



Venice of America

**City of Fort Lauderdale
Police and Firefighters'
Retirement System
June 2016**



Public Pension Coordinating Council

Recognition Award for Funding 2015

Presented to

City of Fort Lauderdale Police Officers' & Firefighters' Retirement System

In recognition of meeting professional standards for
plan funding as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, appearing to read 'Alan H. Winkie', is positioned above the printed name and title.

Alan H. Winkie
Program Administrator

The plan has received this national recognition for six consecutive years.

Key Elements

- ❑ Established by City in 1973
- ❑ Covers approximately 502 police officers and 382 firefighters
- ❑ Provides benefits to 1,045 retirees and beneficiaries, including DROP members
- ❑ Assets of \$796.8 million (market value as of 12-31-2015)

Current Trustees

1. Lieutenant Michael Dew (police), Chairman
2. Sergeant Richard Fortunato (police), Secretary
3. Battalion Chief Ken Rudominer (fire), Vice Chairman
4. Captain J. Scott Bayne (fire)
5. Jeff Cameron (appointed by Mayor)
6. Jim Naugle (appointed by Mayor)
7. Dennis Hole (consensus trustee approved by City Commission)

City Finance Director, ex-officio member

Funding the Plan

Funding comes from 4 sources

- ❑ Employee Contribution: 8.5% of pay; those hired before 4-18-10 pay 8.25%
- ❑ State Contribution: tax on casualty and property insurance premiums
- ❑ City Contribution: determined by plan actuary to maintain benefits
- ❑ Investment Income: return on assets invested in securities

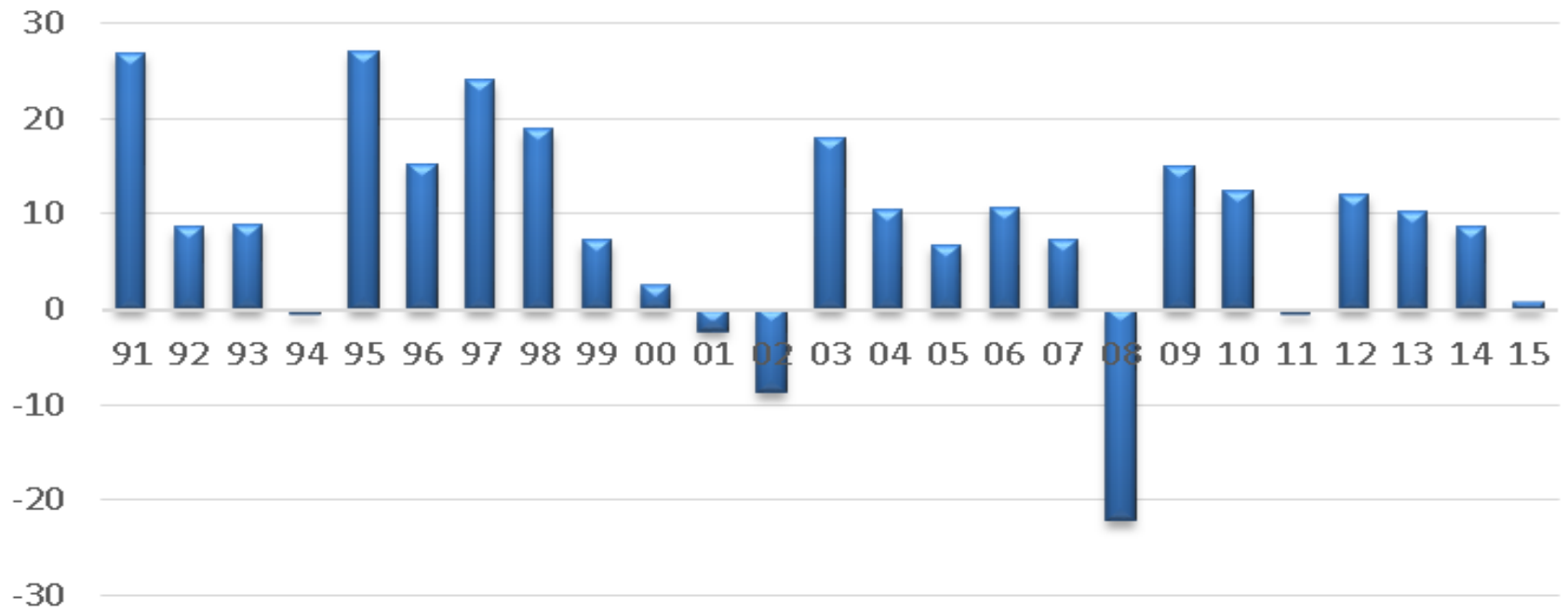
Contributions – 2015

- ❑ 17.2% of \$70.3 million total payroll
- ❑ City Pension Contribution \$15.6 million*
- ❑ Employee Contribution \$5.7 million
- ❑ Earnings and Investment Gains \$6 million
- ❑ Fund Market Value Gain 0.74%
- ❑ Funded ratio 99.5%

*City potentially saves over \$4 million by not having to pay pension contributions on the salaries of 95 officers participating in the DROP program. In addition it saves \$1 million in interest by making the pension contribution early.

