

City of Fort Lauderdale



POLICE & FIREFIGHTERS' RETIREMENT SYSTEM ANNUAL REPORT 2020

PLAN RETURNS REMAIN STRONG IN TOUGH TIMES

On behalf of the trustees of the Fort Lauderdale Police and Firefighters' Retirement System, I am pleased to present this annual report to our members.

Last year was a difficult year, but prosperous for your pension plan. The financial and real world experienced tumultuous swings thanks to the COVID pandemic. Throughout the year, the board of trustees was able to guide the plan to another year with a positive return on investments. The plan's market value return on investments was 5.62%. The plan's returns have been positive for 25 of the past 30 years. While we are pleased with the absolute size of the gains, we must acknowledge the plan's performance trailed that of its benchmark and peers. The underperformance was in part due to the board of trustees' adherence to our mission statement of "protecting retirement security." This commitment caused us to adopt a risk averse investment philosophy. Taking this stance allowed us to weather the brief market downturn without affecting liquidity or any chance of interruption of benefit payments. All retirement benefits to plan members and beneficiaries were made on time, without the plan having to sell stocks or bonds to meet its monthly payments.

Even with the relative underperformance, the plan is still extremely well-funded and in great financial shape. We are currently pre-funded at 91.9% - well above the recommended funding levels and above most plans across the United States. The assets of the plan have grown over the past 20 years – from \$380 million to \$954 million, a growth of \$574 million. The plan's funds are invested in a diversified portfolio and rebalanced regularly.

Over the next year, the board will examine when it is

prudent to change our risk profile, but for now, while the economy and financial markets are still on a precipitous slope, we will continue with our, "Protect on the Down Side" philosophy.



The relative under performance, while having a minimum effect on our funding status, does put an excess burden on the plan sponsor, but makes no progress in achieving the state-required positive cumulative returns needed for benefit enhancements, specifically, a COLA for our retirees. Rest assured in the fact that the board is cognizant of these facts and has throughout the year implemented certain actions to reach our goals. These actions include, exploring creative funding sources for the plan, exploring new asset classes, and ending long-term relationships with underperforming money managers. This year the plan also finalized its first community investment which intends to generate above market returns, while reinvesting capital into the local economy.

I invite you to go to our website and become informed about the actions and activities of your pension board and retirement system. The minutes of all meetings are posted, along with other important information such as the agenda for the next meeting, summary plan description, and plan documents, while active members can log into their retirement accounts.

