

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

COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Trustees and Plan Administrator
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 (Plan), as of September 30, 2013 and December 31, 2012 and for the nine months ended September 30, 2013 and the twelve months ended December 31, 2012, and the related notes to the combined financial statements for the periods then ended, which collectively comprise the Plan's financial statements as listed in the table of contents.

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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 financial position of the Plan, as of September 30, 2013 and December 31, 2012, and the respective changes in financial position for the nine months ended September 30, 2013 and twelve months ended December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the combined financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of January 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and, the schedules of funding progress and employer contributions on pages 4 through 9 and pages 24 to 26, 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 supplementary information such as the combining statements of fiduciary net position and the combining statement of changes in fiduciary net position are presented for purposes of additional analysis and are not a required part of the combined basic 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 February 13, 2014 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
February 13, 2014

**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 (The System) and Supplemental Share Plan (Share Plan) combined financial performance provides an overview of the System's and Share Plan's financial activities for the nine months ended September 30, 2013 and the year ended December 31, 2012. 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 nine months ended September 30, 2013 and the year ended December 31, 2012 by approximately \$734 million and \$685 million, respectively (reported as net position held in trust 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 10.19% for the nine months ended September 30, 2013 and 12.10% for the year ended December 31, 2012.

- The System's and Share Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2013 and 2012, (dates of the latest actuarial valuations), the funded ratio was approximately 94.5% and 92.4%, respectively.
- Additions to plan net position for nine months ended September 30, 2013 and the year ended December 31, 2012 were approximately \$81 million and \$260 million, respectively, and is comprised of contributions of \$10 million and \$199.3 million, respectively, and net investment income of \$70.5 million and \$60.4 million, respectively.
- Deductions to plan net position for the nine months ended September 30, 2013 and the year ended December 31, 2012 were approximately \$31.9 million and \$44.1 million, respectively, and is comprised primarily of benefit payments of approximately \$31.2 million and \$43.3 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 Statement of Plan Net Position, a Combined Statement of Changes in Plan 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? These combined statements include all assets and 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 statement of plan net position presents information on the assets and liabilities and the resulting net position held in trust for pension benefits. This statement reflects the System's and Share Plan's investments, at fair value, along with cash and cash equivalents, receivables and other assets and liabilities.

The combined statement of changes in plan net position presents information showing how the System's and Share Plan's net position held in trust for pension benefits changed during the fiscal 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 data provided in the combined financial statements.

The required supplementary information presents a schedule of funding progress and a schedule of employer contributions of the system along with a discussion of changes in actuarial assumptions and methods.

Statement of Plan Net Position

The following condensed comparative combined Statement of Plan Net Position demonstrates the combined investment position of the System and Share Plan at September 30 and December 31:

	September 30, 2013	December 31, 2012	December 31, 2011
Cash and Cash Equivalents	\$ 29,157,143	\$ 33,059,102	\$ 49,595,331
Receivables	2,873,615	16,961,813	2,185,919
Investments	721,411,997	666,091,111	448,526,547
Capital Assets	--	471	942
Total Assets	753,442,755	716,112,497	500,308,739
Liabilities	19,316,932	30,778,970	30,548,237
Net Position Restricted for Pension Benefits	<u>\$ 734,125,823</u>	<u>\$ 685,333,527</u>	<u>\$ 469,760,502</u>

Statement of Changes in Plan Net Position

The combined Statement of Changes in Plan Net Position, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions - Deductions = Net Increase (or decrease) 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 nine months ended September 30 and the years ended December 31:

	Nine Months Ended September 30, 2013	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
Additions			
Contributions			
City	\$ --	\$ 188,241,999	\$ 30,684,942
Employees	4,113,451	5,399,448	5,202,719
State	<u>6,053,952</u>	<u>5,619,404</u>	<u>4,735,930</u>
Total	10,167,403	199,260,851	40,623,591
Net Investment Income (Loss)	<u>70,483,940</u>	<u>60,423,696</u>	<u>(1,453,792)</u>
Total Additions	<u>80,651,343</u>	<u>259,684,547</u>	<u>39,169,799</u>
Deductions			
Benefits paid	31,195,985	43,282,309	39,061,925
Refunds of contributions	155,686	220,510	149,752
Administrative expenses	<u>507,376</u>	<u>608,703</u>	<u>536,958</u>
Total Deductions	<u>31,859,047</u>	<u>44,111,522</u>	<u>39,748,635</u>
Net Increase (Decrease)	48,792,296	215,573,025	(578,836)
Net Position Restricted for Pension Benefits			
Benefits - Beginning of Year	<u>685,333,527</u>	<u>469,760,502</u>	<u>470,339,338</u>
Net Position Restricted for Pension Benefits			
Benefits - End of Year	<u>\$ 734,125,823</u>	<u>\$ 685,333,527</u>	<u>\$ 469,760,502</u>

The System's and Share Plan's total assets as of September 30, 2013 and December 31, 2012 were approximately \$753.4 million and \$716.1 million, respectively, and were mostly comprised of cash and short-term investments, investments, and receivables related to investments. For the nine months ended September 30, 2013, total assets increased approximately \$37.3 million or 5.2% from the prior year primarily due to investment returns. For the year ended December 31, 2012, total assets increased approximately \$215.8 million or 43.1% from the prior year due primarily to the City's significant contribution (from their pension obligation bonds) to reduce the plan's unfunded liability.

Total liabilities as of September 30, 2013 and December 31, 2012 were approximately \$19.3 million and \$30.8 million, respectively, and were mostly comprised of prepaid City contributions, payables for securities purchased, liabilities for the payment of retirement benefits and administrative expenses made by the City of Fort Lauderdale on behalf of the System and Share Plan. Total liabilities at September 30, 2013 decreased by approximately \$11.5 million or

37% from 2012 due a decrease in unsettled trades of approximately \$11.5 million. Total liabilities increased by approximately \$231,000 or .8% from 2011 to 2012, primarily due to a decrease in prepaid city contributions of approximately \$14.8 million net against an increase in unsettled trades by approximately \$11.6 million and an increase in the amounts due to the City of Fort Lauderdale by approximately \$3.5 million.

Plan assets exceeded its liabilities at the close of nine months ended September 30, 2013 and the year ended December 31, 2012 by approximately \$734.1 million and \$685.3 million, respectively. For the nine months ended September 30, 2013, total net position held in trust for pension benefits increased approximately \$48.8 million or 7.2% from 2012 primarily due to net investment income. For the year ended December 31, 2012, total net position held in trust for pension benefits increased approximately \$215.6 million or 45.9% from 2011 primarily due to net investment income and the City's current year contributions (from their pension obligation bonds).

Revenues – Additions to Combined Plan Net Position

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 nine months ended September 30, 2013 and year ended December 31, 2012 totaled approximately \$80.6 million and \$259.7 million, respectively. Total contributions and net investment income for the nine months ended September 30, 2013 decreased by approximately \$179 million or 68.9% from the year ended December 31, 2012. Total contributions and net investment income for the year ended December 31, 2012 increased from the year ended December 31, 2011 by approximately \$220.5 million or 563.0%. The fluctuations are primarily due to market fluctuations between the years as well as the significant City contribution made in October 2012 of approximately \$173.5 million (from their pension obligation bonds) to reduce the plan's unfunded liability.

Net investment income for the nine months ended September 30, 2013 increased from 2012 by approximately \$10 million while net investment income for the year ended December 31, 2012 increased from 2011 by approximately \$61.9 million due to improved market conditions and the significant increase in City contributions during 2012.

Total City contributions for the nine months ended September 30, 2013 decreased from December 31, 2012 by approximately \$188.2 million or 100% due to the City not being required to make a contribution during the short year. The City contribution for the year ended December 31, 2012 increased from 2011 by approximately \$157.6 million or 513.5% due to the City's contribution made in October 2012 through the use of pension obligation bond proceeds.

