

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

COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

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INDEPENDENT AUDITORS' REPORT

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, 2020 and 2019, 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, 2020 and 2019, 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 March 29, 2021 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
March 29, 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)**

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, 2020, 2019 and 2018. Please read it in conjunction with the accompanying 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, 2020, 2019 and 2018 by approximately \$991 million, \$962 million and \$942 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, net of investment expenses, for the System and Share Plan were 5.43%, 3.49%, and 7.36%, respectively, for the years ended September 30, 2020, 2019 and 2018.
- The fiduciary net position as a percentage of the total pension liability in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* (funded ratio), as of September 30, 2020 was 89.59%. This compares to the September 30, 2019 and 2018 ratio of 93.34% and 96.31%, respectively.
- Additions to the System and Share Plan's net position for the years ended September 30, 2020, 2019 and 2018 were approximately \$85.6 million, \$69.9 million and \$95 million, respectively, and are comprised of contributions of approximately \$32.2 million, \$33 million and \$32.6 million respectively, and net investment income of approximately \$53.3 million, \$36.8 million and \$61.9 million, respectively.
- Deductions to the System and Share Plan's net position for the years ended September 30, 2020, 2019 and 2018 were approximately \$57 million, \$49.3 million and \$45.7 million, respectively, and are comprised primarily of benefit payments of approximately \$56.2 million, \$48.6 million and \$45 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, 2020, 2019 and 2018:

| | September 30, 2020 | September 30, 2019 | September 30, 2018 |
|---|-----------------------|-----------------------|-----------------------|
| Cash | \$ 3,257 | \$ 3,257 | \$ 3,257 |
| Receivables | 4,474,183 | 4,538,831 | 2,839,052 |
| Investments | <u>994,680,989</u> | <u>963,487,188</u> | <u>946,099,546</u> |
| Total Assets | 999,158,429 | 968,029,276 | 948,941,855 |
| Liabilities | <u>8,501,367</u> | <u>5,970,282</u> | <u>7,414,282</u> |
| Net Position Restricted for Pension Benefits | <u>\$ 990,657,062</u> | <u>\$ 962,058,994</u> | <u>\$ 941,527,573</u> |

COMBINED SUMMARY OF FIDUCIARY NET POSITION (CONTINUED)

The System's and Share Plan's total assets as of September 30, 2020 and September 30, 2019 were approximately \$999 million and \$968 million, respectively, and were mostly comprised of cash, investments, and receivables related to contributions and investments. For the year ended September 30, 2020, total assets increased approximately \$31.1 million or 3.2% from the prior year primarily due to positive investment returns. For the year ended September 30, 2019, total assets increased approximately \$19 million or 2% from September 30, 2018 primarily due to positive investment returns.

Total liabilities as of September 30, 2020 and September 30, 2019 were approximately \$8.5 million and \$5.9 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, 2020 increased by approximately \$2.5 million or 42.4% from 2019 due to the increase in unsettled trades by approximately \$2.4 million. Total liabilities at September 30, 2019 decreased by approximately \$1.4 million or 19.5% from 2018 due to the decrease in unsettled trades by approximately \$2.5 million.

The System and Share Plan's assets exceeded its liabilities at the close of years ended September 30, 2020 and 2019 by approximately \$991 million and \$962 million, respectively. For the year ended September 30, 2020, total net position restricted for pension benefits increased approximately \$28.6 million or 3.0% from 2019 primarily due to positive investment earnings. For the year ended September 30, 2019, total net position restricted for pension benefits increased approximately \$20.5 million or 2.2% from 2018 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, 2020, 2019, and 2018:

COMBINED SUMMARY OF CHANGES IN FIDUCIARY NET POSITION (CONTINUED)

| | Year Ended September 30, 2020 | Year Ended September 30, 2019 | Year Ended September 30, 2018 |
|--|--|--|--|
| Additions | | | |
| Contributions | | | |
| City | \$ 17,923,079 | \$ 18,108,528 | \$ 19,328,568 |
| Employees | 7,736,848 | 8,226,961 | 6,891,587 |
| State | <u>6,609,700</u> | <u>6,743,190</u> | <u>6,380,918</u> |
| Total | 32,269,627 | 33,078,679 | 32,601,073 |
| Net Investment Income | <u>53,343,183</u> | <u>36,802,989</u> | <u>61,903,958</u> |
| Total Additions | <u>85,612,810</u> | <u>69,881,668</u> | <u>94,505,031</u> |
| Deductions | | | |
| Benefits paid | 56,184,952 | 48,639,599 | 44,976,195 |
| Refunds of contributions | 157,468 | 71,729 | 123,286 |
| Administrative expenses | <u>672,322</u> | <u>638,919</u> | <u>648,453</u> |
| Total Deductions | <u>57,014,742</u> | <u>49,350,247</u> | <u>45,747,934</u> |
| Change in Net Position | 28,598,068 | 20,531,421 | 48,757,097 |
| Net Position Restricted for Pension | | | |
| Benefits - Beginning | <u>962,058,994</u> | <u>941,527,573</u> | <u>892,770,476</u> |
| Net Position Restricted for Pension | | | |
| Benefits - Ending | <u>\$ 990,657,062</u> | <u>\$ 962,058,994</u> | <u>\$ 941,527,573</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, 2020, 2019 and 2018 (in thousands):

