

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

**COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

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# **INDEPENDENT AUDITORS' REPORT**

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**INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
**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"), which comprise the combined statements of plan net assets as of December 31, 2012 and 2011 and the related combined statements of changes in plan net assets 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.

***Auditor's Responsibility***

Our responsibility is to express opinions 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 auditor's 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 financial statements referred to above present fairly, in all material respects, the combined statements of plan net assets of the City of Fort Lauderdale Police and Firefighters' Retirement System and Supplemental Share Plan as of December 31, 2012 and 2011, and the related combined statements of changes in plan net assets 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, 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 taken as a whole. The accompanying supplementary information such as the combining statements of plan net assets and changes in plan net assets are presented for purposes of additional analysis and are not a required part of the combined financial statements.

The combining statements of plan net assets and changes in plan net assets are the responsibility of management and was derived from and relates 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 plan net assets and changes in plan net assets 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 May 8, 2013 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  
May 8, 2013

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD&A)**

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## **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 years ended December 31, 2012 and 2011. 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 December 31, 2012 and 2011 by approximately \$685 million and \$470 million, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments.
- Total return on investment for the System and Share Plan were 12.10% and 0.54% for the years ended December 31, 2012 and 2011, respectively.
- 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, 2012 and 2011, (dates of the latest actuarial valuations), the funded ratio was approximately 70% and 72%, respectively.
- Additions to plan net assets for the years ended December 31, 2012 and 2011 were approximately \$260 million and \$39 million, respectively, and is comprised of contributions of \$199.3 million and \$40.6 million, respectively, and net investment income of \$60.4 million and net investment loss of \$1.5 million, respectively.
- Deductions to plan net assets for the years ended December 31, 2012 and 2011 were approximately \$44.1 million and \$39.7 million, respectively, and is comprised primarily of benefit payments of approximately \$43.3 million and \$39.0 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 Statement of Plan Net Assets, a Combined Statement of Changes in Plan Net Assets, 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 assets presents information on the assets and liabilities and the resulting net assets 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 assets presents information showing how the System's and Share Plan's net assets 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 provides 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 Assets

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

	2012	2011	2010
Cash and Cash Equivalents	\$ 33,059,102	\$ 49,595,331	\$ 15,243,915
Receivables	16,961,813	2,185,919	1,908,118
Investments	666,091,111	448,526,547	456,588,877
Capital Assets	<u>471</u>	<u>942</u>	<u>1,415</u>
<b>Total Assets</b>	716,112,497	500,308,739	473,742,325
Liabilities	<u>30,778,970</u>	<u>30,548,237</u>	<u>3,402,987</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u><u>\$ 685,333,527</u></u>	<u><u>\$ 469,760,502</u></u>	<u><u>\$ 470,339,338</u></u>

### Statement of Changes in Plan Net Assets

The combined Statement of Changes in Plan Net Assets, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions - Deductions = Net Increase (or decrease) in Net Assets. The table below reflects a condensed comparative combined summary of the changes in net assets and reflects the combined activities of the System and Share Plan for the years ended December 31:

	2012	2011	2010
<b>Additions</b>			
<b>Contributions</b>			
City	\$ 188,241,999	\$ 30,684,942	\$ 30,735,629
Employees	5,399,448	5,202,719	5,247,391
State	<u>5,619,404</u>	<u>4,735,930</u>	<u>4,816,576</u>
<b>Total</b>	199,260,851	40,623,591	40,799,596
<b>Net Investment Income (Loss)</b>	<u>60,423,696</u>	<u>(1,453,792)</u>	<u>49,391,898</u>
<b>Total Additions</b>	<u>259,684,547</u>	<u>39,169,799</u>	<u>90,191,494</u>
<b>Deductions</b>			
Benefits paid	43,282,309	39,061,925	35,797,791
Refunds of contributions	220,510	149,752	139,800
Administrative expenses	<u>608,703</u>	<u>536,958</u>	<u>502,271</u>
<b>Total Deductions</b>	<u>44,111,522</u>	<u>39,748,635</u>	<u>36,439,862</u>
<b>Net Increase (Decrease)</b>	215,573,025	(578,836)	53,751,632
<b>Net Assets Held in Trust for Pension</b>			
<b>Benefits</b> - Beginning of Year	<u>469,760,502</u>	<u>470,339,338</u>	<u>416,587,706</u>
<b>Net Assets Held in Trust for Pension</b>			
<b>Benefits</b> - End of Year	<u>\$ 685,333,527</u>	<u>\$ 469,760,502</u>	<u>\$ 470,339,338</u>

