

City of Fort Lauderdale



Police & Firefighters' Retirement System Annual Report 2012



Chairman's Report

Wednesday) to conduct the official business of the retirement plan.

During the past year, the plan's annual investment return on the portfolio was 12.1%. Over the past 22 years, the plan's average investment return was 9.02%, with only five negative years out of 22. Our plan is well positioned for improved long-term performance. As part of our commitment to excellence, we again hosted an investment workshop where the trustees and money managers could discuss the performance of the portfolio and strategies for the next 1-3 years.

The trustees take seriously their fiduciary responsibilities and due diligence. We attend educational seminars, some requiring testing for certification, and do self-education through local workshops and reading. During the year, we terminated one money manager who was responsible for a significant portion of the negative investment returns in 2011 and replaced that manager. We hired a new actuarial firm, Foster & Foster. An experience study was concluded and the trustees voted to lower the assumed rate of return from 7.75% to 7.5%. We do formal evaluations of all service providers and have for the third consecutive year received the PPCC award for plan funding excellence.

It is my pleasure to report to you on behalf of all seven trustees of the Fort Lauderdale Police and Firefighters' Retirement System on the fiscal conditions of your pension plan during 2012. The board of trustees meets monthly (second During the year, we had many interactions with the city commission. We participated in a workshop with them to educate our elected leaders on the elements of the plan. The trustees supported the change in the remarriage ordinance to allow surviving spouses of members retiring prior to 2000 to remarry without losing their pension benefits. City commissioners were assured by the trustees that the placement of \$173 million in funds into the plan would be professionally managed when the city issued pension obligation bonds in October to fund 75% of the plan's unfunded liability. During the 4th quarter, the plan's investment return exceeded the interest on the bonds. Lastly, the city commissioners changed the term of office for trustees from two years to four years.

We conducted a pre-retirement planning seminar in September for those nearing retirement. It was successful and we will conduct another seminar in 2013 on September 26-27. I encourage all members within 5 years of retirement to take advantage of this excellent educational opportunity and invite their spouses also to attend.

On the drawing board for 2013 is an exciting addition to our services we provide. We expect to complete and go live with our new computer web-based data system for active members. This will allow them to view and estimate their retirement benefits and to monitor retirement data such as survivor selection. It also has a Social Security calculator that allows users to calculate future benefits. The new system will also enable our pension office staff to calculate and track more easily members' contributions, DROP accounts, and changes in employment status.

This is your retirement plan. Please be involved in your retirement and utilize our pension office as a resource for all your retirement questions and issues.

Michael Dew
Chairman

2012 Retirement Plan Highlights

The Fort Lauderdale Police and Firefighters' Retirement System provides retirement, disability, and survivor benefits to police officers and firefighters of the City of Fort Lauderdale. The retirement system was established January 1, 1973 by city ordinance and is administered by the board of trustees according to this ordinance and Florida state statutes.