| | Year Ended September 30, 2020 | Year Ended September 30, 2019 | Increase (Decrease) | Total Percentage Change |
|------------------------|--|--|------------------------|-------------------------------|
| City Contributions | \$ 17,923 | \$ 18,109 | \$ (186) | -1.0% |
| Employee Contributions | 7,737 | 8,227 | (490) | -6.0% |
| State Contributions | 6,610 | 6,743 | (133) | -2.0% |
| Net Investment Income | <u>53,343</u> | <u>36,803</u> | <u>16,540</u> | 44.9% |
| Total Additions | <u>\$ 85,613</u> | <u>\$ 69,882</u> | <u>\$ 15,731</u> | 22.5% |

| | Year Ended September 30, 2019 | Year Ended September 30, 2018 | Increase (Decrease) | Total Percentage Change |
|------------------------|--|--|------------------------|-------------------------------|
| City Contributions | \$ 18,109 | \$ 19,329 | \$ (1,220) | -6.3% |
| Employee Contributions | 8,227 | 6,892 | 1,335 | 19.4% |
| State Contributions | 6,743 | 6,381 | 362 | 5.7% |
| Net Investment Income | <u>36,803</u> | <u>61,904</u> | <u>(25,101)</u> | -40.5% |
| Total Additions | <u>\$ 69,882</u> | <u>\$ 94,505</u> | <u>\$ (24,624)</u> | -26.1% |

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, 2020 and 2019 totaled approximately \$85.6 million and \$69.9 million, respectively. Total contributions and net investment income for the year ended September 30, 2020 increased by approximately \$15.7 million or 22.5% from the year ended September 30, 2019 as a result of better than expected market conditions. Total contributions and net investment income for the year ended September 30, 2019 decreased by approximately \$24.6 million or 26.1% from the year ended September 30, 2018 as a result of lower than expected market conditions.

Net investment income for the year ended September 30, 2020 increased from the year ended September 30, 2019 by approximately \$16.5 million and net investment income for the year ended September 30, 2019 decreased from the year ended September 30, 2018 by approximately \$25.1 million.

REVENUES – ADDITIONS TO COMBINED FIDUCIARY NET POSITION (CONTINUED)

Total City contributions for the year ended September 30, 2020 decreased from the year ended September 30, 2019 by approximately \$186 thousand or 1%. Total City contributions for the year ended September 30, 2019 decreased from the year ended September 30, 2018 by approximately \$1.2 million or 6.3%. The fluctuations from year to year are primarily driven by the actuarial valuations.

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, 2020, 2019 and 2018 (in thousands):

| | Year Ended September 30, 2020 | Year Ended September 30, 2019 | Increase (Decrease) | Total Percentage Change |
|-------------------------|--|--|------------------------|-------------------------------|
| Pension Benefits Paid | \$ 56,185 | \$ 48,640 | \$ 7,545 | 15.5% |
| Refund of Contributions | 157 | 72 | 85 | 118.1% |
| Administrative Expenses | <u>672</u> | <u>639</u> | <u>33</u> | 5.2% |
| Total Deductions | <u>\$ 57,015</u> | <u>\$ 49,350</u> | <u>\$ 7,664</u> | 15.5% |

| | Year Ended September 30, 2019 | Year Ended September 30, 2018 | Increase (Decrease) | Total Percentage Change |
|-------------------------|--|--|------------------------|-------------------------------|
| Pension Benefits Paid | \$ 48,640 | \$ 44,976 | \$ 3,664 | 8.1% |
| Refund of Contributions | 72 | 123 | (51) | -41.5% |
| Administrative Expenses | <u>639</u> | <u>648</u> | <u>(9)</u> | -1.4% |
| Total Deductions | <u>\$ 49,350</u> | <u>\$ 45,748</u> | <u>\$ 3,603</u> | 7.9% |

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, 2020 and 2019 were approximately \$57 million and \$49.3 million, respectively, an increase of approximately 15.5% from 2019. Total expenses and deductions for the years ended September 30, 2019 and 2018 were approximately \$49.3 million and \$45.7 million, respectively, an increase of approximately 7.9% from 2018. The increase in total expenses and deductions year over year is primarily due to the increase in the payment of pension benefits to retirees.

EXPENSES - DEDUCTIONS FROM COMBINED FIDUCIARY NET POSITION (CONTINUED)

The payment of pension benefits to retirees increased for the year ended September 30, 2020 from 2019 by approximately \$7.5 million or approximately 15.5%, which was primarily due to an increase in Deferred Retirement Option Program (DROP) lump sum payments. The payment of pension benefits to retirees increased for the year ended September 30, 2019 from 2018 by approximately \$3.6 million or approximately 8.1%, which was primarily due to the increase in retirees year over year.

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 10 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, you may contact the Executive Director at City of Fort Lauderdale Police and Firefighters' Retirement System, 888 South Andrews Avenue, #202, Fort Lauderdale, FL 33316.

