

City of Fort Lauderdale



POLICE & FIREFIGHTERS' RETIREMENT SYSTEM ANNUAL REPORT 2017

Protecting Our Retirement Security



On behalf of myself and the six other members of the Board of Trustees, I am happy to present to you this year's annual report on the status of your retirement system.

The board of trustees continues to strive to uphold its fiduciary duties for all of our 1,874 active and retired members, beneficiaries, and stakeholders. Last year, retirees and beneficiaries received \$46 million in retirement and disability benefits. Using National Institute on Retirement Security's Pension Benefit Multiplier, that payment amount generated over \$77 million dollars added to our local and state economies.

Thanks to prior good governance provided by this board and the plan sponsor (City of Fort Lauderdale), our plan has once again experienced a year of positive returns. The return on investments yielded 11.69% for the fiscal year, adding \$96.5 million to the total assets of the plan, which are \$893 million. These investment results, compounded with previous results of the recent past, have eased some of the political and financial risks faced by the plan. We do not plan to rest on our past results, but to build on them. Our plan is pre-funded at 92% - assets compared to liabilities. However, we are ever vigilant that both the financial and political landscape could change and are fully prepared to fulfill our mission statement of "protecting retirement security."

The trustees approved the Actuarial Valuation Report and the annual audit. Working with our actuary, the board voted to lower the assumed rate of return from 7.5% to 7.4%, and to continue to lower it by .5% each year until it reaches 7%. The independent auditors concluded by stating, "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%."

The most recent police and firefighter contracts included several pension changes. Our Executive Director Lynn Wenguer and her staff, in conjunction with the board and city staff, are working diligently to implement these changes. One of the most significant and most challenging is the ability of fire fighters to buy back up to five years of prior service with another employer. The board's attorney Robert Klausner is working with the plan sponsor on updating the pension ordinance to reflect the current changes and remove legacy language that no longer applies. We expect to have both of these directives completed by the time we publish our next Summary Plan Description.

The plan continues to provide education through its annual Retirement Planning Seminar for members, annual investment seminar with all the investment managers, and communications to active and retired members. Our online benefit calculator for active members will be updated to reflect the changes in benefits from the newly negotiated labor contracts. We continue to work with the Retirees' Association on issues of mutual concern and appreciate their input at the monthly meetings of the trustees.

As the new Chairperson, I plan to continue building on the relationships established by the past chairperson. These relationships are with our members, plan sponsor, service providers, tax payers and others. To continue these relationships, I pledge complete transparency and accountability in board actions. The meeting dates are posted and the public is welcome to attend and afforded time for public comments. If you are unable to attend the meetings in person you are welcome to contact the pension office.

Kenneth Rudominer

Chairman

2017 Retirement Plan Highlights

Active Members = 786
 Retirees/Beneficiaries = 924
 Disability Members = 26
 DROP Members = 113
 Terminated Vested = 25
 Total Plan Participants = 1,874
 New Entrants = 49

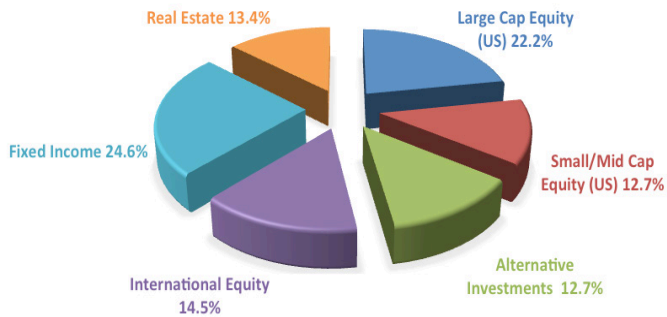
Market Value of Plan Assets = \$893 million
 Benefits Paid = \$46.5 million
 Member Contributions = \$5.9 million
 City Contributions = \$17.3 million
 State Contributions = \$5.9 million
 Net Investment Income = \$96.5 million
 Pre-Funded Ratio = 92%

Overview of Your Plan's Finances

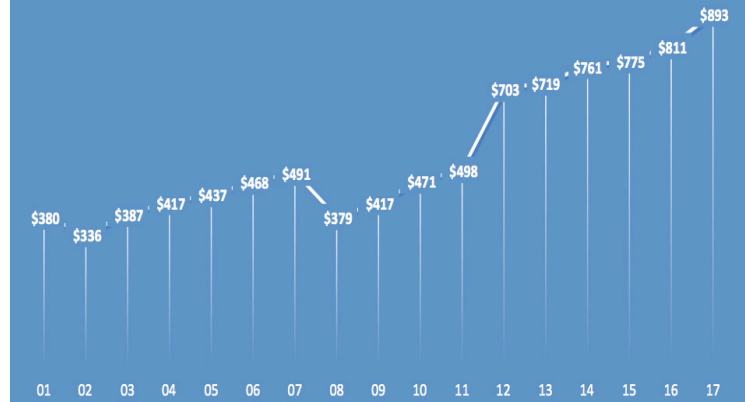
These charts provide you an overview of your retirement plan. The assets of the plan have grown over the past 17 years – from \$380 million to \$893 million, a growth of over 135%. The average return on investments over the past 27 years is 8.80%. The plan's returns have been positive for

22 of the past 27 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.