The following condensed comparative combined summary demonstrates the additions to the System and Share Plan for the nine months ended September 30, 2013 and year ended December 31 (in thousands):

	Nine Months Ended September 30, 2013	Twelve Months Ended December 31, 2012	Increase (Decrease)	Total Percentage Change
City Contributions	\$ --	\$ 188,242	\$ (188,242)	-100.0%
Employee Contributions	4,113	5,399	(1,286)	-23.8%
State Contributions	6,054	5,619	435	7.7%
Net Investment Income	<u>70,484</u>	<u>60,425</u>	<u>10,059</u>	-16.6%
Total Additions	<u>\$ 80,651</u>	<u>\$ 259,685</u>	<u>\$ (179,034)</u>	-68.9%

	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 188,242	\$ 30,685	\$ 157,557	513.5%
Employee Contributions	5,399	5,203	196	3.8%
State Contributions	5,619	4,736	883	18.6%
Net Investment Income (Loss)	<u>60,425</u>	<u>(1,454)</u>	<u>61,879</u>	4255.8%
Total Additions	<u>\$ 259,685</u>	<u>\$ 39,170</u>	<u>\$ 220,515</u>	563.0%

Expenses - Deductions from Combined Plan Net Position

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 nine months ended September 30, 2013 and the year ended December 31, 2012 were approximately \$31.9 million and \$44.1 million and, respectively, a decrease of approximately 27.8% from 2012 and an increase of approximately 11.0% from 2011 expenditures.

The payment of pension benefits to retirees decreased for the nine months ended September 30, 2013 from 2012 by approximately \$12 million or approximately 27.9% due to the short period. The payment of pension benefits to retirees increased for the year ended December 31, 2012 from 2011 by approximately \$4.2 million or approximately 10.8% due to an increase in number of retirees.

The table below reflects a condensed comparative combined summary of the deductions of the System and Share Plan for the years ended December 31 (in thousands):

	Nine Months		Increase (Decrease)	Total Percentage Change
	Ended September 30, 2013	Ended December 31, 2012		
Pension Benefits Paid	\$ 31,196	\$ 43,282	\$ (12,086)	-27.9%
Refund of Contributions	156	221	(65)	-29.6%
Administrative Expenses	507	609	(102)	-16.7%
Total Deductions	<u>\$ 31,859</u>	<u>\$ 44,112</u>	<u>\$ (12,253)</u>	-27.8%

	Twelve Months		Increase (Decrease)	Total Percentage Change
	Ended December 31, 2012	Ended December 31, 2011		
Pension Benefits Paid	\$ 43,282	\$ 39,062	\$ 4,220	10.8%
Refund of Contributions	221	150	71	47.3%
Administrative Expenses	609	537	72	13.4%
Total Deductions	<u>\$ 44,112</u>	<u>\$ 39,749</u>	<u>\$ 4,363</u>	11.0%

Retirement System as a Whole

With the exception of the year ended 2008 and 2011, the System's and Share Plan's combined net position have experienced increases over the last 5 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, 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 Plan Administrator, 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, 2013 AND DECEMBER 31, 2012

	September 30, 2013	December 31, 2012
Assets		
Cash and short-term investments	\$ 29,157,143	\$ 33,059,102
Investments, at fair value		
U.S. treasury securities	49,158,591	51,338,518
U.S. government agency obligations	22,529,851	27,233,457
Corporate bonds and other fixed income	122,887,029	101,034,166
Mutual funds	64,837,178	55,347,146
Common stock	124,256,408	136,055,346
Partnerships	55,992,493	50,545,846
Fund of funds	97,662,285	105,830,224
Commingled funds	117,384,485	90,860,501
Real estate	66,703,677	47,845,907
Total Investments	721,411,997	666,091,111
Receivables		
Unsettled trades	137,536	12,073,470
Accrued dividends and interest	2,264,819	2,545,526
Contributions receivable	471,260	--
Other receivables	--	2,342,817
Total Receivables	2,873,615	16,961,813
Capital Assets (Net of Accumulated Depreciation)	--	471
Total Assets	753,442,755	716,112,497
Liabilities		
Prepaid city contribution	13,274,563	13,274,563
Unsettled trades	1,554,520	13,096,699
Accounts payable and accrued liabilities	417,537	370,555
Due to the City of Fort Lauderdale	4,070,312	4,037,153
Total Liabilities	19,316,932	30,778,970
Net Position Restricted for Pension Benefits	\$ 734,125,823	\$ 685,333,527