COMBINED FINANCIAL STATEMENTS

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

COMBINED STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2020 AND 2019

| | 2020 | 2019 |
|---|----------------|----------------|
| Assets | | |
| Cash | \$ 3,257 | \$ 3,257 |
| Investments | | |
| Money market funds | 32,691,950 | 13,523,044 |
| U.S. Treasury securities | 79,323,368 | 75,136,177 |
| U.S. Government agency obligations | 8,843,308 | 6,164,666 |
| Corporate bonds and other fixed income | 104,332,450 | 93,831,350 |
| Index funds | 203,224,973 | 205,336,754 |
| Equity securities | 136,852,630 | 122,788,491 |
| Commingled equity funds | 215,193,834 | 212,039,675 |
| Real estate funds | 163,296,374 | 169,130,606 |
| Hedge fund of funds | 16,349,190 | 25,792,027 |
| Private debt and equity funds | 34,572,912 | 39,744,398 |
| Total Investments | 994,680,989 | 963,487,188 |
| Receivables | | |
| Unsettled trades | 2,892,229 | 2,625,447 |
| Accrued dividends and interest | 1,581,954 | 1,913,384 |
| Total Receivables | 4,474,183 | 4,538,831 |
| Total Assets | 999,158,429 | 968,029,276 |
| Liabilities | | |
| Unsettled trades | 4,770,683 | 2,403,259 |
| Accounts payable and accrued liabilities | 773,620 | 1,177,891 |
| Due to the City of Fort Lauderdale | 2,957,064 | 2,389,132 |
| Total Liabilities | 8,501,367 | 5,970,282 |
| Net Position Restricted for Pension Benefits | \$ 990,657,062 | \$ 962,058,994 |

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, 2020 AND 2019

| | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Additions | | |
| Contributions | | |
| City | \$ 17,923,079 | \$ 18,108,528 |
| Employees | 7,736,848 | 8,226,961 |
| State | <u>6,609,700</u> | <u>6,743,190</u> |
| Total Contributions | <u>32,269,627</u> | <u>33,078,679</u> |
| Investment Income | | |
| Net appreciation in fair value of investments | 37,218,611 | 19,390,655 |
| Interest | 5,346,624 | 6,206,009 |
| Dividends | 6,885,165 | 8,197,732 |
| Real estate income | 9,330,395 | 8,113,752 |
| Other income | <u>106</u> | <u>27,295</u> |
| | 58,780,901 | 41,935,443 |
| Less: investment expenses | <u>5,437,718</u> | <u>5,132,454</u> |
| Net Investment Income | <u>53,343,183</u> | <u>36,802,989</u> |
| Total Additions | <u>85,612,810</u> | <u>69,881,668</u> |
| Deductions | | |
| Benefits Paid | | |
| Retirement | 50,442,218 | 43,000,508 |
| Disability | 1,302,915 | 1,163,875 |
| Death | <u>4,439,819</u> | <u>4,475,216</u> |
| Total Benefits Paid | 56,184,952 | 48,639,599 |
| Refund of contributions | 157,468 | 71,729 |
| Administrative expenses | <u>672,322</u> | <u>638,919</u> |
| Total Deductions | <u>57,014,742</u> | <u>49,350,247</u> |
| Change in Net Position | 28,598,068 | 20,531,421 |
| Net Position Restricted for Pension Benefits | | |
| Beginning of year | <u>962,058,994</u> | <u>941,527,573</u> |
| End of year | <u>\$ 990,657,062</u> | <u>\$ 962,058,994</u> |

The accompanying notes are an integral part of these combined financial statements.

NOTES TO 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, 2020 AND 2019

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 Firefighters' Supplemental Share Plan (Share Plan), a defined contribution plan administered by the Board, 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, 2020 AND 2019

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, 2019 (date of latest actuarial valuation) and October 1, 2018, membership in the System consisted of:

| | October 1, | |
|---|---------------------|---------------------|
| | 2019 | 2018 |
| Inactive plan members or beneficiaries currently receiving benefits | 1,133 | 1,080 |
| Inactive plan members entitled to but not yet receiving benefits | 34 | 24 |
| Active plan members | <u>763</u> | <u>793</u> |
| Total Membership | <u><u>1,930</u></u> | <u><u>1,897</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, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM

Effective October 1, 2017, for all Police Officer members, and October 1, 2018 for all Firefighter members, the member contribution rate was increased to 10% of their pensionable wages. In addition, effective October 1, 2017 for Tier 1 Police Officer members and October 1, 2018 for all Tier 1 Firefighter 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 and Firefighter members will be required to contribute 1.5% of their pensionable wages.

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.

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 (FAME).

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS OF THE SYSTEM (CONTINUED)

Normal Retirement (continued)

Police and Firefighters hired on or before April 1, 2014 (continued)

A certain group of police officers with 25 or more years of service on October 1, 2000 are subject to a maximum monthly pension benefit of 91.26% of FAME and a certain group of firefighters with 25 or more years of service on October 1, 2002 are subject to a maximum monthly pension benefit of 91.26% of FAME.

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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS OF THE SYSTEM (CONTINUED)

Deferred Retirement Option Program (continued)

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.

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, 2020 and September 30, 2019 was \$59,213,802 and \$51,488,536, respectively. There were 235 and 198 participants in DROP as of September 30, 2020 and 2019, respectively. These amounts are included in the total investment balance presented in the combined statements of fiduciary net position.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS OF THE SYSTEM (CONTINUED)

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 in conformity with accounting principles general accepted in the United States of America (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Member contributions are recognized as revenues in the period in which the contributions are due. Contributions from the City, 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, 2020 AND 2019

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 average 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) 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 U.S. GAAP 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, 2020 AND 2019

