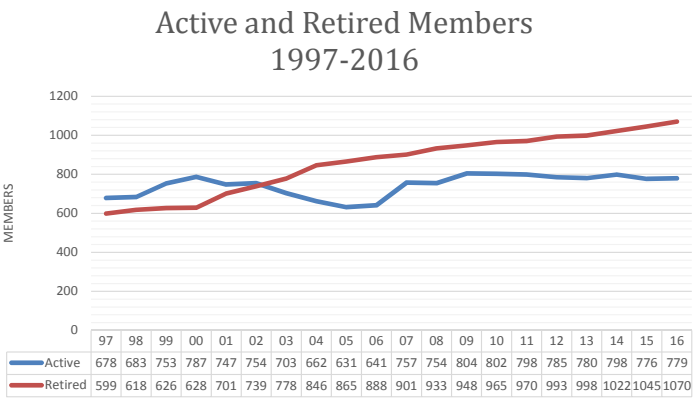
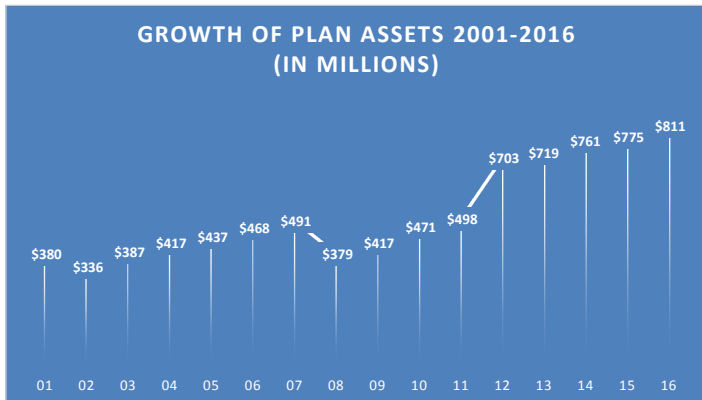
Market Value of Plan Assets = \$811 million
 Benefits Paid = \$48.8 million
 Member Contributions = \$5.7 million
 City Contributions = \$18 million
 State Contributions = \$5.8 million
 Dividends and Interest = \$13.4 million
 Gains on Investments = \$52.7 million

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 16 years – from \$380 million to \$811 million, a growth of over 113%. The average return on investments over the past 26 years is 8.69%. The plan's returns have been positive for 21 of the past 26 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.

Board of Trustees

Michael Dew (Police) <i>Chairman</i>	J. Scott Bayne (Fire)
Kenneth Rudominer (Fire) <i>Vice Chairman</i>	Dennis Hole (Consensus)
Richard Fortunato (Police) <i>Secretary</i>	Jim Naugle (Appointed)
	Jeffrey Cameron (Appointed)





Pension Trustees (l to r) Dennis Hole; Jeffrey Cameron; Jim Naugle; Michael Dew, Chairman; J. Scott Bayne; Richard Fortunato, Secretary; and Kenneth Rudominer, Vice Chairman.



Pension Staff (l to r) Jazmin Elliott, Office Assistant; Lynn Wenguer, Executive Director; Alexandra Goyes, Deputy Director. The pension office is located at 888 S. Andrews Avenue, Suite 202 in Fort Lauderdale, FL 33316 or call 954-828-5595. Information about your retirement plan is available on the website at www.ftlaudpfpension.com.

Status of Public Pensions

The National Conference on Public Employee Retirement Systems (NCPERS) conducted a 2016 study of public pension plans, exploring retirement practices. They surveyed 159 state and local plans, covering over 10 million active and retired participants and with assets totaling \$1.5 billion.

The key findings of the study include:

1. Funds continue to be cost effective by reducing their investment expenses. The average expense is 56 basis points (100 basis points equals 1% point), a reduction from 2015. **The cost for the Fort Lauderdale Police and Firefighters' plan is 52 basis points.** Over 91 percent of those surveyed had a defined benefit (guaranteed) pension plan.
2. Almost 40 percent of the plans have lowered their assumed rate of returns and another 30% are considering lowering in the future. More than 30 percent have increased employee contributions and raised the retirement age or service requirements. **Fort Lauderdale Police and Firefighters' plan assumed rate of return is 7.5%**, which was the average of the plans in the study. The trustees,

committed to ensuring the plan's permanence, are exploring and considering several avenues to lower the assumed rate of return. Investment assumptions have a powerful impact on the plan's funding level and what the city will have to contribute each year to pay for future benefits. Our performance manager, through a comprehensive study of the plan's investment returns, indicated future investment returns will be challenging and the assumed rate of return should be reduced. The goal of the retirement plan is to ensure liabilities are fully funded at the time the liability is due to be paid. Plans use a long-term planning horizon to achieve that goal.

3 Funds are currently experiencing healthy returns on investments, for the 3-year, 5-year and 20-year periods. These returns are close to or exceeding 8 percent. **Fort Lauderdale Police and Firefighters' plan has a 26-year return of 8.69%.**

4 Pension plans are experiencing increases in their funded ratio (assets compared to liabilities). The average pre-funded ratio was 76.2 percent. The goal is to have the plan fully funded when the benefits are due. **Fort Lauderdale Police and Firefighters' plan is pre-funded at 98.4 percent.** Fitch Ratings considers 70% funding level to be adequate.

5 Funding of the plans comes from three major sources: employee contributions (7.5%), employer contributions (18.7%) and investment returns (73.8%). **Fort Lauderdale Police and Firefighters' plan sources of income are: employee contributions (7%), employer contributions (16%), state contributions (7%) and investment returns (71%).**

Funds have been proactive in making changes to their plans (adjusting assumption rates) and benefits (increasing contributions) to ensure their stability. Pension plans are designed to fund liabilities over a period of time, which ensures long-term stability and makes annual budgeting by the city easier by having predictable contribution levels.

Overall, the study shows improvements in the funding and costs of public pension plans. It also highlights that the Fort Lauderdale Police and Firefighters' plan exceeds the norm of the other public sector plans. That's good news for everyone – active members, retirees, and the city who sponsors the plan.

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

First Class Mail

**Retirees - Don't forget to mail in
your Verification of Benefit forms.**

**PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
FORTLAUDERDALE FL
PERMIT NO 401**

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!**

2017 Police and Firefighter Retirement Planning Seminar

When: September 15, 2017 – Full Day Event – Lunch Served

Where: City Hall Commission Chambers

100 N Andrews Avenue, Fort Lauderdale

It's never too early or too late to plan for your retirement

Actuarial Report Praised

The city conducted a five-year review of the Police and Firefighter's Pension Plan annual actuarial valuation report, along with the General Employees Retirement System. The firm hired, Cavanaugh MacDonald, reviewed the reasonableness and soundness of each plan's actuary evaluations, as well as the 2015 experience study for police and firefighters. The report to the city concluded, "In our opinion, the actuarial valuation reports are comprehensive and conform to current accepted practice." It goes on to state, "We have no significant recommendations that would provide meaningful improvements to the report." The firm of Foster & Foster is the actuary for the Police and Firefighters' Retirement System.

Seven Years and Counting

The Fort Lauderdale Police and Firefighters' Retirement System has received the **Public Pension Coordinating Council's** (PPCC) award for plan funding of its retirement system. The award recognizes the professional standards for retirement plan funding and administration as set forth in the Public Pension Standards. This is the seventh consecutive year the plan has received the award. Approximately 200 retirement systems received this recognition in 2016 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).