The System's and Share Plan's total assets as of December 31, 2012 and 2011 were approximately \$716.1 million and \$500.3 million, respectively, and were mostly comprised of cash and short-term investments, investments, and receivables related to investments. For the year ended December 31, 2012, total assets increased approximately \$215.8 million or 43.1% from the prior year primarily due to the City's significant current year contributions (from their pension obligation bonds) to reduce the plan's unfunded liability. For the year ended December 31, 2011, total assets increased approximately \$26.6 million or 5.6% from the prior year due primarily to required contribution payments.

Total liabilities as of December 31, 2012 and 2011 were approximately \$30.8 million and \$30.5 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 December 31, 2012 increased by approximately \$231,000 or 0.8% from 2011 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. Total liabilities increased by approximately \$27.1 million or 797.7% from 2010 to 2011, primarily due to the prepayment of approximately \$28.1 million by the City for the 2012 required employer contribution in December 2011.

Plan assets exceeded its liabilities at the close of the years ended December 31, 2012 and 2011 by approximately \$685.3 million and \$470.0 million, respectively. For the year ended December 31, 2012, total net assets 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). For the year ended December 31, 2011, total net assets held in trust for pension benefits decreased approximately \$0.6 million or 0.1% from 2010 primarily due to net investment losses.

### **Revenues – Additions to Combined Plan Net Assets**

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 years ended December 31, 2012 and 2011 totaled approximately \$259.7 million and \$39.2 million, respectively. 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%. Total contributions and net investment income for the year ended December 31, 2011 decreased from the year ended December 31, 2010 by approximately \$51.0 million or 56.6%. 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 year ended December 31, 2012 increased from 2011 by approximately \$61.9 million while net investment income for the year ended December 31, 2011 decreased from 2010 by approximately \$50.8 million due to improved market conditions and the significant increase in City contributions during 2012.

Total City contributions 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. Total City contributions for the year ended December 31, 2011 decreased from 2010 by approximately \$0.05 million or 0.16%. This change is primarily due to an increase in the City's contribution rate.

The following condensed comparative combined summary demonstrates the additions to the System and Share Plan for the years ended December 31 (in thousands):

	2012	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	18.7%
Net Investment Income (Loss)	<u>60,424</u>	<u>(1,454)</u>	<u>61,878</u>	4255.7%
<b>Total Additions</b>	<u>\$ 259,685</u>	<u>\$ 39,170</u>	<u>\$ 220,515</u>	563.0%

	2011	2010	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 30,685	\$ 30,736	\$ (51)	-0.2%
Employee Contributions	5,203	5,247	(44)	-0.8%
State Contributions	4,736	4,816	(80)	-1.7%
Net Investment Income (Loss)	<u>(1,454)</u>	<u>49,392</u>	<u>(50,846)</u>	-102.9%
<b>Total Additions</b>	<u>\$ 39,170</u>	<u>\$ 90,191</u>	<u>\$ (51,021)</u>	-56.6%

#### Expenses - Deductions from Combined Plan Net Assets

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 December 31, 2012 and 2011 were approximately \$44.1 million and \$39.7 million, respectively, an increase of approximately 11.0% from 2011 and an increase of approximately 21.1% from 2010 expenditures.

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 payment of pension benefits to retirees increased for the year ended December 31, 2011 from 2010 by approximately \$3.3 million or approximately 9.1% due to an increase in number of retirees. The decrease in the pension benefit payments in 2010 was due to the extension of the Deferred Retirement Option Plan (DROP) from 5 to 6 or 7 years as well as the availability to leave the DROP account on deposit with the Plan. Also, members delayed their DROP retirement due to the longer DROP allowed with more years of service.

