

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

COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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
Fort Lauderdale, Florida

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, 2015 and 2014, 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 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, 2015 and 2014, 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 28 to 30, 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 10, 2016 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 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 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 10, 2016

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, 2015, 2014 and 2013. Please read it in conjunction with the 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, 2015 and 2014 by approximately \$775 million and \$789 million, respectively (reported as net position restricted for pension benefits). Net position is held in trust to meet future benefit payments.
- Total return on investment for the System and Share Plan were 0.74% and 8.6%, respectively, for the years ended September 30, 2015 and 2014.
- The fiduciary net position as a percentage of the total pension liability in accordance with GASB Statement No. 67, Financial Reporting for Pension Plans (funded ratio), as of September 30, 2015 was 92.84%. This compares to the September 30, 2014 ratio of 97.56%.
- Additions to the System and Share Plan's net position for the years ended September 30, 2015 and 2014 were approximately \$33.0 million and \$89.3 million, respectively, and is comprised of contributions of approximately \$27.0 million and \$26.0 million, respectively, and net investment income of approximately \$6.0 million and \$63.3 million, respectively.
- Deductions to the System and Share Plan's net position for the years ended September 30, 2015 and 2014 were approximately \$47.3 million and \$44.8 million, respectively, and is comprised primarily of benefit payments of approximately \$46.5 million and \$44.0 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, 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, along with cash and cash equivalents, 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.

In June 2013, the Board approved to change the year end of the plan from December 31 to September 30.

COMBINED SUMMARY OF FIDUCIARY NET POSITION

The following Comparative Combined Summary of Fiduciary Net Position demonstrates the combined investment position of the System and Share Plan at September 30, 2015, 2014 and 2013:

	September 30, 2015	September 30, 2014	September 30, 2013
Cash and cash equivalents	\$ 23,384,653	\$ 31,266,373	\$ 29,157,143
Receivables	4,050,138	9,380,003	2,873,615
Investments, at fair value	749,601,666	753,671,049	721,411,997
Prepaid assets	1,310	--	--
Total Assets	<u>777,037,767</u>	<u>794,317,425</u>	<u>753,442,755</u>
Liabilities	<u>2,488,298</u>	<u>5,439,023</u>	<u>9,093,123</u>
Net Position Restricted for Pension Benefits	<u>\$ 774,549,469</u>	<u>\$ 788,878,402</u>	<u>\$ 744,349,632</u>

COMBINED SUMMARY OF FIDUCIARY NET POSITION (CONTINUED)

The System's and Share Plan's total assets as of September 30, 2015 and September 30, 2014 were approximately \$777.0 million and \$794.3 million, respectively, and were mostly comprised of cash and short-term investments, investments, and receivables related to contributions and investments. For the year ended September 30, 2015, total assets decreased approximately \$17.3 million or 2.2% from the prior year primarily due to low investment returns. For the year ended September 30, 2014, total assets increased approximately \$40.9 million or 5.4% from 2013 primarily due to higher investment returns.

Total liabilities as of September 30, 2015 and September 30, 2014 were approximately \$2.5 million and \$5.4 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, 2015 decreased by approximately \$3.0 million or 54.3% from 2014 due to the decrease in unsettled trades by approximately \$3.3 million. Total liabilities at September 30, 2014 decreased by approximately \$3.7 million or 40.2% from 2013 due a decrease in the prepaid City contribution by approximately \$3.1 million, a decrease in the amounts due to the City of Fort Lauderdale by approximately \$4.1 million from 2013 netted against an increase in unsettled trades by approximately \$3.3 million.

The System and Share Plan's assets exceeded its liabilities at the close of years ended September 30, 2015 and 2014 by approximately \$774.5 million and \$788.9 million, respectively. For the year ended September 30, 2015, total net position restricted for pension benefits decreased approximately \$14.3 million or 1.8% from 2014 primarily due to low investment earnings. For the year ended September 30, 2014, total net position restricted for pension benefits increased approximately \$44.5 million or 6.0% from 2013 primarily due to contributions and higher 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 table below reflects a condensed comparative 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, 2015 and 2014, and the nine months ended September 30, 2013:

COMBINED SUMMARY OF CHANGES IN FIDUCIARY NET POSITION (CONTINUED)

