

City of Fort Lauderdale



POLICE & FIREFIGHTERS' RETIREMENT SYSTEM ANNUAL REPORT 2019

OUR PLAN REMAINS STRONG

This is the most difficult chairman's report I have had to write in my short tenure as Chairmen. The difficulty is this report recaps the highlights of the past fiscal year ending September 30, 2019. It is difficult not to comment on the events of 2020 affecting all of us directly. I will touch on that at the end of my report.

In the last fiscal year, our investments, allocated in a diverse portfolio, earned 3.49%. Over the past 29 years, the average return on investments is 8.57% - with positive returns in 24 of those years. The market value has grown from \$902 million to \$927 million. Our plan is pre-funded at 92.2%, which means we have enough funds on hand today to cover 92% of the pension obligations of those retired and those currently working. This shows our plan is well funded going into the future.

Our financial strength is further supported by the annual audit and actuarial valuation prepared by our auditor and actuary, respectively. Because of the strength of our pension fund, the City of Fort Lauderdale's bond rating by Standards & Poor's increased to triple A – allowing the city to borrow funds at the best rate. Once again, our plan has been recognized by the Public Pension Coordinating Council for excellence in plan funding and administration.

During the year, the trustees held an investment workshop with its performance manager CapTrust and the investment managers of our funds. The trustees heard about the strength of the investments and what actions the managers plan to take looking at the economy going forward. CapTrust is highly rated as one of the best performance managers. We hosted our annual Retirement Planning Seminar for members and guests – providing excellent information on retirement planning, Social Security, and Medicare/health benefits.

New initiatives include a redesigned website that is easier to navigate and contains more information for active and retired members. Our legal counsel, Robert Klausner, has been working on redrafting the city's pension ordinance – cleaning-up the language and eliminating dated and conflicting provisions. Once approved by the pension board, it will be presented to the City Commission for their approval. It does not change the pension ordinance – only clarifies it.



This would normally end my report. However, the events of 2020 – COVID-19 and crash of the stock market cannot be ignored. While the fallout from the Pandemic will have an impact on our retirement system going forward, it's too early to judge just how big the impact will be. Our current fiscal year ends September 30, 2020. That will determine our gains or losses.

I am confident the foundation upon which this plan is built will help us weather the storm. I want to reassure our plan participants that their pensions are safe; we will continue to pay monthly benefits on time. We are not facing any liquidity problems nor will we have to sell stock at a depressed price to meet our obligations. Your pension board remains steadfast in upholding our mission of efficient stewardship of the statutory benefits of our members in such a manner as to safeguard retirement security.