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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Nine Months Ended September 30, 2013</u>	<u>Twelve Months Ended December 31, 2012</u>
Additions		
Contributions		
Employer	\$ --	\$ 188,241,999
Plan members	4,113,451	5,399,448
State	<u>6,053,952</u>	<u>5,619,404</u>
Total Contributions	<u>10,167,403</u>	<u>199,260,851</u>
Investment Income		
Net appreciation in fair value of investments	61,878,254	48,780,017
Interest	6,648,008	9,503,357
Dividends	1,788,638	3,041,907
Other income	<u>2,224,050</u>	<u>2,183,429</u>
	72,538,950	63,508,710
Less: investment expenses	<u>2,055,010</u>	<u>3,085,014</u>
Net Investment Income	<u>70,483,940</u>	<u>60,423,696</u>
Total Additions	<u>80,651,343</u>	<u>259,684,547</u>
Deductions		
Benefits Paid		
Retirement	28,124,899	39,458,283
Disability	674,682	905,985
Death	<u>2,396,404</u>	<u>2,918,041</u>
Total Benefits Paid	31,195,985	43,282,309
Refund of Contributions	155,686	220,510
Administrative Expenses	<u>507,376</u>	<u>608,703</u>
Total Deductions	<u>31,859,047</u>	<u>44,111,522</u>
Change in Net Position	48,792,296	215,573,025
Net Position Restricted for Pension Benefits		
Beginning	<u>685,333,527</u>	<u>469,760,502</u>
Ending	<u>\$ 734,125,823</u>	<u>\$ 685,333,527</u>

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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND THE YEAR ENDED DECEMBER 31, 2012

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.

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

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 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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

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 January 1, 2013 (date of latest actuarial valuation) and 2012, membership in the System consisted of:

	<u>2013</u>	<u>2012</u>
Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits But Not Yet Receiving Them	992	970
Current Employees		
Vested	400	414
Non-vested	<u>385</u>	<u>384</u>
Total Membership	<u><u>1,777</u></u>	<u><u>1,768</u></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 NINE MONTHS ENDED SEPTEMBER 30, 2013 AND THE YEAR ENDED DECEMBER 31, 2012

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. 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 January 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. The actuarial cost method used for determining the contribution requirements for the Plan is the Entry Age Method.

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 reduces future amortization requirements.

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.

Police and Firefighters

Members will receive a monthly pension benefit equal to 3.38% of the Average Monthly Earnings 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS OF THE SYSTEM (CONTINUED)

Normal Retirement (continued)

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%.

Early retirement, disability, death and other benefits are also provided.

Deferred Retirement Option Plan

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 Plan (DROP). Maximum participation in the DROP shall be 96 months based on years of service.

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 fund. 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 fund 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 59 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS OF THE SYSTEM (CONTINUED)

Deferred Retirement Option Plan (continued)

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; however, a 60 month option was available if elected prior to October 1, 2011. 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, 2013 and December 31, 2012 was \$19,621,971 and \$17,035,597, respectively. These amounts are included in the total investment balance presented on the combined statement of fiduciary net position.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND THE YEAR ENDED DECEMBER 31, 2012

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.

METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. 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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Board implemented the following GASB Statement during the nine months ended September 30, 2013 that had an impact on the financial statements:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of fiduciary net position. There was no material impact on the plan's financial statements as a result of this implementation.

NOTE 3 - INVESTMENTS

The System and Share Plan investment policy is determined by the Board of Trustees. The investment policy was amended and has been in effect since February 2013. 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:

Asset Class	Target Allocation	Minimum	Maximum	Actual
Domestic Equity				
Large cap equity	17.5%	10%	30%	19%
Mid/Small cap equity	12.5%	5%	20%	13%
International Equity	15%	10%	20%	16%
Alternative Investments				
Long/Short Equity	5%	2.5%	7.5%	5%
Real Estate	10%	5%	15%	9%
Multi-Strategy	10%	5%	15%	8%
Fixed Income (Including Cash)	30%	20%	35%	30%

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 3 – INVESTMENTS (CONTINUED)

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.