	Twelve Months Ended September 30, 2015	Twelve Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Additions			
Contributions			
City	\$ 15,599,916	\$ 14,498,457	\$ 11,219,401
Employees	5,654,820	5,581,044	4,113,451
State	<u>5,799,229</u>	<u>5,875,363</u>	<u>6,053,952</u>
Total	27,053,965	25,954,864	21,386,804
Net Investment Income	<u>5,969,880</u>	<u>63,358,858</u>	<u>69,488,348</u>
Total Additions	<u>33,023,845</u>	<u>89,313,722</u>	<u>90,875,152</u>
Deductions			
Benefits paid	46,540,379	44,026,421	31,195,985
Refunds of contributions	120,051	111,134	155,686
Administrative expenses	<u>692,348</u>	<u>647,397</u>	<u>507,376</u>
Total Deductions	<u>47,352,778</u>	<u>44,784,952</u>	<u>31,859,047</u>
Net Increase (Decrease)	(14,328,933)	44,528,770	59,016,105
Net Position Restricted for Pension			
Benefits - Beginning of Year	<u>788,878,402</u>	<u>744,349,632</u>	<u>685,333,527</u>
Net Position Restricted for Pension			
Benefits - End of Year	<u>\$ 774,549,469</u>	<u>\$ 788,878,402</u>	<u>\$ 744,349,632</u>

REVENUES – ADDITIONS TO COMBINED FIDUCIARY NET POSITION

The following condensed comparative combined summary demonstrates the additions to the System and Share Plan for the years ended September 30, 2015 and 2014 and the change to the nine months ended September 30, 2013 (in thousands):

	Twelve Months			Total
	Ended	Ended	Increase	Percentage
	September 30,	September 30,	(Decrease)	Change
	2015	2014		
City Contributions	\$ 15,600	\$ 14,498	\$ 1,101	7.6%
Employee Contributions	5,655	5,581	74	1.3%
State Contributions	5,799	5,875	(76)	-1.3%
Net Investment Income	<u>5,970</u>	<u>63,359</u>	<u>(57,389)</u>	-90.6%
Total Additions	<u>\$ 33,024</u>	<u>\$ 89,314</u>	<u>\$ (56,290)</u>	-63.0%

	Twelve Months	Nine Months		Total
	Ended	Ended	Increase	Percentage
	September 30,	September 30,	(Decrease)	Change
	2014	2013		
City Contributions	\$ 14,498	\$ 11,219	\$ 3,279	29.2%
Employee Contributions	5,581	4,114	1,467	35.7%
State Contributions	5,875	6,054	(179)	-3.0%
Net Investment Income	<u>63,359</u>	<u>69,488</u>	<u>(6,129)</u>	-8.8%
Total Additions	<u>\$ 89,314</u>	<u>\$ 90,875</u>	<u>\$ (1,561)</u>	-1.7%

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, 2015 and 2014 totaled approximately \$33.0 million and \$89.3million, respectively. Total contributions and net investment income for the year ended September 30, 2015 decreased by approximately \$56.3 million or 63.0% from the year ended September 30, 2014 as a result of less than expected market conditions. Total contributions and net investment income for the year ended September 30, 2014 decreased by approximately \$1.6 million or 1.7% from the nine months ended September 30, 2013.

REVENUES – ADDITIONS TO COMBINED FIDUCIARY NET POSITION (CONTINUED)

Net investment income for the year ended September 30, 2015 decreased from the year ended September 30, 2014 by approximately \$57.4 million while net investment income for the year ended September 30, 2014 decreased from the nine months ended September 30, 2013 by approximately \$6.1 million.

Total City contributions for the year ended September 30, 2015 increased from the year ended September 30, 2014 by approximately \$1.1 million or 7.6%. City contributions for the year ended September 30, 2014 increased from the nine months ended September 30, 2013 by approximately \$3.3 million or 29.2% due to the short system and share plan year.

