

ADDITIONAL INFORMATION ON THE POLICE AND FIREFIGHTERS' RETIREMENT PLAN FUNDING AND PERFORMANCE

In the most recent audit from Marcum Group, LLP, the Auditors describe the Fort Lauderdale Police and Firefighters' retirement plan in these words:

“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%.”

Three factors have affected the required contribution from the city.

1. Actuarial Experience Study (for the period 2008-2014, issued July 10, 2015 by Foster & Foster, the plan’s actuary). The actuary concluded that the recommended changes to the actuarial assumptions **“reflect sound actuarial principles, are our best estimate of anticipated future experience, and will assist in achieving the objective of developing costs that are stable and predictable.”** Based on these professional recommendations, the trustees approved the recommended changes. The biggest factor that increased funding was the State Legislature’s mandatory adoption of new mortality rates to incorporate generational mortality improvements.

- ✓ Adopt Asset Valuation Method (fresh start)
- ✓ Retain 7.50% Interest Rate (assumed rate of return)
- ✓ No change in assumed Salary Increases
- ✓ No change in assumed covered Payroll Growth
- ✓ Mortality Rates (HB 1309) – mandated by state law
- ✓ Mortality Rates (Scale BB to 2014)
- ✓ Retirement Rates
- ✓ Withdrawal Rates
- ✓ Disability Rates

2. Actuarial Valuation Report (as of October 1, 2015, performed by Foster & Foster). The report notes several changes to the plan from the prior year’s report.

The city-firefighter labor contract affected employees hired on or after October 1, 2014: lower benefit accrual rate, maximum benefit decreased, change in DROP period, and change in normal benefit. In addition, interest on firefighters leaving before vesting was eliminated. The labor contract increases pensionable earnings of firefighters from 144 hours to 159 hours for each 21-day period and implements using some of the F.S. 175 premium tax dollars received from the state for funding the plan.

Investment Return (one-year return as of September 30, 2015). The plan's return for the year was 0.74%. Over the past 25 years, the plan's average return was 8.72%, with positive returns for 20 of the 25 years. The plan is a long-term investor.

The security markets during the same period overall were negative (October 1, 2014 – September 30 2015):

- S&P 500 (0.61%)
- Dow Jones (2.11%)
- Wilshire 5000 Total Market (0.38%)
- Russell 1000 Large Cap (0.61%)
- Russell Midcap (0.25%)
- Russell Small Cap 1.25%
- International Equities (5.09%)
- 3 month T-bill 0.02%

Additionally, the board has about 22% of its investments in index funds, with the remainder actively invested. We have continually worked to reduce investment fees with individual managers and done examinations and back testing with performance-based cost of our investment policy and managers.

By comparison, our plan returns for one year ending September 30, 2015 are better than neighboring retirement plans. Our investment goal is to position ourselves so that in a downswing in the market, we experience less than 100% of that downswing, while we capture most of the upswing in the market. This investment goal prevents great fluctuations in the city's annual required contributions to the plan. Our fiscal year return demonstrates that when compared to other plan returns for the same period.

- FORT LAUDERDALE POLICE AND FIRE 0.74%
- MIAMI BEACH POLICE AND FIRE 0.45%
- MIAMI GENERAL EMPLOYEES 0.2%
- MIAMI BEACH GENERAL EMPLOYEES (1.1%)
- JACKSONVILLE POLICE AND FIRE (3.95%)
- TAMPA POLICE AND FIRE (4.9%)