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:

September 30, 2013					
Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 49,158,591	\$ 12,730,646	\$ 9,976,362	\$ 26,451,583	\$ --
U.S. Agencies	22,529,851	--	19,135,149	343,331	3,051,371
Corporate Bonds and Debentures	122,887,029	4,602,819	92,180,810	19,835,586	6,267,814
Total Fixed Income Securities	<u>\$ 194,575,471</u>	<u>\$ 17,333,465</u>	<u>\$ 121,292,321</u>	<u>\$ 46,630,500</u>	<u>\$ 9,319,185</u>
December 31, 2012					
Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 51,338,518	\$ 12,899,182	\$ 5,279,215	\$ 33,160,121	\$ --
U.S. Agencies	27,233,457	3,111,245	12,512,290	1,904,776	9,705,146
Corporate Bonds and Debentures	101,034,166	3,773,343	53,043,676	37,481,739	6,735,408
Total Fixed Income Securities	<u>\$ 179,606,141</u>	<u>\$ 19,783,770</u>	<u>\$ 70,835,181</u>	<u>\$ 72,546,636</u>	<u>\$ 16,440,554</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 3 – INVESTMENTS (CONTINUED)

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, 2013 and December 31, 2012, all of the plan's investments met this requirement.

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 10% of the value of the portfolio. The Plan utilizes limitations on securities of a single issuer to manage this risk.

As of September 30, 2013 and December 31, 2012, 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 3 – INVESTMENTS (CONTINUED)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's exposure to foreign currency risk denominated in currency other than U.S. dollars are as follows:

<u>Investment</u>	September 30, 2013		
	Currency	Maturity	Fair Value
Thornburg Intl Equity Fund	Various	Not Applicable	\$ 55,992,493

<u>Investment</u>	December 31, 2012		
	Currency	Maturity	Fair Value
Thornburg Intl Equity Fund	Various	Not Applicable	\$ 50,454,846

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 changes 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.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

NOTE 4 – TAX STATUS

The Internal Revenue Service has determined and informed the trustees by a letter dated September 27, 2013 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, 2014 but a new application was filed on January 31, 2014.

NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS

The funding status of the plan as of January 1, 2013, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Annual covered Payroll (c)	UAAL as a Percentage of covered Payroll ((b-a)÷c)
01/01/13	\$ 692.5	\$ 732.8	\$ 40.3	94.5%	\$ 68.9	58.5%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the combined financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date	January 1, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	Recognition of 20% of difference between market value and expected actuarial value of assets.
Actuarial Assumptions	
Investment rate of return	7.50%
Projected salary increases	Rates by Service, including 2.75% for inflation
Cost-of-living adjustments (COLA)	n/a

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND
THE YEAR ENDED DECEMBER 31, 2012**

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 amounts due to the City as of September 30, 2013 and December 31, 2012 were \$4,070,312 and \$4,037,153, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASE

The System and Share Plan is 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
2014	\$ 48,000
2015	50,000
2016	51,000
2017	53,000
2018	22,000
Total	\$ 224,000

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**

**SCHEDULE OF FUNDING PROGRESS
(IN MILLIONS)**

Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Annual covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
01/01/08	\$ 480.9	\$ 586.5	\$ 105.6	82.0%	\$ 51.3	205.8%
01/01/09	444.4	614.0	169.6	72.4%	52.8	321.2%
01/01/10	451.6	649.0	197.4	69.6%	61.7	319.9%
01/01/11	482.2	674.2	192.0	71.5%	62.6	306.7%
01/01/12	669.4	724.1	54.7	92.4%	65.3	83.8%
01/01/13	692.5	732.8	40.3	94.5%	68.9	58.5%

See notes to the schedule of funding progress and schedule of employer contributions.

**CITY OF FORT LAUDERDALE
POLICE & FIREFIGHTERS' RETIREMENT SYSTEM**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2008	\$ 21,627,937	102.4%
2009	28,367,152	100.0%
2010	32,957,020	100.0%
2011	33,391,584	100.0%
2012	17,799,540	(1)
2013	--	(2)

(1) In addition to their annual required contribution for 2012, which was prepaid by the City in December 2011 and totaled approximately \$28.1 million (of which approximately \$13.2 million remained prepaid as of December 31, 2012), the City also funded approximately \$173.5 million to the Plan in October 2012 through the use of Pension Obligation Bond proceeds which will potentially reduce the City's annual required contributions in the future. The Plan also received approximately \$5.6 million from the State during 2012 for a total contribution to the Plan of approximately \$193.9 million during the year ended December 31, 2012.