Active Members= 785

Retirees/Beneficiaries = 865

Disability Members = 23

DROP Members = 85

Terminated Vested = 20

Total Plan Participants = 1777

New Entrants = 25

Market Value of Plan Assets = \$703 million

Benefits Paid = \$42.4 million

Member Contributions = \$5.4 million

City Contributions = \$14.8 million

State Contributions = \$3 million

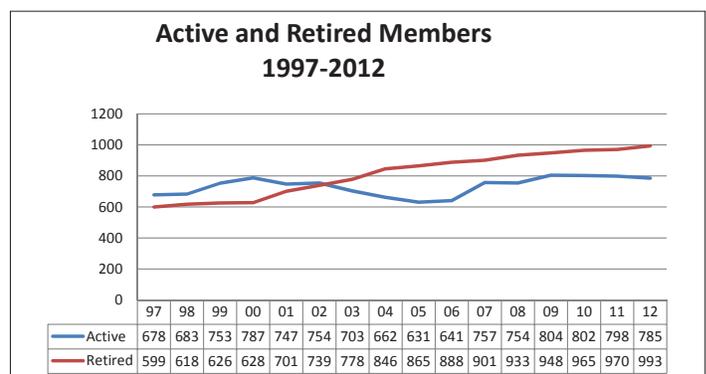
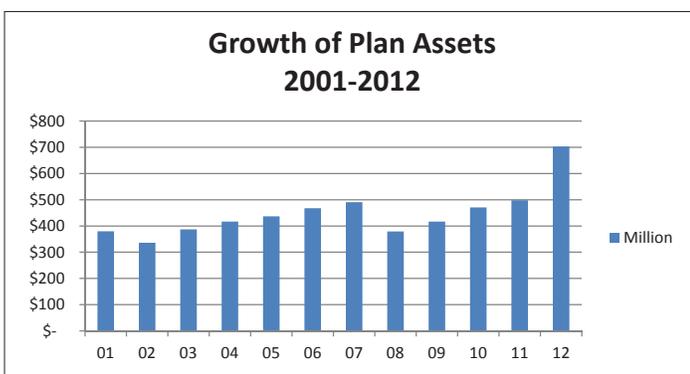
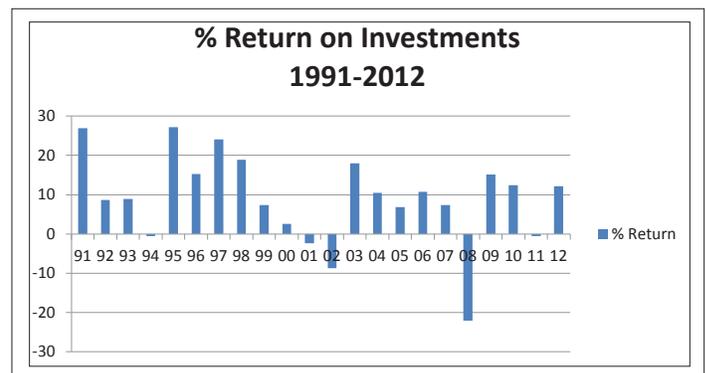
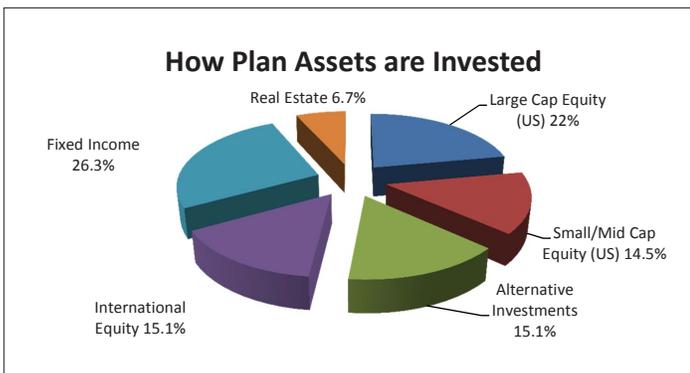
Dividends and Interest = \$24.1 million

Gains on Investments = \$48.8 million

Understanding Your Plan's Finances

The four charts provide an overview of your retirement plan. The trustees invest the assets into a diversified portfolio of stocks and bonds to obtain superior returns on investments for the plan. The overall return on the plan's investments continues to be positive: over the past 22 years, the average total return equals 9.02%. The plan's membership continues to increase and mature – with

the gap between retired plan members and active plan members widening. The DROP program continues to decrease the number of new hires – keeping police officers and firefighters on the job longer. It is beneficial to both the plan and the city, as the city does not make a pension contribution for those members who retire under DROP but continue working for up to eight years.



Board of Trustees

Michael Dew (Police)
Chairman

J. Scott Bayne (Fire)

Kenneth Rudominer (Fire)
Vice Chairman

Dennis Hole (Consensus)

Jim Naugle (Appointed)

Richard Fortunato (Police) **Jeffrey Cameron** (Appointed)
Secretary



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

City Issues Pension Bonds

Fort Lauderdale issued \$340 million in pension obligation bonds to reduce the unfunded liabilities of the Police and Firefighters' Retirement System and the General Employees Retirement System. Each year the city makes a contribution to cover the normal costs of the plan and the unfunded costs resulting from past performance of the investments and changes in benefits. The two plan's unfunded liability is \$388 million.

The city commission funded 75% of the unfunded liability - \$173 million in October to our plan. The idea is this will save money in the city's budget and reduce the overall costs of the pension plan. Officials believe that the plan's money managers will be able to outperform the 4.1% blended interest rate the city is paying on the bonds over the next 20 years. Without these bonds, the city would be paying an interest rate of 7.5%.