Yearly Plan Returns

Percentage Return on Investments
1991-2015



POB Interest vs. Plan Return

<u>Date</u>	<u>Interest</u>	<u>Plan ROI</u>
3 months ending 4Q2012	1.03%	2.12%
9 months ending 3Q2013	3.09%	10.19%
12 months ending 3Q2014	4.12%	8.60%
12 months ending 3Q2015	4.12%	0.74%

Blended 20-year interest rate is 4.127769%

2010 Pension Reforms

Increase Employee Contribution – increases plan assets approximately \$1 million per year

Extend DROP to 8 years – decreases hiring costs and after 22 years officers can work up to 8 years at regular salary with no city pension contribution during DROP period*

Later entry into DROP – reduces benefit payouts and maximum service increases from 27 to 31.96 years**

Lower interest on DROP – City benefits when rate of return on plan assets exceeds 6%

Leave funds after DROP – reduces plan investment costs

* Potential DROP pension savings over 8 years to city could be \$32 million

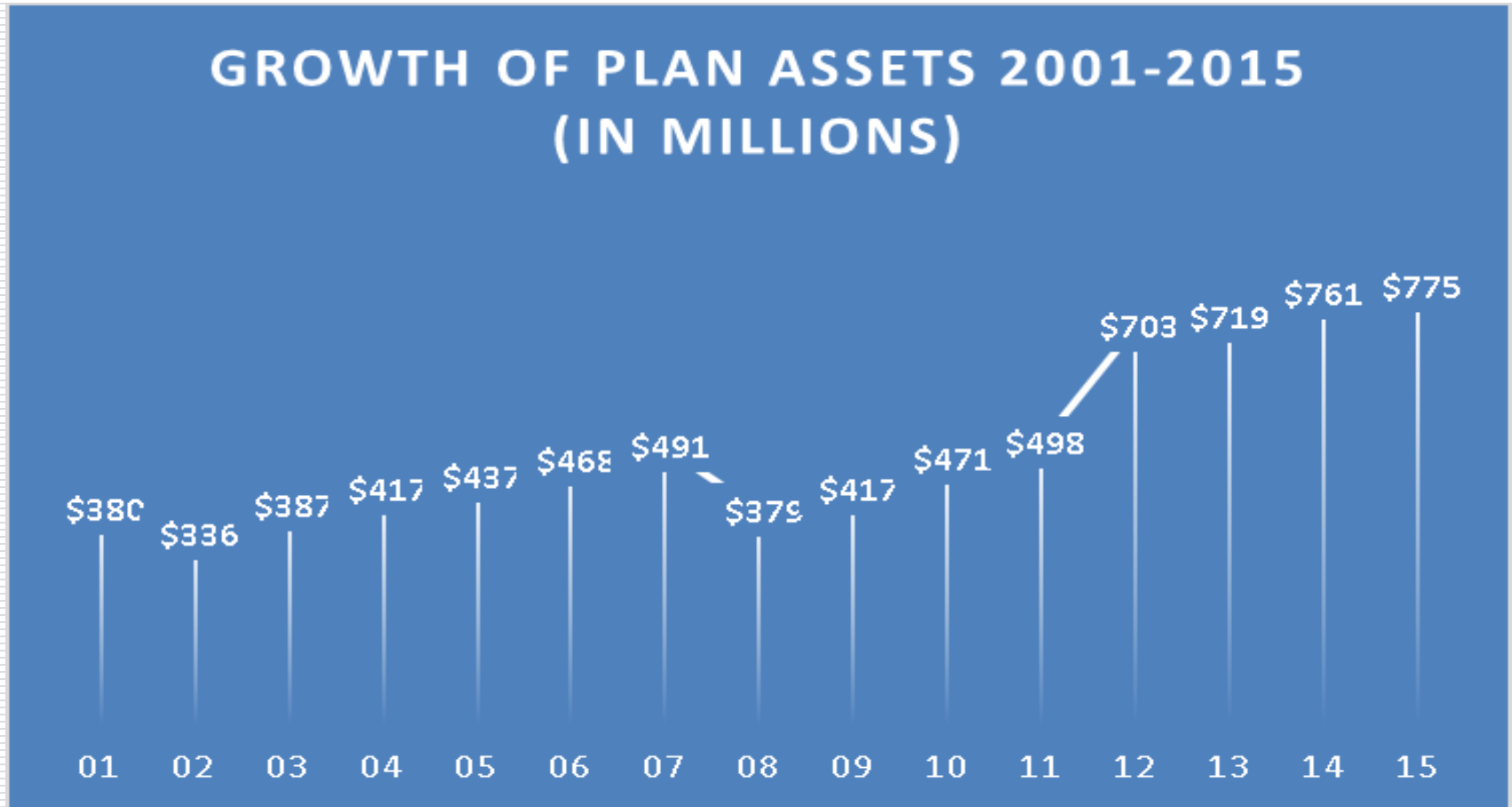
** 2007-2011 Experience Study shows fewer retirements than expected, resulting in an annual gain of \$774,934.