EXPENSES - DEDUCTIONS FROM COMBINED FIDUCIARY NET POSITION

The table below reflects a condensed comparative combined summary of the deductions of the System and Share Plan for the years ended September 30, 2015 and 2014 and the nine months ended September 30, 2013 (in thousands):

	Twelve Months Ended September 30, 2015	Twelve Months Ended September 30, 2014	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 46,540	\$ 44,026	\$ 2,514	5.7%
Refund of Contributions	120	111	9	8.0%
Administrative Expenses	692	647	45	6.9%
Total Deductions	\$ 47,353	\$ 44,785	\$ 2,568	5.7%

	Twelve Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 44,026	\$ 31,196	\$ 12,830	41.1%
Refund of Contributions	111	156	(45)	-28.8%
Administrative Expenses	647	507	140	27.7%
Total Deductions	\$ 44,785	\$ 31,859	\$ 12,926	40.6%

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, 2015 and 2014 were approximately \$47.3 million and \$44.8 million, respectively, an increase of approximately 5.7% from 2014. Total expenses and deductions for the year ended September 30, 2014 and the nine months ended September 30, 2013 were approximately \$44.8 million and \$31.9 million, respectively, an increase of approximately 40.6% from 2013.

EXPENSES - DEDUCTIONS FROM COMBINED FIDUCIARY NET POSITION (CONTINUED)

The payment of pension benefits to retirees increased for the years ended September 30, 2015 from 2014 by approximately \$2.6 million or approximately 5.7%. The payment of pension benefits to retirees increased for the year ended September 30, 2014 from 2013 by approximately \$12.9 million or approximately 40.6% due to the short plan year in 2013.

RETIREMENT SYSTEM AS A WHOLE

With the exception of the years ended 2008 and 2011, the System's and Share Plan's combined net position have experienced increases over the last 7 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, contact the Executive Director, 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, 2015 AND 2014

	2015	2014
Assets		
Cash and short-term investments	\$ 23,384,653	\$ 31,266,373
Investments, at fair value		
U.S. Treasury securities	67,374,398	63,157,772
U.S. Government agency obligations	750,865	6,659,130
Corporate bonds and debentures	134,275,993	128,226,515
International equity funds	148,509,587	157,540,114
Common stock	112,151,050	116,309,796
Fund of funds	43,826,015	75,804,953
Commingled funds	147,692,176	126,733,511
Real estate	95,021,582	79,239,258
Total Investments	749,601,666	753,671,049
Receivables		
Unsettled trades	1,106,085	2,072,953
Accrued dividends and interest	2,404,785	2,365,242
City contributions	--	4,181,214
State contribution	297,469	549,424
Employee contributions	241,799	211,170
Total Receivables	4,050,138	9,380,003
Prepaid assets	1,310	--
Total Assets	777,037,767	794,317,425
Liabilities		
Unsettled trades	1,575,643	4,900,203
Accounts payable and accrued liabilities	381,834	538,820
Due to the City of Fort Lauderdale	530,821	--
Total Liabilities	2,488,298	5,439,023
Net Position Restricted for Pension Benefits	\$ 774,549,469	\$ 788,878,402

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, 2015 AND 2014

	2015	2014
Additions		
Contributions		
City	\$ 15,599,916	\$ 14,498,457
Employees	5,654,820	5,581,044
State	5,799,229	5,875,363
Total Contributions	27,053,965	25,954,864
Investment Income		
Net appreciation (depreciation) in fair value of investments	(11,463,997)	49,613,155
Interest	7,334,286	8,927,232
Dividends	7,445,332	2,987,056
Other income	4,697,073	4,000,034
	8,012,694	65,527,477
Less: investment expenses	2,042,814	2,168,619
Net Investment Income	5,969,880	63,358,858
Total Additions	33,023,845	89,313,722
Deductions		
Benefits Paid		
Retirement	41,427,913	39,758,019
Disability	1,058,463	948,273
Death	4,054,003	3,320,129
Total Benefits Paid	46,540,379	44,026,421
Refund of contributions	120,051	111,134
Administrative expenses	692,348	647,397
Total Deductions	47,352,778	44,784,952
Net Increase (Decrease) in Net Position	(14,328,933)	44,528,770
Net Position Restricted for Pension Benefits		
Beginning of year	788,878,402	744,349,632
End of year	\$ 774,549,469	\$ 788,878,402

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, 2015 AND 2014

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 annual 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.

Effective October 1, 2005 the City of Fort Lauderdale Firefighter' Supplemental Share Plan (Share Plan), a defined contribution plan, 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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

For allocations after the initial allocation, the Board shall allocate to each participants account each year 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, 2014 (date of latest actuarial valuation) and October 1, 2013, membership in the System consisted of:

	October 1,	
	2014	2013
Inactive plan members or beneficiaries currently receiving benefits	1,003	988
Inactive plan members entitled to but not yet receiving benefits	19	20
Active plan members	<u>798</u>	<u>780</u>
Total Membership	<u>1,820</u>	<u>1,788</u>

CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM

For all members hired before April 18, 2010, the member's contribution rate is equal to 8.25% of their salary. For all members hired after April 18, 2010, the member's contribution rate is equal to 8.5% of their salary.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM (CONTINUED)

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.