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 years ended September 30, 2020 and 2019 are in accordance with the following investment policy in effect since November 2018:

| Asset Class | Target Allocation | Minimum | Maximum | September 30, | |
|--------------------------------------|-------------------|---------|---------|---------------|-------------|
| | | | | Actual 2020 | Actual 2019 |
| Domestic Equity | | | | | |
| Large cap equity | 17.5% | 10% | 30% | 24% | 22% |
| Mid/Small cap equity | 12.5% | 5% | 20% | 12% | 13% |
| International Equity | 15% | 10% | 20% | 12% | 14% |
| Alternative Investments | | | | | |
| Global Infrastructure | 7% | 4.0% | 10.0% | 8% | 7% |
| Real Estate | 15.0% | 7.5% | 22.5% | 13% | 14% |
| Multi-Strategy | 5.5% | 2.5% | 12.5% | 4% | 6% |
| Alternative Income | 7.5% | 2.5% | 12.5% | 4% | 4% |
| Fixed Income (Including Cash) | 20% | 10% | 30% | 23% | 20% |

RATE OF RETURN

For the years ended September 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.43% and 3.49%, 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

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, 2020 | | | | |
|--|------------------------------|----------------------------------|------------------------------|-----------------------------|-----------------------------|
| | Fair Value | Investment Maturities (in years) | | | |
| | | Less Than 1 | 1 to 5 | 6-10 | More Than 10 |
| U.S. Treasury securities | \$ 79,323,368 | \$ -- | \$ 66,612,463 | \$ 12,710,905 | \$ -- |
| U.S. Government agency obligations | 8,843,308 | 48 | -- | -- | 8,843,260 |
| Corporate bonds and other fixed income | <u>104,332,450</u> | <u>10,814,943</u> | <u>57,530,071</u> | <u>34,557,443</u> | <u>1,429,993</u> |
| Total Fixed Income Securities | \$ <u>192,499,126</u> | \$ <u>10,814,991</u> | \$ <u>124,142,534</u> | \$ <u>47,268,348</u> | \$ <u>10,273,253</u> |

| Investment Type | September 30, 2019 | | | | |
|--|------------------------------|----------------------------------|-----------------------------|-----------------------------|----------------------------|
| | Fair Value | Investment Maturities (in years) | | | |
| | | Less Than 1 | 1 to 5 | 6-10 | More Than 10 |
| U.S. Treasury securities | \$ 75,136,177 | \$ 21,911,432 | \$ 13,815,938 | \$ 39,408,807 | \$ -- |
| U.S. Government agency obligations | 6,164,666 | 928 | -- | -- | 6,163,738 |
| Corporate bonds and other fixed income | <u>93,831,350</u> | <u>7,523,922</u> | <u>59,943,653</u> | <u>24,630,444</u> | <u>1,733,331</u> |
| Total Fixed Income Securities | \$ <u>175,132,193</u> | \$ <u>29,436,282</u> | \$ <u>73,759,591</u> | \$ <u>64,039,251</u> | \$ <u>7,897,069</u> |

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 3 – INVESTMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

At September 30, 2020 and 2019, all of the Plan's investments met this requirement. The following tables disclose credit ratings of the fixed income securities as of September 30, 2020 and 2019 as applicable:

| | September 30, 2020 | | September 30, 2019 | |
|--|-----------------------|----------------------|-----------------------|----------------------|
| | Fair Value | Percent of Portfolio | Fair Value | Percent of Portfolio |
| U.S. Treasury securities | \$ 79,323,368 | 41% | \$ 75,136,177 | 43% |
| U.S. Government agency obligations | 8,843,308 | 5% | 6,164,666 | 3% |
| Total U.S. Government Guaranteed* | 88,166,676 | 46% | 81,300,843 | 46% |
| S&P Quality rating of credit risk and debt securities: | | | | |
| AAA | 4,842,676 | 3% | 5,068,782 | 3% |
| AA+ | 466,895 | 0% | 1,637,319 | 1% |
| AA- | 2,333,620 | 1% | 1,247,082 | 1% |
| A+ | 2,533,543 | 1% | 1,094,849 | 1% |
| A | 6,830,854 | 4% | 8,180,614 | 5% |
| A- | 19,424,949 | 10% | 13,415,424 | 8% |
| BBB+ | 30,530,757 | 16% | 30,065,795 | 17% |
| BBB | 29,321,282 | 15% | 25,358,594 | 14% |
| BBB- | 3,683,644 | 2% | 5,282,371 | 3% |
| Not rated | 4,364,230 | 2% | 2,480,520 | 1% |
| Total Corporate bonds and other fixed income | <u>104,332,450</u> | <u>54%</u> | <u>93,831,350</u> | <u>54%</u> |
| Total fixed income securities | <u>\$ 192,499,126</u> | <u>100%</u> | <u>\$ 175,132,193</u> | <u>100%</u> |

*Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

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, 2020 and 2019, 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 3 – INVESTMENTS (CONTINUED)

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 the System's and Share Plan's custodial bank and registered in the System's and Share Plan's name.

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, 2020 and 2019, 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 U.S. 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, 2020 AND 2019

NOTE 3 – INVESTMENTS (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:

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, private equity funds, and private debt 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, 2020 AND 2019