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):

	2012	2011	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 43,282	\$ 39,062	\$ 4,220	10.8%
Refund of Contributions	221	150	71	47.0%
Administrative	<u>609</u>	<u>537</u>	<u>72</u>	13.4%
<b>Total Deductions</b>	<b><u>\$ 44,112</u></b>	<b><u>\$ 39,749</u></b>	<b><u>\$ 4,363</u></b>	11.0%

	2011	2010	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 39,062	\$ 35,798	\$ 3,264	9.1%
Refund of Contributions	150	140	10	7.1%
Administrative	<u>537</u>	<u>502</u>	<u>35</u>	7.0%
<b>Total Deductions</b>	<b><u>\$ 39,749</u></b>	<b><u>\$ 36,440</u></b>	<b><u>\$ 3,309</u></b>	9.1%

### **Retirement System as a Whole**

With the exception of the year ended 2008 and 2011, the System's and Share Plan's combined net assets 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.

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# **COMBINED FINANCIAL STATEMENTS**

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

**COMBINED STATEMENTS OF PLAN NET ASSETS**

**DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>Assets</b>		
<b>Cash and short-term investments</b>	\$ 33,059,102	\$ 49,595,331
<b>Investments, at fair value</b>		
U.S. treasury securities	51,338,518	26,216,362
U.S. government agency obligations	27,717,969	46,630,678
Corporate bonds and debentures	100,549,654	71,062,855
Mutual funds	55,347,146	23,266,505
Common stock	136,055,346	127,021,150
Partnerships	50,545,846	30,588,166
Fund of funds	105,830,224	41,487,276
Commingled funds	90,860,501	41,198,654
Real estate	47,845,907	41,054,901
<b>Total Investments</b>	666,091,111	448,526,547
<b>Receivables</b>		
Unsettled trades	12,073,470	520,796
Accrued dividends and interest	2,545,526	1,665,123
Other receivables	2,342,817	--
<b>Total Receivables</b>	16,961,813	2,185,919
<b>Capital Assets (Net of Accumulated Depreciation)</b>	471	942
<b>Total Assets</b>	716,112,497	500,308,739
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Prepaid city contribution	13,274,563	28,088,083
Unsettled trades	13,096,699	1,567,448
Accounts payable and accrued liabilities	370,555	371,142
Due to the City of Fort Lauderdale	4,037,153	521,564
<b>Total Liabilities</b>	30,778,970	30,548,237
<b>Net Assets Held in Trust for Pension Benefits</b>	\$ 685,333,527	\$ 469,760,502

*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 PLAN NET ASSETS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
<b>Additions</b>		
<b>Contributions</b>		
Employer	\$ 188,241,999	\$ 30,684,942
Plan members	5,399,448	5,202,719
State	5,619,404	4,735,930
<b>Total Contributions</b>	<u>199,260,851</u>	<u>40,623,591</u>
<b>Investment Income</b>		
Net appreciation (depreciation) in fair value of investments	48,780,017	(9,260,451)
Interest	9,503,357	6,187,691
Dividends	3,041,907	2,281,762
Other income	2,183,429	1,971,556
	<u>63,508,710</u>	<u>1,180,558</u>
Less: investment expenses	<u>3,085,014</u>	<u>2,634,350</u>
<b>Net Investment Income (Loss)</b>	<u>60,423,696</u>	<u>(1,453,792)</u>
<b>Total Additions</b>	<u>259,684,547</u>	<u>39,169,799</u>
<b>Deductions</b>		
<b>Benefits Paid</b>		
Retirement	39,458,283	35,222,727
Disability	905,985	780,578
Death	2,918,041	3,058,620
<b>Total Benefits Paid</b>	<u>43,282,309</u>	<u>39,061,925</u>
Refund of Contributions	220,510	149,752
Administrative Expenses	608,703	536,958
<b>Total Deductions</b>	<u>44,111,522</u>	<u>39,748,635</u>
<b>Change in Net Assets</b>	215,573,025	(578,836)
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning	<u>469,760,502</u>	<u>470,339,338</u>
Ending	<u>\$ 685,333,527</u>	<u>\$ 469,760,502</u>

*The accompanying notes are an integral part of these combined financial statements.*

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## **NOTES TO COMBINED FINANCIAL STATEMENTS**

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

## **NOTES TO COMBINED FINANCIAL STATEMENTS**

### **FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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#### **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 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 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.