Kenneth Rudominer

Chairman

2020 Retirement Plan Highlights

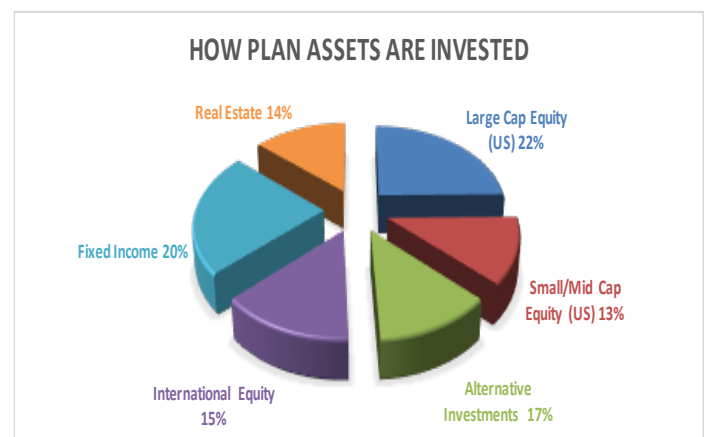
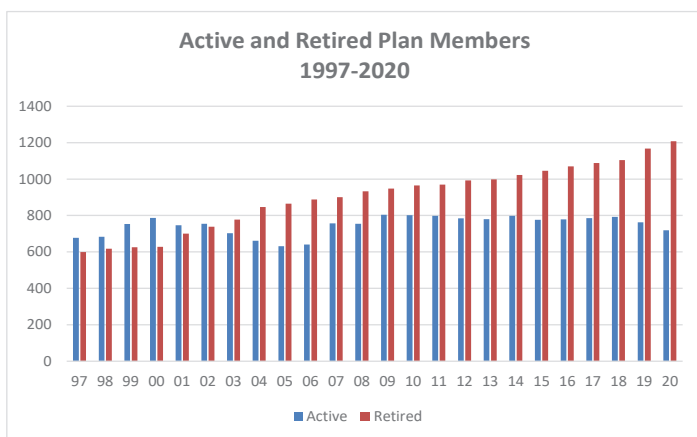
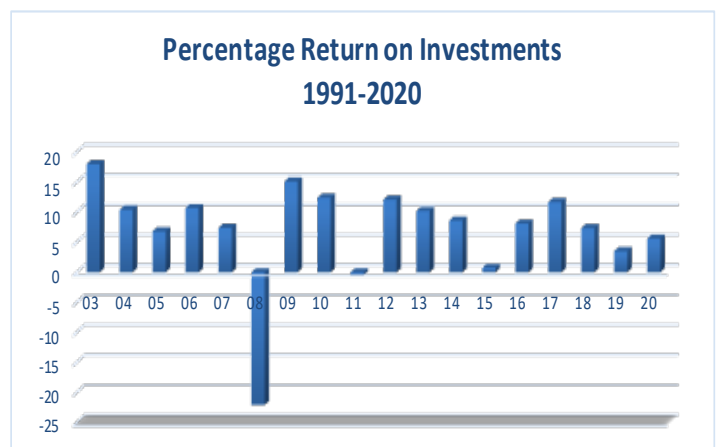
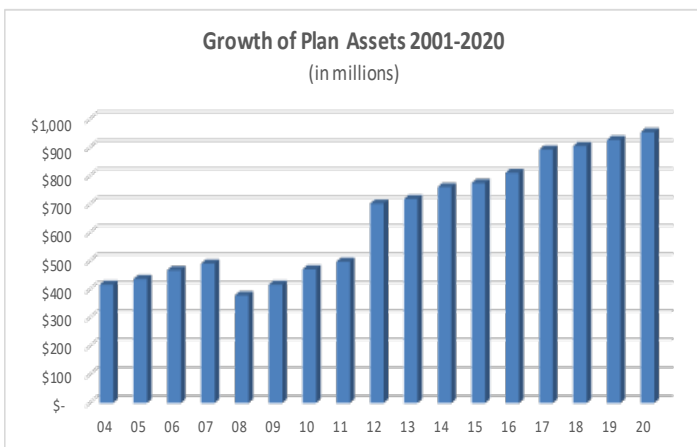
Active Members = 719
 Retirees/Beneficiaries = 951
 Disability Members = 30
 DROP Members = 193
 Terminated Vested = 34
 Total Plan Participants = 1,927
 New Entrants = 44

Market Value of Plan Assets = \$953.9 million
 Benefits Paid = \$56.2 million
 Member Contributions = \$7.7 million
 City Contributions = \$17.9 million
 State Contributions = \$5.0 million
 Net Investment Income = \$53.3 million
 Pre-Funded Ratio = 91.9%

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 20 years – from \$380 million to \$954 million, a growth of \$574 million. The average return on investments over the past 30 years is 8.5%. The plan's returns have been positive for

25 of the past 30 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.

PENSIONOMICS 2021: Impact of Defined Benefit Pensions

Defined benefit (DB) plans – ones that guarantee retirement income after employment – contribute to the economy of the city and state where employees live at retirement. These guaranteed benefits not only provide a secure source of income for many retired Americans, they contribute substantially to local, state, and national economies. DB pensions play a vital role in sustaining consumer demand that ultimately supports millions of jobs.

Virtually every state and local economy across the country benefits from the spending of pension checks. These benefits become more important during economic downturns in the economy, when tax revenues decline, but costs go in the opposite direction.

A study by the National Institute on Retirement Security (NIRS) showed the real impact of guaranteed pension benefits on all segments of the economy. The results are from 2018 data. A total of \$578.7 billion in pension benefits were paid to 23.8 million retired Americans, including \$308.7 billion paid to some 11 million retired employees of state and local government and their beneficiaries (typically surviving spouses).