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, 2020:

| | 9/30/2020 | 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) |
| Investments by Fair Value Level | | | | |
| Debt securities: | | | | |
| U.S. Treasury Securities | \$ 79,323,368 | \$ -- | \$ 79,323,368 | \$ -- |
| U.S. Government agency obligations | 8,843,308 | -- | 8,843,308 | -- |
| Corporate bonds and other fixed income | 104,332,450 | -- | 104,332,450 | -- |
| Total Debt Securities | <u>192,499,126</u> | <u>--</u> | <u>192,499,126</u> | <u>--</u> |
| Index Funds and Other | <u>203,224,973</u> | <u>203,224,973</u> | <u>--</u> | <u>--</u> |
| Equity securities: | | | | |
| Common stock | 135,239,147 | 135,239,147 | -- | -- |
| ADR | 1,613,483 | 1,613,483 | -- | -- |
| Total Equity Securities | <u>136,852,630</u> | <u>136,852,630</u> | <u>--</u> | <u>--</u> |
| Total Investments by Fair Value Level | <u>532,576,729</u> | <u>\$ 340,077,603</u> | <u>\$ 192,499,126</u> | <u>\$ --</u> |
| Investments Measured at the Net Asset Value (NAV) | | | | |
| Commingled equity funds | 215,193,834 | | | |
| Real estate funds | 163,296,374 | | | |
| Hedge fund of funds | 16,349,190 | | | |
| Private equity funds | 14,724,819 | | | |
| Private debt funds | 19,848,093 | | | |
| Total investments measured at NAV | <u>429,412,310</u> | | | |
| Money market funds (exempt) | <u>32,691,950</u> | | | |
| Total Investments | <u>\$ 994,680,989</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, 2020 AND 2019

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, 2019:

| | 9/30/2019 | 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) |
| Investments by Fair Value Level | | | | |
| Debt securities: | | | | |
| U.S. Treasury Securities | \$ 75,136,177 | \$ -- | \$ 75,136,177 | \$ -- |
| U.S. Government agency obligations | 6,164,666 | -- | 6,164,666 | -- |
| Corporate bonds and other fixed income | 93,831,350 | -- | 93,831,350 | -- |
| Total Debt Securities | <u>175,132,193</u> | <u>--</u> | <u>175,132,193</u> | <u>--</u> |
| Index Funds and Other | <u>205,336,754</u> | <u>205,336,754</u> | <u>--</u> | <u>--</u> |
| Equity securities: | | | | |
| Common stock | 120,409,968 | 120,409,968 | -- | -- |
| ADR | 2,378,523 | 2,378,523 | -- | -- |
| Total Equity Securities | <u>122,788,491</u> | <u>122,788,491</u> | <u>--</u> | <u>--</u> |
| Total Investments by Fair Value Level | <u>503,257,438</u> | <u>\$ 328,125,245</u> | <u>\$ 175,132,193</u> | <u>\$ --</u> |
| Investments Measured at the Net Asset Value (NAV) | | | | |
| Commingled equity funds | 212,039,675 | | | |
| Real estate funds | 169,130,606 | | | |
| Hedge fund of funds | 25,792,027 | | | |
| Private equity funds | 13,511,547 | | | |
| Private debt funds | 26,232,851 | | | |
| Total investments measured at NAV | <u>446,706,706</u> | | | |
| Money market funds (exempt) | <u>13,523,044</u> | | | |
| Total Investments | <u>\$ 963,487,188</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, 2020 AND 2019

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

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, 2020 | | Redemption | Redemption |
|--|-----------------------|----------------------|-----------------------------------|----------------------|
| | Fair Value | Unfunded Commitments | Frequency (if Currently Eligible) | Notice Period (days) |
| Investments Measured at the NAV | | | | |
| Commingled equity funds ¹ | \$ 215,193,834 | \$ -- | Daily | 1 |
| Real estate funds ² | 163,296,374 | -- | Quarterly | 10 - 90 |
| Hedge fund of funds ³ | 16,349,190 | -- | Quarterly | 95 |
| Private equity funds ⁴ | 14,724,819 | 3,677,249 | N/A | N/A |
| Private debt funds ⁵ | <u>19,848,093</u> | 14,965,725 | N/A | N/A |
| Total Investments Measured at NAV | <u>\$ 429,412,310</u> | | | |

| | September 30, 2019 | | Redemption | Redemption |
|--|-----------------------|----------------------|-----------------------------------|---------------|
| | Fair Value | Unfunded Commitments | Frequency (if Currently Eligible) | Notice Period |
| Investments Measured at the NAV | | | | |
| Commingled equity funds ¹ | \$ 212,039,675 | \$ -- | Daily | 1 |
| Real estate funds ² | 169,130,606 | -- | Quarterly | 10 - 90 |
| Hedge fund of funds ³ | 25,792,027 | -- | Quarterly | 95 |
| Private equity funds ⁴ | 13,511,547 | 3,677,249 | N/A | N/A |
| Private debt funds ⁵ | <u>26,232,851</u> | 8,982,670 | N/A | N/A |
| Total Investments Measured at NAV | <u>\$ 446,706,706</u> | | | |

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. The objective of the three funds is to match the returns of the S&P 500 Index, the S&P Small-Cap 600 Index, and the S&P MidCap 400 Index through investments in substantially all the stocks contained in those indexes respectively. These fund are valued at the net asset value held at the end of the period based upon the fair value of the underlying investments, and are open for withdrawal daily and provide for redemptions with 1 day notice.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

- 2 *Real estate funds* – Consists of five open-end real estate partnerships and two real estate funds. Two of the open-end real estate partnerships primarily invest in stable institutional quality office, retail, industrial, hotel and multi-family residential properties that are substantially leased and have minimal deferred maintenance. Two real estate funds primarily invest in real estate leased to state government agencies and the U.S. federal government either through the General Services Administration or other federal government agencies. The last open-end real estate partnership 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 when 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 two private debt partnership vehicles. One 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. The second private debt partnership invests in private credit and specialty finance assets with short to intermediate-term durations and often contractual cash flows, and is not eligible for redemption.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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.