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

*PLAN DESCRIPTION (CONTINUED)*

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 bears 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, 2012 (date of latest actuarial valuations) and 2011, membership in the System consisted of:

	<u>2012</u>	<u>2011</u>
<b>Retirees and Beneficiaries Currently Receiving Benefits and Terminated Employees Entitled to Benefits But Not Yet Receiving Them</b>	970	965
<b>Current Employees</b>		
Vested	414	431
Non-vested	<u>384</u>	<u>371</u>
	<u>1,768</u>	<u>1,767</u>

***CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM***

In 2009, member's contributions were equal to 7% of their salary. In April 2010, Ordinance No. C-10-11 was passed which increased member's contributions for all members that were employed as of April 18, 2010 from 7% to 8% of their salary retroactive to October 4, 2009 and increased their contribution rate again on October 1, 2011 to 8.25%. For all members hired after April 18, 2010, the member's contribution rate is equal to 8.5% of their salary.

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.

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

## NOTES TO COMBINED FINANCIAL STATEMENTS

### FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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#### NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

##### *CONTRIBUTIONS AND FUNDING POLICY OF THE SYSTEM (CONTINUED)*

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 to reduce the City's required annual contributions in the future.

##### *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.

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.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**NOTE 1 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)**

*PENSION BENEFITS OF THE SYSTEM (CONTINUED)*

*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 - 6% for years 6 - 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.

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 is 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 December 31, 2012 and 2011 was \$17,035,597 and \$15,700,664, respectively.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**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 DECEMBER 31, 2012 AND 2011

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### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions in net assets available for plan benefits. Actual results could differ from those estimates.

#### *RECLASSIFICATION*

Certain amounts in the prior year financial statements, primarily related to the investment categories on the statement of plan net assets and presentation of investment expenses paid directly from investment income, have been reclassified to conform with the presentation in the current year financial statements.

### 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 March 2012. 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:

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**NOTE 3 – INVESTMENTS (CONTINUED)**

Asset Class	Target			Actual
	Allocation	Minimum	Maximum	
<b>Domestic Equity</b>				
Large cap equity	17.5%	10%	30%	20%
Mid/Small cap equity	12.5%	5%	20%	13%
<b>International Equity</b>	15%	10%	20%	15%
<b>Alternative Investments</b>				
Long/Short Equity	5%	2.5%	7.5%	5%
Real Estate	10%	5%	15%	7%
Multi-Strategy	10%	5%	15%	10%
<b>Fixed Income (Including Cash)</b>	30%	20%	35%	30%

***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:

Investment Type	Fair Value	2012 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	27,717,969	3,111,245	12,512,290	2,389,288	9,705,146
Corporate Bonds and Debentures	100,549,654	3,773,343	53,043,676	36,997,227	6,735,408
<b>Total Fixed Income Securities</b>	<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 YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***INTEREST RATE RISK (CONTINUED)***

Investment Type	Fair Value	2011 Investment Maturities (in years)			
		Less Than 1	1 to 5	6-10	More Than 10
U.S. Treasuries	\$ 26,216,362	\$ 2,402,723	\$ 8,458,002	\$ 11,443,869	\$ 3,911,768
U.S. Agencies	46,630,678	269,362	4,761,971	8,638,293	32,961,052
Corporate Bonds and Debentures	71,062,855	278,172	35,816,694	22,455,612	12,512,377
<b>Total Fixed Income Securities</b>	<b>\$ 143,909,895</b>	<b>\$ 2,950,257</b>	<b>\$ 49,036,667</b>	<b>\$ 42,537,774</b>	<b>\$ 49,385,197</b>

***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 December 31, 2012 and 2011, 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 December 31, 2012 and 2011, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's net assets.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***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. The Plan's exposure to foreign currency risk as of December 31, 2012 and 2011 is as follows:

	2012		
<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
Lazard International Strategic Equity	U.S. Dollars	Not Applicable	\$ 54,982,592
Thornburg Intl Equity Fund	Various	Not Applicable	<u>50,454,846</u>
			<u>\$ 105,437,438</u>
	2011		
<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>	<u>Fair Value</u>
Lazard International Strategic Equity	U.S. Dollars	Not Applicable	\$ 22,921,144
Thornburg Intl Equity Fund	Various	Not Applicable	<u>30,588,166</u>
			<u>\$ 53,509,310</u>

***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 plan net assets. 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 DECEMBER 31, 2012 AND 2011**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

*RISKS AND UNCERTAINTIES (CONTINUED)*

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.