In October 2012, the City Commission approved borrowings in the form of pension obligation bonds to cover a majority of the Plan's unfunded pension liability and approximately \$173.5 million was contributed to the Plan by the City which improved the funded status of the Plan and reduced future amortization requirements.

CITY CONTRIBUTION RECEIVABLE

In 2014, the City had approximately \$3,384,000 remaining as a prepaid contribution from a prior year (plus interest) and approximately \$6,933,000 due from the Plan for expenses paid in its behalf over the past two years. Therefore, although the required contribution for 2014 was approximately \$14,498,000, the receivable at September 30, 2014 was only approximately \$4,181,000 as the City utilized their advances and amounts due to them from the Plan prior to year end for the payment of the 2014 contribution.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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

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.

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

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, 2015 AND 2014

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, 2015 and September 30, 2014 was \$23,996,281 and \$21,902,641, respectively. There were 102 and 93 participants in DROP as of September 30, 2015 and 2014, respectively. These amounts are included in the total investment balance presented on 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, 2015 AND 2014

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

COST OF LIVING ADJUSTMENTS (COLA)

Monthly benefits paid under the System shall be adjusted, on July 1 of any year, to reflect the increase, if any, in the cost of living. A benefit shall be adjusted if it is being paid as of such adjustment date and was being paid as of July 1 of the preceding year. The benefit paid to any beneficiary of a deceased member shall be adjusted if either the benefit paid to the beneficiary or to the deceased member was paid effective as of July 1 of the preceding year.

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. Member contributions are recognized as revenues in the period in which the contributions are due. Contributions from the City of Fort Lauderdale, 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 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, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments, which consist of money market funds and commercial paper, are reported at cost, which is fair value. Securities traded on a national exchange are valued at the last reported sales price or current exchange rates. Investments that do not have an established market are reported at estimated fair value. 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 specific cost. The fair value of real estate investments have been estimated based upon latest appraisal information. Commingled funds that do not have an established market are reported at the net asset value of shares owned at the end of the year as determined by the fund manager.

Purchases and sales of securities are recorded on the 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.

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/ expenditure) 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of amounts and disclosures. Actual results could differ from those estimates.

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 year ended September 30, 2015 in accordance with policy in effect since March 2015:

Asset Class	Target Allocation	Minimum	Maximum	Actual
Domestic Equity				
Large cap equity	17.5%	10%	30%	22%
Mid/Small cap equity	12.5%	5%	20%	12%
International Equity	15%	10%	20%	13%
Alternative Investments				
Global Infrastructure	5%	2.5%	7.5%	6%
Real Estate	12.5%	7.5%	17.5%	12%
Multi-Strategy	7.5%	2.5%	12.5%	6%
Fixed Income (Including Cash)	30%	25%	35%	29%

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 3 – INVESTMENTS (CONTINUED)

Investment allocation for the year ended September 30, 2014 in accordance with policy in effect since May 2014:

Asset Class	Target Allocation	Minimum	Maximum	Actual
Domestic Equity				
Large cap equity	17.5%	10%	30%	18%
Mid/Small cap equity	12.5%	5%	20%	13%
International Equity	15%	10%	20%	15%
Alternative Investments				
Global Infrastructure	5%	2.5%	7.5%	5%
Real Estate	10.0%	5.0%	15.0%	10%
Multi-Strategy	10.0%	5.0%	15.0%	10%
Fixed Income (Including Cash)	30%	25%	35%	29%

RATE OF RETURN

For the years ended September 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.74% and 8.6%, 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, 2015 AND 2014

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, 2015				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 67,374,398	\$ 4,349,601	\$ 29,111,711	\$ 33,913,086	\$ --
U.S. Agencies	750,865	--	174,672	81,950	494,243
Corporate Bonds and Debentures	134,275,993	4,317,546	103,845,696	19,707,805	6,404,946
Total Fixed Income Securities	\$ 202,401,256	\$ 8,667,147	\$ 133,132,079	\$ 53,702,841	\$ 6,899,189

Investment Type	September 30, 2014				
	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 63,157,772	\$ 3,400,870	\$ 36,134,230	\$ 23,622,672	\$ --
U.S. Agencies	6,659,130	--	4,342,062	249,848	2,067,220
Corporate Bonds and Debentures	128,226,515	6,826,651	86,063,722	28,400,508	6,935,634
Total Fixed Income Securities	\$ 198,043,417	\$ 10,227,521	\$ 126,540,014	\$ 52,273,028	\$ 9,002,854

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. At September 30, 2015 and 2014, all of the Plan's investments met this requirement.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

NOTE 3 – INVESTMENTS (CONTINUED)

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 20% of the value of the portfolio. The Plan utilizes limitations on securities of a single issuer to manage this risk.