NOTE 5 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City at September 30, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|------------------------------|-----------------------------|
| Total pension liability | \$ 1,105,794,719 | \$ 1,030,710,899 |
| Plan fiduciary net position | <u>(990,657,062)</u> | <u>(962,058,994)</u> |
| Net Pension Liability | <u><u>\$ 115,137,657</u></u> | <u><u>\$ 68,651,905</u></u> |
| Plan Fiduciary Net Position as a Percent of the Total Pension Liability | <u><u>89.59%</u></u> | <u><u>93.34%</u></u> |

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability as of September 30, 2020 was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions applied to the measurement period:

| | |
|---------------------------|---|
| Inflation | 2.25% |
| Salary increases | 0.50% - 3.00% |
| Investment rate of return | 7.30% |
| Mortality Rates: | |
| Healthy | PubS.H-2010 |
| Disabled | 80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees. |

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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

SIGNIFICANT ACTUARIAL ASSUMPTIONS (CONTINUED)

The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions applied to the measurement period:

| | |
|---------------------------|--------------------------------------|
| Inflation | 2.75% |
| Salary increases | 0.50% - 3.00% |
| Investment rate of return | 7.30% |
| Mortality Rates: | |
| Healthy | RP2000 Generational, Scale BB |
| Disabled | RP2000 Disabled, no projection scale |

The actuarial assumptions used in the October 1, 2019 and 2018 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, 2020 and 2019 are summarized in the following table:

| Asset Class | 2020 | | 2019 | |
|----------------------|-------------------|---------------|--|-------|
| | Target Allocation | | Long-Term Expected Real Rate of Return | |
| Domestic equity | 30.0% | 30.0% | 5.50% | 4.80% |
| International equity | 15.0% | 15.0% | 5.25% | 4.80% |
| Domestic bonds | 20.0% | 20.0% | 1.35% | 0.80% |
| Real estate | 15.0% | 15.0% | 4.25% | 3.80% |
| Other | <u>20.0%</u> | <u>20.0%</u> | 5.00% | 2.00% |
| Total | <u>100.0%</u> | <u>100.0%</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, 2020 AND 2019

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

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.30% for the years ended September 30, 2020 and 2019. 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.

The following presents the net pension liability of the City, calculated using the discount rate of 7.30% for the years ended September 30, 2020 and 2019, 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 (6.30%) | Discount Rate (7.30%) | 1% Increase (8.30%) |
| September 30, 2020 | \$235,319,170 | \$115,137,657 | \$15,835,368 |
| September 30, 2019 | \$179,371,945 | \$68,651,905 | (\$22,918,326) |

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, 2020 and 2019 were \$2,957,064 and \$2,389,132, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 7 - COMMITMENTS AND CONTINGENCIES

OPERATING LEASE

The System is obligated under an operating lease for office space, which expired on February 28, 2021 and was extended to February 28, 2024. The following is a schedule of the aggregate future minimum rental payments under this lease:

| For the Year Ending September 30, | Amount |
|--------------------------------------|--------------------------|
| 2021 | \$ 55,000 |
| 2022 | 55,000 |
| 2023 | 56,000 |
| 2024 | <u>24,000</u> |
| Total | <u><u>\$ 190,000</u></u> |

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.