**NOTE 4 – TAX STATUS**

The System's Board and tax counsel believe that the System is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. The Plan has applied for a new determination letter and the plan administrator has indicated that they will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

**NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS**

The funding status of the plan as of January 1, 2012, 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)
01/01/12	\$ 505.3	\$ 724.1	\$ 218.8	69.8%	\$ 65.3	335.1%

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

## NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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### NOTE 5 – FUNDED STATUS AND FUNDING PROGRESS (CONTINUED)

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, 2012
Actuarial Cost Method	Individual Entry Age
Amortization Method	Closed group
Remaining Amortization Period	20 years
Asset Valuation Method	20% Write-up
Actuarial Assumptions	
Investment rate of return	7.75% compounded annually
Projected salary increases*	3.25% due to inflation, plus service-based rates
Cost-of-living adjustments (COLA)	On July 15, 2008, the COLA provisions of the plan expired for future COLA benefits. As such COLAs may be granted on an ad hoc basis with City commission approval if investment earnings exceeded the funding assumptions in the prior year.

\*An additional 4.5% is included in the year of retirement, primarily to reflect retirements throughout the year.

### 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 December 31, 2012 and 2011 were \$4,037,153 and \$521,564, respectively.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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**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 December 31,	Amount
2013	\$ 47,000
2014	49,000
2015	50,000
2016	52,000
2017	53,000
Thereafter	<u>9,000</u>
<b>Total</b>	<b><u>\$ 260,000</u></b>

***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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**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)
01/01/07	\$ 428.3	\$ 557.1	\$ 128.8	76.9%	\$ 42.8	300.9%
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	505.3	724.1	218.8	69.8%	65.3	335.1%

*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
2007	\$ 24,099,431	100.0%
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	34,704,775	(1)

(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.

*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**

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#### **SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION**

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.

2008 Change in plan provisions and actuarial methods since prior actuarial valuations:

- Salary scale and retirement assumptions were changed to service-based rates with separate Fire and Police rates.
- The asset valuation method was changed to the 20% Write-up Method. In the 20% Write-up Method the actuarial value of assets is equal to expected value plus or minus 20% of the difference between the expected actuarial value of assets and the market value of the assets. The result cannot be greater than 120% of market value or less than 80% of market value.
- The amortization of bases changed to 2% increasing payment.

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## **SUPPLEMENTARY INFORMATION**

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

**COMBINING STATEMENTS OF PLAN NET ASSETS**

**DECEMBER 31, 2012 AND 2011**

	2012			2011		
	System	Share Plan	Total	System	Share Plan	Total
<b>Assets</b>						
<b>Cash and Short-Term Investments</b>	\$ 33,059,102	\$ --	\$ 33,059,102	\$ 49,595,331	\$ --	\$ 49,595,331
<b>Investments, at Fair Value</b>						
U.S. treasury securities	51,338,518	--	51,338,518	26,216,362	--	26,216,362
U.S. government agency obligations	27,717,969	--	27,717,969	46,630,678	--	46,630,678
Corporate bonds and debentures	100,549,654	--	100,549,654	71,062,855	--	71,062,855
Mutual funds	55,347,146	--	55,347,146	23,266,505	--	23,266,505
Common stock	136,055,346	--	136,055,346	127,021,150	--	127,021,150
Partnerships	50,545,846	--	50,545,846	30,588,166	--	30,588,166
Fund of funds	105,830,224	--	105,830,224	41,487,276	--	41,487,276
Commingled funds	90,860,501	--	90,860,501	41,198,654	--	41,198,654
Real estate	47,845,907	--	47,845,907	41,054,901	--	41,054,901
<b>Total Investments</b>	<u>666,091,111</u>	<u>--</u>	<u>666,091,111</u>	<u>448,526,547</u>	<u>--</u>	<u>448,526,547</u>
<b>Receivables</b>						
Unsettled trades	12,073,470	--	12,073,470	520,796	--	520,796
Accrued dividends and interest	2,545,526	--	2,545,526	1,665,123	--	1,665,123
Other receivables	2,342,817	--	2,342,817	--	--	--
Due to/from retirement system	(19,847,920)	19,847,920	--	(16,203,539)	16,203,539	--
<b>Total Receivables</b>	<u>(2,886,107)</u>	<u>19,847,920</u>	<u>16,961,813</u>	<u>(14,017,620)</u>	<u>16,203,539</u>	<u>2,185,919</u>
<b>Capital Assets (Net of Accumulated Depreciation)</b>	<u>471</u>	<u>--</u>	<u>471</u>	<u>942</u>	<u>--</u>	<u>942</u>
<b>Total Assets</b>	<u>696,264,577</u>	<u>19,847,920</u>	<u>716,112,497</u>	<u>484,105,200</u>	<u>16,203,539</u>	<u>500,308,739</u>
<b>Liabilities</b>						
Prepaid city contribution	13,274,563	--	13,274,563	28,088,083	--	28,088,083
Unsettled trades	13,096,699	--	13,096,699	1,567,448	--	1,567,448
Accounts payable and accrued liabilities	370,555	--	370,555	371,142	--	371,142
Due to the City of Fort Lauderdale	4,037,153	--	4,037,153	521,564	--	521,564
<b>Total Liabilities</b>	<u>30,778,970</u>	<u>--</u>	<u>30,778,970</u>	<u>30,548,237</u>	<u>--</u>	<u>30,548,237</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<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>