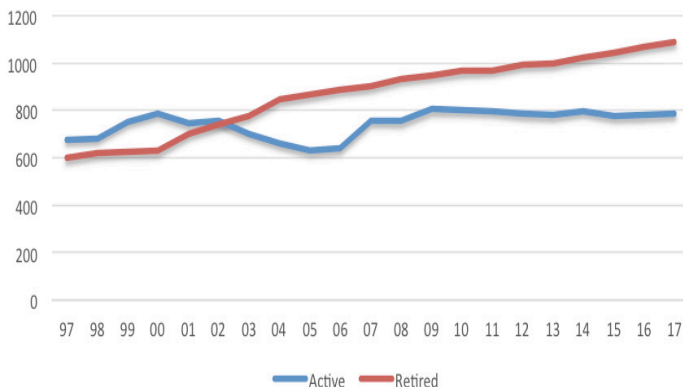
HOW PLAN ASSETS ARE INVESTED



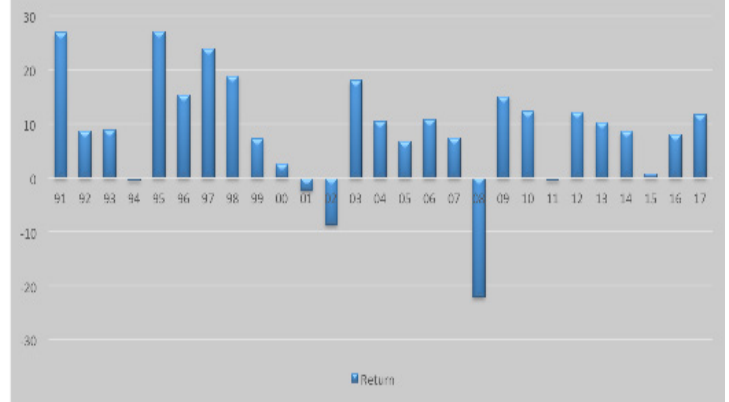
GROWTH OF PLAN ASSETS 2001-2017 (IN MILLIONS)



Active and Retired Members 1997-2017



Percentage Return on Investments 1991-2017



Board of Trustees



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

Status of Public Pensions

In 2012, the city council of Palm Beach decided to eliminate their guaranteed pension plan (defined benefit) for public safety officers. They gave the traditional reasons: too expensive to maintain these benefits. They replaced the traditional benefit with a new “combined” benefit, a significantly lower guaranteed pension and new individual defined contribution accounts, similar to a 401(k).

The council believed this change would not have an effect on public safety officers and the departments would operate as usual. They were completely wrong.

Dismantling the guaranteed pension benefit caused a mass exodus of both police officers and firefighters. At the end of 2011, the town had 120 public safety officers. Four years into the new plan, 20 percent of the workforce retired and 109 left before retirement. During these four years, 53 vested police and firefighters left the department, compared to 2 the prior four years.

Neighboring towns benefited from the exodus. They adjusted their pension benefits instead of replacing them. As a result, the 109 officers leaving provided a talent pool of experienced and trained officers for surrounding communities. It is estimated the costs to recruit, train and supervise a new public safety officer is over \$200,000.

The elimination of the guaranteed pension caused increased costs in other areas. Because of vacancies, firefighters worked extremely high levels of overtime – and the city incurred the overtime costs. The town’s training costs for new public safety officers skyrocketed to \$20 million, costing an estimated \$240,000 each to bring these new employees through the rookie period. The dramatic staffing shifts resulted in expensive consequences as high turnover escalated training costs.

Due to these factors, in 2016, the town council abandoned the new “combined” benefit and returned to a guaranteed pension benefit plan for its police officers and firefighters. They absorbed the added costs by increasing the employee

Pension Staff



Pension Staff (l to r) 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.

contribution and eliminating the employer contribution to the defined contribution accounts. Public opinion surveys show that 92 percent of the American public believe that pensions help recruit and retain qualified employees.

The 2017 report by the National Institute on Retirement Security concludes that it is important to understand the value of a defined benefit pension over a defined contribution retirement savings account to employees. A guaranteed pension benefit will help retain a highly skilled workforce needed to fill critical public safety positions and will help public employers compete for skilled employees in the future.

Chairman Dew Retires



Michael Dew, the long-time chairman of the pension plan Board of Trustees retired as a police officer and as chairman of the board. Lieutenant Dew completed 30 years with the Fort Lauderdale Police Department on April 20, 2018. He was elected to the pension board as a police representative in 2006

and was subsequently elected chairman, where he served in that capacity until December 31, 2017.

Michael Dew’s goal has always been to guarantee the continuous and stable funding of the pension plan – to make sure we “Keep the Pension Promises” to our retirees and their survivors. Upon his departure, he stated, “I believe our retirement plan is financially solid, and better positioned to fulfill its obligations to the retirees, survivors, and active plan members working toward retirement.” Sergeant Derek Joseph was elected by the police officers for a four year term to replace Michael Dew.

In recognition of his years of service and many contributions, the trustees voted to name Michael Dew Chairman Emeritus at his final meeting on December 13, 2017. Michael and his wife Julie look forward to many years of retirement and good health, and to enjoying their grandchildren.

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

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

2018 Police and Firefighter Retirement Planning Seminar

**SAVE
THE
DATE!**

When: September 28, 2018 from 8:30 – 2:30

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

City Receives High Bond Rating

Moody's Investor Service issued its annual comment on the financial strength of Fort Lauderdale. The report stated the credit position of Fort Lauderdale is very strong, and its Aa1 rating is above the US cities rating of Aa3. It noted that credible credit factors included a robust financial condition, an extensive tax base, and healthy wealth and income levels. It cited the overall debt and pension burdens of the city were small and aligned with an Aa1 rating. All Florida cities are benefiting from an improved housing and state-wide economic recovery. This has a positive effect on property and sales taxes, the two largest sources of income for local governments.

Eight Years Recognition

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 eighth consecutive year the plan has received the award. Approximately 200 retirement systems received this recognition in 2017 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).