As of September 30, 2015 and 2014, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's investments.

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 Systems 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, 2015 and 2014, 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 Statement 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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 most recent determination letter expires on January 31, 2019.

NOTE 5 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City at September 30, 2015 and 2014:

	2015	2014
Total pension liability	\$ 834,313,286	\$ 808,594,678
Plan fiduciary net position	<u>(774,549,469)</u>	<u>(788,878,402)</u>
Net pension liability	<u>\$ 59,763,817</u>	<u>\$ 19,716,276</u>
Plan fiduciary net position as a percent of the total pension liability	<u>92.84%</u>	<u>97.56%</u>

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability as of September 30, 2015 was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 and the total pension liability as of September 30, 2014 was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014, using the following actuarial assumptions applied to all measurement periods:

Inflation	2.75%
Salary increases	0.50% - 3.00%
Investment rate of return	7.50%
 Mortality Rates	
Healthy	RP-2000 table projected by Scale AA to 2012
 Disabled	RP-2000 disabled table projected by Scale AA to 2012

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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

SIGNIFICANT ACTUARIAL ASSUMPTIONS (CONTINUED)

The actuarial assumptions used in the September 30, 2015 valuation 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. The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study dated May 16, 2012 for the period from January 1, 2007 to December 31, 2011.

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, 2015 and 2014 are summarized in the following table:

Asset Class	2015	2014	2015	2014
	Target Allocation		Long-Term Expected Real Rate of Return	
Domestic equity	30.0%	30.0%	6.90%	6.60%
International equity	15.0%	15.0%	7.10%	7.13%
Domestic bonds	30.0%	30.0%	2.00%	1.79%
Real estate	12.5%	10.0%	4.80%	6.70%
Other	<u>12.5%</u>	<u>15.0%</u>	4.20%	4.97%
Total	<u>100.0%</u>	<u>100.0%</u>		

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50% for both years ended September 30, 2015 and 2014. 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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

SENSITIVITY OF THE NET PENSION LIABILITY OF THE CITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the City, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	Net Pension Liability		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
September 30, 2015	\$ 147,657,945	\$ 59,763,817	\$ (13,860,424)
September 30, 2014	\$ 105,690,549	\$ 19,716,276	\$ (52,956,142)

NOTE 6 - DUE TO THE CITY OF FORT LAUDERDALE

The System and Share Plan uses 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 amount due to the City as of September 30, 2015 was \$530,821. There were no amounts due to the City as of September 30, 2014.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASE

The System and Share Plan are obligated under an operating lease for office space, which expires on February 28, 2018. The following is a schedule of the aggregate future minimum rental payments under this lease:

For the Year Ending September 30,	Amount
2016	\$ 51,000
2017	53,000
2018	22,000
Total	<u>\$ 126,000</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, 2015 AND 2014

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

CONTINGENCIES

The System and Share Plan are exposed to various asserted and unasserted potential claims encountered in the normal course of business. 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**