(2) Due to the fact the Plan changed its year end from December 31st to September 30th in the current year, there was no annual required employer contribution for the short period representing the nine months ended September 30, 2013.

See notes to the schedule of funding progress and schedule of employer contributions.

CITY OF FORT LAUDERDALE POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS

SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2013 Change in plan provisions and actuarial methods since prior actuarial valuations:

- Effective January 1, 2013, the salary scale assumption was revised. In addition to the 2.75% inflationary component, the expected increase in annual salary decreased for service years 1-6 from 6.5% to 3.0%.

2012 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The Investment Return assumption was changed to 7.50%. The Salary Scale assumption was changed to 6.5% at 1-6 years of service and the inflation assumption was reduced to 2.75%. The mortality table was updated to the RP 2000 combined mortality projected to 2012. The disabled mortality was updated to the RP 2000 Disabled Mortality projected to year 2012.

2011 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None.

2010 Change in plan provisions and actuarial methods since prior actuarial valuations:

- Member contribution rate increased from 7% to 8% of compensation effective October 1, 2009 and will be further increased to 8.25% effective October 1, 2011. The member contribution rate for all new hires after April 18, 2010 is 8.5% of their compensation.
- The maximum DROP period was extended to 96 months. The BACDROP maximum period was extended to 60 months available through October 1, 2011.
- Retirement rates increased by 10% for 20-22 years of service.

2009 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None.

SUPPLEMENTARY INFORMATION

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

COMBINING STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2013 AND DECEMBER 31, 2012

	September 30, 2013			December 31, 2012		
	System	Share Plan	Total	System	Share Plan	Total
Assets						
Cash and Short-Term Investments	\$ 29,157,143	\$ --	\$ 29,157,143	\$ 33,059,102	\$ --	\$ 33,059,102
Investments, at Fair Value						
U.S. treasury securities	49,158,591	--	49,158,591	51,338,518	--	51,338,518
U.S. government agency obligations	22,529,851	--	22,529,851	27,233,457	--	27,233,457
Corporate bonds and other fixed income	122,887,029	--	122,887,029	101,034,166	--	101,034,166
Mutual funds	64,837,178	--	64,837,178	55,347,146	--	55,347,146
Common stock	124,256,408	--	124,256,408	136,055,346	--	136,055,346
Partnerships	55,992,493	--	55,992,493	50,545,846	--	50,545,846
Fund of funds	97,662,285	--	97,662,285	105,830,224	--	105,830,224
Commingled funds	117,384,485	--	117,384,485	90,860,501	--	90,860,501
Real estate	66,703,677	--	66,703,677	47,845,907	--	47,845,907
Total Investments	<u>721,411,997</u>	<u>--</u>	<u>721,411,997</u>	<u>666,091,111</u>	<u>--</u>	<u>666,091,111</u>
Receivables						
Unsettled trades	137,536	--	137,536	12,073,470	--	12,073,470
Accrued dividends and interest	2,264,819	--	2,264,819	2,545,526	--	2,545,526
Contributions receivable	471,260	--	471,260	--	--	--
Other receivables	--	--	--	2,342,817	--	2,342,817
Due to/from retirement system	(24,035,444)	24,035,444	--	(19,847,920)	19,847,920	--
Total Receivables	<u>(21,161,829)</u>	<u>24,035,444</u>	<u>2,873,615</u>	<u>(2,886,107)</u>	<u>19,847,920</u>	<u>16,961,813</u>
Capital Assets (Net of Accumulated Depreciation)						
	<u>--</u>	<u>--</u>	<u>--</u>	<u>471</u>	<u>--</u>	<u>471</u>
Total Assets	<u>729,407,311</u>	<u>24,035,444</u>	<u>753,442,755</u>	<u>696,264,577</u>	<u>19,847,920</u>	<u>716,112,497</u>
Liabilities						
Prepaid city contribution	13,274,563	--	13,274,563	13,274,563	--	13,274,563
Unsettled trades	1,554,520	--	1,554,520	13,096,699	--	13,096,699
Accounts payable and accrued liabilities	417,537	--	417,537	370,555	--	370,555
Due to the City of Fort Lauderdale	4,070,312	--	4,070,312	4,037,153	--	4,037,153
Total Liabilities	<u>19,316,932</u>	<u>--</u>	<u>19,316,932</u>	<u>30,778,970</u>	<u>--</u>	<u>30,778,970</u>
Net Position Restricted for Pension Benefits						
	<u>\$ 710,090,379</u>	<u>\$ 24,035,444</u>	<u>\$ 734,125,823</u>	<u>\$ 665,485,607</u>	<u>\$ 19,847,920</u>	<u>\$ 685,333,527</u>