The trustees took seriously the receipt of the pension obligation bond funds and invested these monies prudently using the expertise of our performance manager and money managers. The trustees invested the funds in the market over three months rather than making a one-time investment of \$173 million. That way, we provided some protection against a sudden downturn in the

Your Pension Staff



The pension office is located at 888 S. Andrews Avenue, Suite 202 in Fort Lauderdale, FL 33316 or call 954-828-5595. The day-to-day operations of the pension plan are administered by the full-time professional staff in the office,

which is available to answer your questions or meet with you regarding any pension questions or issues. Please feel free to call them with your questions or concerns. Pictured (l to r) Lynn Wenguer, Plan Administrator; Laurie DeZayas, Pension Secretary; and Amanda Cintron, Assistant Plan Administrator. Information about your retirement plan is available on the website at www.ftlaudpfpension.com.

Remarriage Ordinance Changed

The Fort Lauderdale city commission voted to change the city ordinance regarding the remarriage restriction for surviving spouses of members who retired prior to 2000. With the support of the pension trustees, Chairman Michael Dew testified several times before the city commission in support of this ordinance change, stating there was no cost to the plan. Prior to 2000, there was only one retirement option – the standard benefit which designated a spouse as the survivor. The pension ordinance stated if that surviving spouse remarried, their survivor retirement benefit would be terminated.

The change now states that a surviving spouse may remarry and will not lose their retirement benefit. However, this change applies only to surviving spouses of members retiring prior to 2000. After that date, members have three retirement options, including the standard benefit which applies only to a spouse. The remarriage restriction (loss of benefits) still applies to surviving spouses of members who elect the standard benefit in 2000 or after. It does not apply to survivors of members who elect the Joint and Survivor or Life of Member benefit. If you have questions about how this change may affect your status, please contact the retirement office.

market. Some of the money was invested in index funds, which have less risk and lower investment costs. The quarterly investment return needed to meet the costs of the bonds is 1.02%. During the 4th quarter of 2012, the retirement plan earned 2.12%.

Does lowering the unfunded liability mean retirees will receive a COLA? The answer is no. State and local laws mandate that the overall total investment return must be positive. That means that any past losses have to be made-up to obtain an overall positive gain on investments. A COLA can only be given when the cumulative (total) gains on the plan's investments are positive.

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

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The City of Fort Lauderdale Police and Firefighters' Retirement Board efficiently provides the highest quality of administrative services, within the applicable laws, professional and ethical standards, so that each member has the opportunity for a successful retirement.

New Actuary Selected

The trustees selected a new actuary, due to the retirement of Randall Stanley, who served as the plan's actuary for many years. The new actuarial firm is Foster & Foster, located in Fort Myers, Florida with offices also in Illinois to service plans in the Midwest. The president of the firm, Brad Heinrichs, serves as the representative to the plan. Foster & Foster is an independent national actuarial consulting firm specializing in innovative consulting services to public pension plans, public post-retirement medical plans, and public and private active health plans. The firm also consults on private sector plans. It provides consulting and actuarial services to over 300 funds representing over 1,000,000 participants. Foster & Foster has been providing actuarial services to public entities since 1979 and services more than 200 Florida public plans – most of which are police and firefighter retirement plans.

Brad Heinrichs is a recurrent presenter at the Florida Public Pension Trustees Association educational schools and conferences. He testifies before the Florida state legislature on pension legislation and is a devout defender of defined benefit plans which provide a guaranteed pension benefit upon retirement.

Retirement Plan Receives Award

For the third year, the Fort Lauderdale Police and Firefighters' Retirement System has received the Public Pension Coordinating Council's (PPCC) award for funding of its retirement system. The award recognizes the professional standards for retirement plan funding as set forth in the Public Pension Standards. Approximately 200 retirement systems received this recognition out of over 2,500 public pension plans.

***Save the
Date***

2013 Police and Firefighter Retirement Planning Seminar

When: Thursday September 26th and
Friday September 27th

Where: City Hall Commission Chambers
100 N Andrews Ave, Fort Lauderdale

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

RSVP by September 28th to 954-828-5595 or lauried@fortlauderdale.gov