Kenneth Rudominer
Chairman

2019 Retirement Plan Highlights

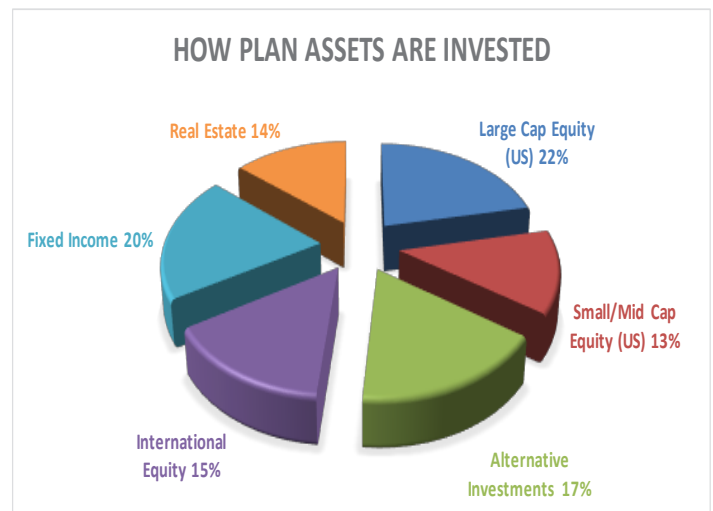
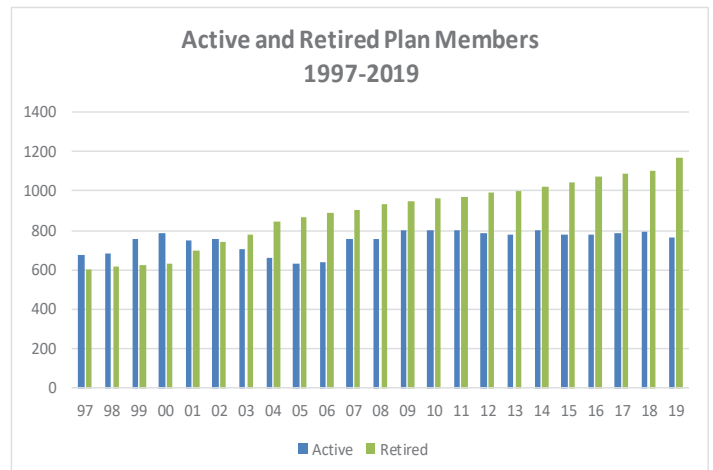
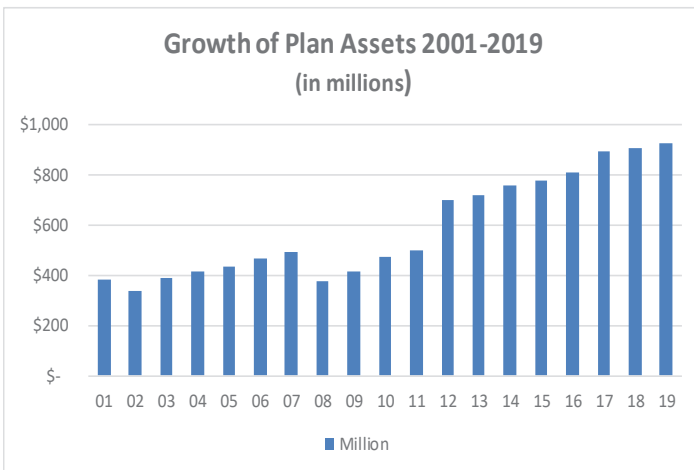
Active Members = 763
 Retirees/Beneficiaries = 933
 Disability Members = 28
 DROP Members = 172
 Terminated Vested = 34
 Total Plan Participants = 1,930
 New Entrants = 44

Market Value of Plan Assets = \$927.3 million
 Benefits Paid = \$48.7 million
 Member Contributions = \$8.2 million
 City Contributions = \$18.1 million
 State Contributions = \$5.2 million
 Net Investment Income = \$36.8 million
 Pre-Funded Ratio = 92.2%

Overview of Your Plan's Finances

The charts below provide an overview of your retirement plan. The assets of the plan have grown over the past 19 years – from \$380 million to \$927 million, a growth of \$547 million. The average return on investments over the past 29 years is 8.57%. The plan's returns have been positive

for 24 of the past 29 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



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.

Pensions Keep Good Employees

Public sector pension plans started over 150 years ago. The first plan was 1857, when New York City police officers, injured on the job, were provided a lump sum payment in recognition of their service to the city. In 1866, the city's firefighters were provided pensions, provided they were age 55 and had at least 21 years of service. This benefit was extended to police officers in 1878, with the same age and service requirements as firefighters. Gradually, pensions were provided to teachers (first plan was 1894 – Manhattan teachers), and state employees (first plan was 1911 – Massachusetts). By 1970 modern pensions were fully implemented. These provided for lifetime benefits based on age, service and salary at retirement. Today there are over 6,000 public sector pension plans covering 14 million workers and six million retirees/beneficiaries.

A recent study from the Center for Retirement Research at Boston College confirmed what police and firefighters know; guaranteed pension benefits (called defined benefit plans) enable government employers to recruit and retain the best qualified public safety officers.

Local governments employ nearly all police officers and firefighters and are responsible for their personnel costs. Their retirement benefits are designed to meet the challenges of a career in a physically demanding occupation, including lower-than-average retirement ages and an increased likelihood of workplace disability. News stories often present examples of public safety employees retiring with large pensions at relatively young ages alongside statistics of local government fiscal strains. But what are the facts?