Expenditures made out of those payments collectively supported 6.9 million American jobs that paid nearly \$394.2 billion in labor income; \$1.3 trillion in total economic output nationwide; \$703.9 billion in value added (GDP); and \$191.9 billion in federal, state, and local tax revenue. The largest employment impacts occurred in the real estate, food services, healthcare, and retail trade sectors, sectors very important to Florida and Fort Lauderdale.

In the state of Florida, 123,246 jobs are impacted by state and local pension benefits alone (not including federal or private pensions). This generates \$19.5 billion in economic output. This results in \$5.9 billion of income and \$10.8 billion of added value to the economy.

DB pension plans provide a critical source of reliable income

Your Pension Staff

Lynn Wenguer, CPA, CPPT
Executive Director

Alexandra Goyes, CPPT
Deputy Director

PENSION OFFICE

888 S. Andrews Avenue, Suite 202

Fort Lauderdale, FL 33316

Telephone: 954-828-5595

Fax: 954-828-5532

Information: Toll Free: 888-237-8780

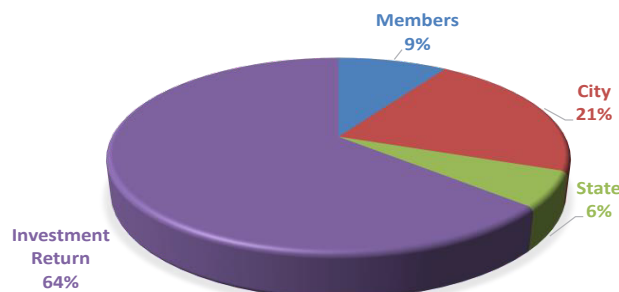
www.ftlaudpfpension.com

for 23.8 million Americans. These plans are a cost-effective way to provide secure lifetime income for retired Americans and their beneficiaries after a lifetime of work. Moreover, DB pension plans generate economic benefits that reach well beyond those who earned benefits during their working years. In last year's Annual Report 2019, recruitment and retention of qualified employees was a significant factor on whether or not a government had a defined benefit plan. The Police and Firefighters' retirement plan is a defined benefit plan, with an option to contribute additional money toward retirement in a defined contribution account, called a 457 plan.

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 \$7.7 million (the total contributions by active members compared to the total income for the plan); City Contribution (required) \$17.9 million; State Contribution \$5.0 million (excluding amount for the firefighter Share Plan); and Investment Returns \$53.3 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.

SOURCE OF PENSION PLAN FUNDING FY2020



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! 2021 Retirement Planning Seminar



When: Date to be Announced

The date for the 2021 Retirement Planning Seminar will be announced later in the year. Last year's seminar was cancelled because of COVID.

The 2021 seminar will cover these topics:

- Estate Planning
- Tax Mistakes in Retirement
- Social Security
- Medicare and Health Insurance

Lunch will be provided with sessions on Deferred Compensation
Individualized consultation with the plan administrator will be available

The seminar is hosted by the Police and Firefighters' Retirement System. It is open to all members of the Police and Firefighters plan as well as the General Employees Retirement System. Members are encouraged to invite their spouses to also attend this important retirement planning event. Watch our website, ftlaudpfpension.com for more details and the date.

Website: Your Source for Information

The Police and Firefighters' Retirement Plan is an invaluable resource for active members, retired members and beneficiaries to obtain information about their retirement benefits. All meeting notices and agendas are posted, with copies of the approved minutes of each Board of Trustees' meeting. There is also a wealth of financial information, summary plan description, and pension news stories from around the state. Active members can log into their individual retirement accounts to see account balances and estimated benefit payments. If you have not done so, please visit our new website: ftlaudpfpension.com. The website allows you to email your questions or comments to the pension office.

Eleven Years Continuous Recognition

The Police and Firefighters' Retirement System 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 eleventh consecutive year the plan has received the award. Approximately 200 retirement systems received this recognition in 2020 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).