REQUIRED SUPPLEMENTARY INFORMATION

**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, | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | | |
| Service cost | \$ 21,592,065 | \$ 21,371,855 | \$ 20,478,769 | \$ 20,106,284 | \$ 19,199,538 | \$ 18,531,300 | \$ 18,025,712 | \$ 16,768,104 |
| Interest | 74,756,410 | 71,544,868 | 68,505,318 | 65,765,964 | 62,181,617 | 60,367,031 | 57,797,227 | 55,119,489 |
| Change in excess state money | -- | -- | -- | -- | -- | -- | (1,223,158) | -- |
| Share plan allocation | 1,623,882 | 1,524,328 | 1,599,747 | 1,653,054 | 1,732,185 | 1,826,197 | 2,561,814 | -- |
| Changes of benefit terms | -- | 65,590 | 6,411 | -- | -- | 1,097,988 | -- | -- |
| Differences between expected and actual experience | 19,851,718 | 2,008,045 | (1,668,323) | (2,762,831) | (5,100,657) | (7,319,054) | -- | -- |
| Changes of assumptions | 13,599,982 | 5,019,222 | 4,790,360 | 10,692,637 | 16,504,779 | (2,194,981) | -- | -- |
| Contributions - buy back | 144,879 | 2,890,088 | 2,371,335 | 24,749 | 73,763 | 43,865 | -- | -- |
| Contributions - transfer from general plan | -- | -- | -- | -- | -- | 26,692 | -- | -- |
| Benefit payments, including refunds of member contributions | (56,485,116) | (51,350,440) | (47,417,274) | (46,564,184) | (48,849,184) | (46,660,430) | (44,137,555) | (31,531,671) |
| Net Change in Total Pension Liability | 75,083,820 | 53,073,556 | 48,666,343 | 48,915,673 | 45,742,041 | 25,718,608 | 33,024,040 | 40,355,922 |
| Total Pension Liability - Beginning | 1,030,710,899 | 977,637,343 | 928,971,000 | 880,055,327 | 834,313,286 | 808,594,678 | 775,570,638 | 735,034,716 |
| Total Pension Liability - Ending (a) | 1,105,794,719 | 1,030,710,899 | 977,637,343 | 928,971,000 | 880,055,327 | 834,313,286 | 808,594,678 | 775,390,638 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - employer (city) | 17,923,079 | 18,108,528 | 19,328,568 | 17,325,393 | 13,867,934 | 15,599,916 | 14,498,457 | 11,219,401 |
| Contributions - member (state) | 4,985,818 | 5,218,862 | 4,781,171 | 4,279,013 | 4,128,597 | 3,973,032 | 3,019,230 | 6,053,952 |
| Contributions - State Share Plan | 1,623,882 | 1,524,328 | 1,599,747 | 1,653,054 | 1,732,185 | 1,826,197 | 2,561,814 | -- |
| Contributions - employee | 7,734,465 | 7,975,985 | 6,838,045 | 5,901,142 | 5,732,925 | 5,610,955 | 5,875,363 | 4,113,451 |
| Contributions - buy back | 144,879 | 2,890,088 | 2,371,335 | 24,749 | 73,763 | 43,865 | -- | -- |
| Net investment income | 53,343,183 | 36,802,989 | 61,903,958 | 96,510,340 | 63,676,001 | 5,969,880 | 59,358,824 | 69,488,348 |
| Benefit payments, including refunds of member contributions | (56,485,116) | (51,350,440) | (47,417,274) | (46,564,184) | (48,849,184) | (46,660,430) | (44,137,555) | (31,531,671) |
| Administrative expenses | (672,122) | (638,919) | (648,453) | (619,575) | (651,146) | (692,348) | (647,397) | (507,376) |
| Other | -- | -- | -- | -- | -- | -- | 4,000,034 | -- |
| Net Change in Plan Fiduciary Net Position | 28,598,068 | 20,531,421 | 48,757,097 | 78,509,932 | 39,711,075 | (14,328,933) | 44,528,770 | 58,836,105 |
| Plan Fiduciary Net Position - Beginning | 962,058,994 | 941,527,573 | 892,770,476 | 814,260,544 | 774,549,469 | 788,878,402 | 744,349,632 | 685,333,527 |
| Plan Fiduciary Net Position - Ending (b) | \$ 990,657,062 | \$ 962,058,994 | \$ 941,527,573 | \$ 892,770,476 | \$ 814,260,544 | \$ 774,549,469 | \$ 788,878,402 | \$ 744,169,632 |
| Net Pension Liability - Ending (a) - (b) | \$ 115,137,657 | \$ 68,651,905 | \$ 36,109,770 | \$ 36,200,524 | \$ 65,794,783 | \$ 59,763,817 | \$ 19,716,276 | \$ 19,716,276 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 89.59% | 93.34% | 96.31% | 96.10% | 92.52% | 92.84% | 97.56% | 95.97% |
| Covered Payroll | \$ 73,016,330 | \$ 76,177,179 | \$ 72,960,842 | \$ 71,050,792 | \$ 69,470,181 | \$ 68,064,001 | \$ 67,279,327 | \$ 65,886,733 |
| Net Pension Liability as Percentage of Covered Payroll | 157.69% | 90.12% | 49.49% | 50.95% | 94.71% | 87.81% | 29.31% | 29.92% |

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 |
|------------------------------|---|------------------------|--|--------------------|---|
| 2020 | \$ 22,766,889 | \$ 22,930,126 | \$ (163,237) | \$ 73,016,330 | 31.40% |
| 2019 | \$ 22,535,977 | \$ 23,327,291 | \$ (791,314) | \$ 76,177,179 | 30.62% |
| 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, 2018

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 4.5% 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 period. |
| Cost-of-living adjustments | None |
| Inflation | 2.75% |
| Salary increases | 0.50% - 3.00% |
| Investment rate of return | 7.35% 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. |

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

| September 30, | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual Money-Weighted Rate of Return, net of Investment Expense | 5.43% | 3.49% | 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.