2014 Pension Reforms

- ❑ Multiplier reduced from 3.38% to 3%
- ❑ Maximum benefit reduced from 81% to 75%
- ❑ Final average salary increased from average of 2 highest years to 5 highest years
- ❑ Standard benefit changed from 60% survivor to 10-year certain and life
- ❑ DROP entry after 22 years service

These changes apply to police officers hired on/after 4/1/2014 and firefighters hired on/after 10/1/2014

Growth of Plan Assets



Pre-2014 Retirement Formula

☐ **YEARS:**

20 years service or 10 years and age 55

☐ **BENEFIT ACCRUAL:**

3.38% credited toward each year of work

☐ **FINAL SALARY:**

average of 2 highest years of pensionable earnings

New Retirement Formula

(Police hired on/after 4/1/2014 and firefighters hired on/after 10/1/2014)

☐ **YEARS:**

20 years service or 10 years and age 55

☐ **BENEFIT ACCRUAL:**

3% credited toward each year of work

☐ **FINAL SALARY:**

average of 5 highest years of pensionable earnings

Retirement Comparison

(using standard benefit)

Hired before benefit change

20 years of service

Benefit accrual $3.38 = 67.6\%$

High-2 year salary \$83,437

Yearly Benefit: \$56,403*

Monthly Benefit: \$4,700

Maximum Benefit 81% of
high-2 year salary (24 years)

Fully taxable

Hired after benefit change

20 years of service

Benefit accrual $3.00 = 60\%$

High-5 year salary \$81,579

Yearly Benefit: \$46,840*

Monthly Benefit: \$3,903

Maximum Benefit 75% of
high-5 year salary (25 years)

Fully Taxable

*Equivalent survivor benefits

(13)

Pension Plan Statistics

- ❑ Average Pension Benefit \$3,809 per month (\$45,708 annually), taxable, no COLA)*
- ❑ Plan had positive investment returns 20 of past 25 years: 25-year average = 8.72%
- ❑ 77% of retirees live in Florida**
- ❑ Each dollar of pension benefits supports \$1.81 in local economic activity***

* "Actuarial Valuation Report" for fiscal year ending September 30, 2015

** 50% live in the tri-county area and 40% live in Broward County

***National Institute on Retirement Security, Study of Florida pension benefits

Police and Firefighters' Pension Plan 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.

Administering the Plan

Administered by 7-member board of trustees:

- ☐ 2 elected by police officers
- ☐ 2 elected by firefighters
- ☐ 2 appointed by mayor
- ☐ 1 consensus trustee approved by City Commission

Pension Obligation Bonds

- ❑ Initiated by the city in 2012
- ❑ POB reduced unfunded liability by \$173 million
- ❑ Cost of POB is blended rate of 4.12% over 20 years

Deferred Retirement Option Plan (DROP)

- ☐ After 22 years* of service
- ☐ Public safety officers retire and monthly benefit is frozen
- ☐ City does not make pension contribution during DROP period
- ☐ Monthly pension benefit placed in tax-deferred account

*20 years for public safety officers hired before 4/18/2010

During DROP Period

- ❑ If disabled, not eligible for disability pension
- ❑ At end of DROP – terminate employment and start receiving monthly pension check directly
- ❑ DROP account receives 6% simple interest for 60 months; variable thereafter (between 3% to 6%)
- ❑ If the plan's return is greater than 6%, the city benefits from the excess return

City Benefits from DROP

- ❑ City saves **pension contributions** on officers while in DROP program (potentially saves over \$4 million per year)
- ❑ City saves money on pensions as the benefits are frozen at time of DROP
- ❑ City saves money on recruitment and training of new employees (\$200,000 per new employee)*
- ❑ City saves money by keeping experienced employees

*Costs include first year salary, recruitment, hiring, academy, and on-job training as provided by former Chief of Police Roberts' staffing study

Disability Pension Benefit

Service-Related Disability Pension:

disability on the job or related to job duties
– 65% of current salary (reduced by workers' comp)

Non-Service Related Disability Pension:

disability is not job related – 50% of current salary (reduced by workers' comp, Social Security disability or other earned income)

Overtime Pension Benefit

Firefighters - Overtime does not count toward retirement benefits – cannot increase monthly pension benefit

Police – Overtime worked capped at 40 hours/year, paid with F.S.185 premium tax from the state, with excess premium tax used to reduce city's annual required contribution

Unused Leave

Unused sick and annual leave **do not** count toward retirement benefits – cannot increase monthly pension benefit

Firefighters Supplemental Share Plan

- ❑ Established by the City in 2005
- ❑ Paid by F.S. 175 property insurance premium tax from the state
- ❑ Any extra premium tax revenue each year is allocated into individual accounts
- ❑ Firefighters receive a lump sum payable at retirement, death, disability or termination upon completion of at least 10 years service*

*If firefighter suffers service-related death or disability with less than 10 years service, the account balance is paid to member or survivor.