	2015	2014
Total Pension Liability		
Service cost	\$ 18,531,300	\$ 18,025,712
Interest	60,367,031	57,797,227
Change in excess state money	--	(1,223,158)
Share plan allocation	1,826,197	2,561,814
Changes of benefit terms	1,097,988	--
Differences between expected and actual experience	(7,319,054)	--
Changes of assumptions	(2,194,981)	--
Contributions - buy back	43,865	--
Contributions - transfer from general plan	26,692	--
Benefit payments, including refunds of member contributions	(46,660,430)	(44,137,555)
Net Change in Total Pension Liability	25,718,608	33,024,040
Total Pension Liability - Beginning	808,594,678	775,570,638
Total Pension Liability - Ending (a)	834,313,286	808,594,678
Plan Fiduciary Net Position		
Contributions - employer (city)	15,599,916	14,498,457
Contributions - member (state)	5,654,820	5,581,044
Contributions - nonemployer contributing member	5,799,229	5,875,363
Net investment income	5,969,880	59,358,824
Benefit payments, including refunds of member contributions	(46,660,430)	(44,137,555)
Administrative expenses	(692,348)	(647,397)
Other	--	4,000,034
Net Change in Plan Fiduciary Net Position	(14,328,933)	44,528,770
Plan Fiduciary Net Position - Beginning	788,878,402	744,349,632
Plan Fiduciary Net Position - Ending (b)	\$ 774,549,469	\$ 788,878,402
Net Pension Liability - Ending (a) - (b)	\$ 59,763,817	\$ 19,716,276
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.84%	97.56%
Covered-Employee Payroll	\$ 85,530,911	\$ 67,147,870
Net Pension Liability as Percentage of Covered-Employee Payroll	69.87%	29.36%

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

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll*</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 18,913,469	\$ 18,913,469	\$ --	\$ 85,530,911	22.11%
2014	\$ 19,012,474	\$ 19,012,474	\$ --	N/A	N/A
2013	\$ 14,208,593	\$ 14,208,593	\$ --	N/A	N/A

Note to Schedule:

Valuation date: October 1, 2013

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. An interest load to the assumed City contribution date is utilized for determination of the Total Required Contribution.
Amortization method	Level percentage of pay, closed
Remaining amortization period	20 years
Actuarial value of assets	The actuarial value of assets is calculated by recognizing 20% of the difference between the market value of assets and the expected actuarial value of assets.
Cost-of-living adjustments	None
Inflation	2.75%
Salary increases	0.50% - 3.00%
Investment rate of return	7.50% 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	RP-2000 Table projected by Scale AA to 2012
Disabled mortality rates	RP-2000 Disabled Table projected by Scale AA to 2012

* For the fiscal years 2013 and 2014, the covered employees payroll figures were not available.

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

	2015	2014	2013
Annual Money-Weighted Rate of Return, net of Investment Expense	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, 2015 AND 2014

	2015			2014		
	System	Share Plan	Total	System	Share Plan	Total
Assets						
Cash and Short-Term Investments	\$ 23,384,653	\$ --	\$ 23,384,653	\$ 31,266,373	\$ --	\$ 31,266,373
Investments, at Fair Value						
U.S. Treasury securities	67,374,398	--	67,374,398	63,157,772	--	63,157,772
U.S. Government agency obligations	750,865	--	750,865	6,659,130	--	6,659,130
Corporate bonds and other fixed income	134,275,993	--	134,275,993	128,226,515	--	128,226,515
International equity funds	148,509,587	--	148,509,587	157,540,114	--	157,540,114
Common stock	112,151,050	--	112,151,050	116,309,796	--	116,309,796
Fund of funds	43,826,015	--	43,826,015	75,804,953	--	75,804,953
Commingled funds	147,692,176	--	147,692,176	126,733,511	--	126,733,511
Real estate	95,021,582	--	95,021,582	79,239,258	--	79,239,258
Total Investments	<u>749,601,666</u>	<u>--</u>	<u>749,601,666</u>	<u>753,671,049</u>	<u>--</u>	<u>753,671,049</u>
Receivables						
Unsettled trades	1,106,085	--	1,106,085	2,072,953	--	2,072,953
Accrued dividends and interest	2,404,785	--	2,404,785	2,365,242	--	2,365,242
City contribution	--	--	--	4,181,214	--	4,181,214
State contribution	297,469	--	297,469	549,424	--	549,424
Employee contributions	241,799	--	241,799	211,170	--	211,170
Due to/from retirement system	(28,695,507)	28,695,507	--	(28,007,712)	28,007,712	--
Total Receivables	<u>(24,645,369)</u>	<u>28,695,507</u>	<u>4,050,138</u>	<u>(18,627,709)</u>	<u>28,007,712</u>	<u>9,380,003</u>
Prepaid Assets	<u>1,310</u>	<u>--</u>	<u>1,310</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Assets	<u>748,342,260</u>	<u>28,695,507</u>	<u>777,037,767</u>	<u>766,309,713</u>	<u>28,007,712</u>	<u>794,317,425</u>
Liabilities						
Unsettled trades	1,575,643	--	1,575,643	4,900,203	--	4,900,203
Accounts payable and accrued liabilities	381,834	--	381,834	538,820	--	538,820
Due to the City of Fort Lauderdale	530,821	--	530,821	--	--	--
Total Liabilities	<u>2,488,298</u>	<u>--</u>	<u>2,488,298</u>	<u>5,439,023</u>	<u>--</u>	<u>5,439,023</u>
Net Position Restricted for Pension						
Benefits	<u>\$ 745,853,962</u>	<u>\$ 28,695,507</u>	<u>\$ 774,549,469</u>	<u>\$ 760,870,690</u>	<u>\$ 28,007,712</u>	<u>\$ 788,878,402</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, 2015 AND 2014