SUPPLEMENTARY INFORMATION

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

COMBINING STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2020 AND 2019

| | 2020 | | | 2019 | | |
|--|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | System | Share Plan | Total | System | Share Plan | Total |
| Assets | | | | | | |
| Cash | \$ 3,257 | \$ -- | \$ 3,257 | \$ 3,257 | \$ -- | \$ 3,257 |
| Investments | | | | | | |
| Money market funds | 32,691,950 | -- | 32,691,950 | 13,523,044 | -- | 13,523,044 |
| U.S. Treasury securities | 79,323,368 | -- | 79,323,368 | 75,136,177 | -- | 75,136,177 |
| U.S. Government agency obligations | 8,843,308 | -- | 8,843,308 | 6,164,666 | -- | 6,164,666 |
| Corporate bonds and other fixed income | 104,332,450 | -- | 104,332,450 | 93,831,350 | -- | 93,831,350 |
| Index funds | 203,224,973 | -- | 203,224,973 | 205,336,754 | -- | 205,336,754 |
| Equity securities | 136,852,630 | -- | 136,852,630 | 122,788,491 | -- | 122,788,491 |
| Commingled equity funds | 215,193,834 | -- | 215,193,834 | 212,039,675 | -- | 212,039,675 |
| Real estate funds | 163,296,374 | -- | 163,296,374 | 169,130,606 | -- | 169,130,606 |
| Hedge fund of funds | 16,349,190 | -- | 16,349,190 | 25,792,027 | -- | 25,792,027 |
| Private debt and equity funds | 34,572,912 | -- | 34,572,912 | 39,744,398 | -- | 39,744,398 |
| Total Investments | <u>994,680,989</u> | <u>--</u> | <u>994,680,989</u> | <u>963,487,188</u> | <u>--</u> | <u>963,487,188</u> |
| Receivables | | | | | | |
| Unsettled trades | 2,892,229 | -- | 2,892,229 | 2,625,447 | -- | 2,625,447 |
| Accrued dividends and interest | 1,581,954 | -- | 1,581,954 | 1,913,384 | -- | 1,913,384 |
| Due to/from retirement system | (36,762,291) | 36,762,291 | -- | (34,718,184) | 34,718,184 | -- |
| Total Receivables | <u>(32,288,108)</u> | <u>36,762,291</u> | <u>4,474,183</u> | <u>(30,179,353)</u> | <u>34,718,184</u> | <u>4,538,831</u> |
| Total Assets | <u>962,396,138</u> | <u>36,762,291</u> | <u>999,158,429</u> | <u>933,311,092</u> | <u>34,718,184</u> | <u>968,029,276</u> |
| Liabilities | | | | | | |
| Unsettled trades | 4,770,683 | -- | 4,770,683 | 2,403,259 | -- | 2,403,259 |
| Accounts payable and accrued liabilities | 773,620 | -- | 773,620 | 1,177,891 | -- | 1,177,891 |
| Due to the City of Fort Lauderdale | 2,957,064 | -- | 2,957,064 | 2,389,132 | -- | 2,389,132 |
| Total Liabilities | <u>8,501,367</u> | <u>--</u> | <u>8,501,367</u> | <u>5,970,282</u> | <u>--</u> | <u>5,970,282</u> |
| Net Position Restricted for Pension | | | | | | |
| Benefits | <u>\$ 953,894,771</u> | <u>\$ 36,762,291</u> | <u>\$ 990,657,062</u> | <u>\$ 927,340,810</u> | <u>\$ 34,718,184</u> | <u>\$ 962,058,994</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, 2020 AND 2019

| | 2020 | | | 2019 | | |
|---|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | System | Share Plan | Total | System | Share Plan | Total |
| Additions | | | | | | |
| Contributions | | | | | | |
| Employer | \$ 17,923,079 | \$ -- | \$ 17,923,079 | \$ 18,108,528 | \$ -- | \$ 18,108,528 |
| Plan members | 7,736,848 | -- | 7,736,848 | 8,226,961 | -- | 8,226,961 |
| State | 5,007,047 | 1,602,653 | 6,609,700 | 5,254,437 | 1,488,753 | 6,743,190 |
| Buyback contributions (payments) | 142,695 | (142,695) | -- | 2,639,112 | (2,639,112) | -- |
| Total Contributions | 30,809,669 | 1,459,958 | 32,269,627 | 34,229,038 | (1,150,359) | 33,078,679 |
| Investment Income | | | | | | |
| Net appreciation in fair value of investments | 34,867,539 | 2,351,072 | 37,218,611 | 18,445,740 | 944,915 | 19,390,655 |
| Interest | 5,346,624 | -- | 5,346,624 | 6,206,009 | -- | 6,206,009 |
| Dividends | 6,885,165 | -- | 6,885,165 | 8,197,732 | -- | 8,197,732 |
| Real estate income | 9,330,395 | -- | 9,330,395 | 8,113,752 | -- | 8,113,752 |
| Other income | 106 | -- | 106 | 27,295 | -- | 27,295 |
| | 56,429,829 | 2,351,072 | 58,780,901 | 40,990,528 | 944,915 | 41,935,443 |
| Less: investment expenses | 5,437,718 | -- | 5,437,718 | 5,132,454 | -- | 5,132,454 |
| Net Investment Income | 50,992,111 | 2,351,072 | 53,343,183 | 35,858,074 | 944,915 | 36,802,989 |
| Total Additions | 81,801,780 | 3,811,030 | 85,612,810 | 70,087,112 | (205,444) | 69,881,668 |
| Deductions | | | | | | |
| Benefits Paid | | | | | | |
| Retirement | 48,715,698 | 1,726,520 | 50,442,218 | 41,588,615 | 1,411,893 | 43,000,508 |
| Disability | 1,302,915 | -- | 1,302,915 | 1,163,875 | -- | 1,163,875 |
| Death | 4,439,819 | -- | 4,439,819 | 4,475,216 | -- | 4,475,216 |
| Total Benefits Paid | 54,458,432 | 1,726,520 | 56,184,952 | 47,227,706 | 1,411,893 | 48,639,599 |
| Refund of contributions | 157,468 | -- | 157,468 | 71,729 | -- | 71,729 |
| Administrative expenses | 631,919 | 40,403 | 672,322 | 597,267 | 41,652 | 638,919 |
| Total Deductions | 55,247,819 | 1,766,923 | 57,014,742 | 47,896,702 | 1,453,545 | 49,350,247 |
| Change in Net Position | 26,553,961 | 2,044,107 | 28,598,068 | 22,190,410 | (1,658,989) | 20,531,421 |
| Net Position Restricted for Pension Benefits | | | | | | |
| Beginning of year | 927,340,810 | 34,718,184 | 962,058,994 | 905,150,400 | 36,377,173 | 941,527,573 |
| End of year | <u>\$ 953,894,771</u> | <u>\$ 36,762,291</u> | <u>\$ 990,657,062</u> | <u>\$ 927,340,810</u> | <u>\$ 34,718,184</u> | <u>\$ 962,058,994</u> |

REPORTING SECTION

**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 combined statement of fiduciary net position as of September 30, 2020 and the combined 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 March 29, 2021.

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) as a basis for designing 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 financial statements. 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*.

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
March 29, 2021