Pension benefits for public safety workers are expensive relative to those for other government employees. The key metric here is the “normal cost,” which reflects the average expected cost of pension benefits earned by employees each year, as a percentage of employee payroll. Nationwide, the average normal cost for public safety pension benefits is nearly double that of all other government employees. Although their costs are nearly double, annual retirement

Pension Staff

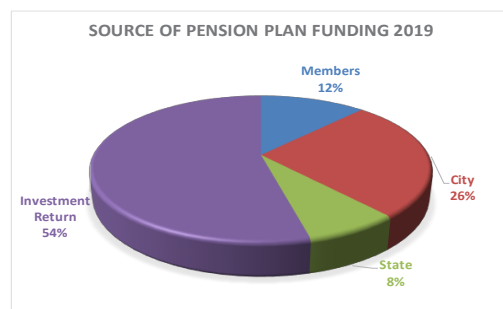


Pension Staff Pictured (l to r) Alexandra Goyes, Deputy Director; Lynn Wenguer, Executive Director; and Jacqueline Garcia, Office Assistant. The pension office is located at 888 S. Andrews Avenue, Suite 202 in Fort Lauderdale, FL 33316 or call 954-828-5595.

benefits for public safety employees are not twice as generous. Public safety retirement costs average only 4.9 percent of aggregate spending for cities and just 1.9 percent for counties. Public safety pension benefits are substantially more expensive than those for other local government employees due largely to earlier retirement ages. The findings suggest pensions help reduce a “quality gap,” making it easier for state and local employers to recruit high-earning workers from the private sector and retain those workers. The quality gap is the pay difference between public and private sector employees, and the ability to recruit and retain the best, most qualified employees. There are numerous examples of where the public employer dismantled the pension benefit, and immediately saw a high turnover rate, early retirements, and an inability to recruit qualified candidates for public safety positions.

Who Pays for Pensions?

The Fort Lauderdale Police and Firefighters plan funding comes from four sources. In the last fiscal year, funding came from the following: Member Contributions \$8.0 million (the total contributions by active members compared to the total income for the plan); City Contribution (required) \$18.1 million; State Contribution \$5.2 million (excluding amount for the firefighter Share Plan); and Investment Returns \$36.8 million. Across the nation, approximately two-thirds of all plan's funding come from investment earnings. According to the chart, Fort Lauderdale is basically in line with other pension plans across the nation.



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

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

SAVE THE DATE!

2020 Retirement Planning Seminar



When: Friday, September 25th from 8:30 a.m. to 2:30 p.m.

Topics include:

Estate Planning * Tax Mistakes in Retirement
Medicare and Social Security * Lunch sessions for Deferred Compensation
* Individualized consultations will be available

Who: Open to all members of the Police & Fire and
General Employees Retirement Systems.
Spouses are welcome and encouraged to attend.

Hosted by the City of Fort Lauderdale Police & Fire System
Preliminary schedule will be posted at www.ftlaudpfpension.com

New Website Goes Live

The Police and Firefighters' Retirement Plan has a new website. The website was revamped to make it more user friendly, easier to read, and provide the same information to plan members. Notices of meeting agendas, meeting minutes and financial information are posted on the website, along with "Pension News" and a summary of the plan. There is a member login for active members to access their account balances and estimated benefit payments. Another feature of the website is the ease for the staff to quickly upload information and documents. If you have not done so, please visit our new website: ftlaudpfpension.com. There is a wealth of information for our members and beneficiaries.

Ten Years Continuous Recognition

The Fort Lauderdale Police and Firefighters' Retirement System has received the Public Pension Coordinating Council's (PPCC) award for plan funding and administration of its retirement system. The award recognizes the professional standards as set forth in the Public Pension Standards. This is the tenth consecutive year the plan has received the award. Approximately 200 retirement systems received this recognition in 2019 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).