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

COMBINING STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND FOR THE YEAR ENDED DECEMBER 31, 2012

	Nine Months Ended September 30, 2013			Twelve Months Ended December 31, 2012		
	System	Share Plan	Total	System	Share Plan	Total
Additions						
Contributions						
Employer	\$ --	\$ --	\$ --	\$ 188,241,999	\$ --	\$ 188,241,999
Plan members	4,113,451	--	4,113,451	5,399,448	--	5,399,448
State	3,335,346	2,718,606	6,053,952	2,986,022	2,633,382	5,619,404
Total Contributions	<u>7,448,797</u>	<u>2,718,606</u>	<u>10,167,403</u>	<u>196,627,469</u>	<u>2,633,382</u>	<u>199,260,851</u>
Investment Income						
Net appreciation in fair value of investments	59,895,801	1,982,453	61,878,254	46,838,818	1,941,199	48,780,017
Interest	6,648,008	--	6,648,008	9,503,357	--	9,503,357
Dividends	1,788,638	--	1,788,638	3,041,907	--	3,041,907
Other income	2,224,050	--	2,224,050	2,183,429	--	2,183,429
	<u>70,556,497</u>	<u>1,982,453</u>	<u>72,538,950</u>	<u>61,567,511</u>	<u>1,941,199</u>	<u>63,508,710</u>
Less: investment expenses	2,055,010	--	2,055,010	3,085,014	--	3,085,014
Net Investment Income	<u>68,501,487</u>	<u>1,982,453</u>	<u>70,483,940</u>	<u>58,482,497</u>	<u>1,941,199</u>	<u>60,423,696</u>
Total Additions	<u>75,950,284</u>	<u>4,701,059</u>	<u>80,651,343</u>	<u>255,109,966</u>	<u>4,574,581</u>	<u>259,684,547</u>
Deductions						
Benefits Paid						
Retirement	27,650,717	474,182	28,124,899	38,662,758	795,525	39,458,283
Disability	674,682	--	674,682	905,985	--	905,985
Death	2,396,404	--	2,396,404	2,817,012	101,029	2,918,041
Total Benefits Paid	<u>30,721,803</u>	<u>474,182</u>	<u>31,195,985</u>	<u>42,385,755</u>	<u>896,554</u>	<u>43,282,309</u>
Refund of Contributions	155,686	--	155,686	220,510	--	220,510
Administrative Expenses	468,023	39,353	507,376	575,057	33,646	608,703
Total Deductions	<u>31,345,512</u>	<u>513,535</u>	<u>31,859,047</u>	<u>43,181,322</u>	<u>930,200</u>	<u>44,111,522</u>
Change in Net Position	44,604,772	4,187,524	48,792,296	211,928,644	3,644,381	215,573,025
Net Position Restricted for Pension Benefits						
Beginning	<u>665,485,607</u>	<u>19,847,920</u>	<u>685,333,527</u>	<u>453,556,963</u>	<u>16,203,539</u>	<u>469,760,502</u>
Ending	<u>\$ 710,090,379</u>	<u>\$ 24,035,444</u>	<u>\$ 734,125,823</u>	<u>\$ 665,485,607</u>	<u>\$ 19,847,920</u>	<u>\$ 685,333,527</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***

Board of Trustees and Plan Administrator
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 System and Share Plan) as of and for the nine months ended September 30, 2013, and the related notes to the combined financial statements, and have issued our report thereon dated February 13, 2014.

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 opinions 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
February 13, 2014