	2015			2014		
	System	Share Plan	Total	System	Share Plan	Total
Additions						
Contributions						
Employer	\$ 15,599,916	\$ --	\$ 15,599,916	\$ 14,498,457	\$ --	\$ 14,498,457
Plan members	5,654,820	--	5,654,820	5,581,044	--	5,581,044
State	<u>3,973,033</u>	<u>1,826,196</u>	<u>5,799,229</u>	<u>3,313,551</u>	<u>2,561,812</u>	<u>5,875,363</u>
Total Contributions	<u>25,227,769</u>	<u>1,826,196</u>	<u>27,053,965</u>	<u>23,393,052</u>	<u>2,561,812</u>	<u>25,954,864</u>
Investment Income						
Net appreciation (depreciation) in fair value of investments	(11,692,784)	228,787	(11,463,997)	47,557,346	2,055,809	49,613,155
Interest	7,334,286	--	7,334,286	8,927,232	--	8,927,232
Dividends	7,445,332	--	7,445,332	2,987,056	--	2,987,056
Other income	<u>4,697,073</u>	<u>--</u>	<u>4,697,073</u>	<u>4,000,034</u>	<u>--</u>	<u>4,000,034</u>
	7,783,907	228,787	8,012,694	63,471,668	2,055,809	65,527,477
Less: investment expenses	<u>2,042,814</u>	<u>--</u>	<u>2,042,814</u>	<u>2,168,619</u>	<u>--</u>	<u>2,168,619</u>
Net Investment Income	<u>5,741,093</u>	<u>228,787</u>	<u>5,969,880</u>	<u>61,303,049</u>	<u>2,055,809</u>	<u>63,358,858</u>
Total Additions	<u>30,968,862</u>	<u>2,054,983</u>	<u>33,023,845</u>	<u>84,696,101</u>	<u>4,617,621</u>	<u>89,313,722</u>
Deductions						
Benefits Paid						
Retirement	40,292,514	1,135,399	41,427,913	39,140,811	617,208	39,758,019
Disability	965,867	92,596	1,058,463	948,273	--	948,273
Death	<u>3,955,616</u>	<u>98,387</u>	<u>4,054,003</u>	<u>3,320,129</u>	<u>--</u>	<u>3,320,129</u>
Total Benefits Paid	<u>45,213,997</u>	<u>1,326,382</u>	<u>46,540,379</u>	<u>43,409,213</u>	<u>617,208</u>	<u>44,026,421</u>
Refund of contributions	120,051	--	120,051	111,134	--	111,134
Administrative expenses	<u>651,542</u>	<u>40,806</u>	<u>692,348</u>	<u>619,252</u>	<u>28,145</u>	<u>647,397</u>
Total Deductions	<u>45,985,590</u>	<u>1,367,188</u>	<u>47,352,778</u>	<u>44,139,599</u>	<u>645,353</u>	<u>44,784,952</u>
Net Increase (Decrease) in Net Position	(15,016,728)	687,795	(14,328,933)	40,556,502	3,972,268	44,528,770
Net Position Restricted for Pension Benefits						
Beginning of year	<u>760,870,690</u>	<u>28,007,712</u>	<u>788,878,402</u>	<u>720,314,188</u>	<u>24,035,444</u>	<u>744,349,632</u>
End of year	<u>\$ 745,853,962</u>	<u>\$ 28,695,507</u>	<u>\$ 774,549,469</u>	<u>\$ 760,870,690</u>	<u>\$ 28,007,712</u>	<u>\$ 788,878,402</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
Fort Lauderdale, Florida

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 statement of fiduciary net position as of September 30, 2015 and the 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 10, 2016.

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) to determine the 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 determination of financial statement amounts. 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 10, 2016