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

**COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS**

**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012			2011		
	System	Share Plan	Total	System	Share Plan	Total
<b>Additions</b>						
<b>Contributions</b>						
Employer	\$ 188,241,999	\$ --	\$ 188,241,999	\$ 30,684,942	\$ --	\$ 30,684,942
Plan members	5,399,448	--	5,399,448	5,202,719	--	5,202,719
State	2,986,022	2,633,382	5,619,404	2,422,749	2,313,181	4,735,930
<b>Total Contributions</b>	<u>196,627,469</u>	<u>2,633,382</u>	<u>199,260,851</u>	<u>38,310,410</u>	<u>2,313,181</u>	<u>40,623,591</u>
<b>Investment Income</b>						
Net appreciation (depreciation) in fair value of investments	46,838,818	1,941,199	48,780,017	(9,285,334)	24,883	(9,260,451)
Interest	9,503,357	--	9,503,357	6,187,691	--	6,187,691
Dividends	3,041,907	--	3,041,907	2,281,762	--	2,281,762
Other income	2,183,429	--	2,183,429	1,971,556	--	1,971,556
	61,567,511	1,941,199	63,508,710	1,155,675	24,883	1,180,558
Less: investment expenses	3,085,014	--	3,085,014	2,634,350	--	2,634,350
<b>Net Investment Income (Loss)</b>	<u>58,482,497</u>	<u>1,941,199</u>	<u>60,423,696</u>	<u>(1,478,675)</u>	<u>24,883</u>	<u>(1,453,792)</u>
<b>Total Additions</b>	<u>255,109,966</u>	<u>4,574,581</u>	<u>259,684,547</u>	<u>36,831,735</u>	<u>2,338,064</u>	<u>39,169,799</u>
<b>Deductions</b>						
<b>Benefits Paid</b>						
Retirement	38,662,758	795,525	39,458,283	34,913,808	308,919	35,222,727
Disability	905,985	--	905,985	780,578	--	780,578
Death	2,817,012	101,029	2,918,041	3,008,474	50,146	3,058,620
<b>Total Benefits Paid</b>	42,385,755	896,554	43,282,309	38,702,860	359,065	39,061,925
Refund of Contributions	220,510	--	220,510	149,752	--	149,752
Administrative Expenses	575,057	33,646	608,703	506,099	30,859	536,958
<b>Total Deductions</b>	<u>43,181,322</u>	<u>930,200</u>	<u>44,111,522</u>	<u>39,358,711</u>	<u>389,924</u>	<u>39,748,635</u>
<b>Change in Net Assets</b>	211,928,644	3,644,381	215,573,025	(2,526,976)	1,948,140	(578,836)
<b>Net Assets Held in Trust for Pension Benefits</b>						
Beginning	453,556,963	16,203,539	469,760,502	456,083,939	14,255,399	470,339,338
Ending	<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>

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## **REPORTING SECTION**

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**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  
**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 year ended December 31, 2012, and the related notes to the combined financial statements, and have issued our report thereon dated May 8, 2013.

***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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, noted as item 2012-01.

### ***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, and grant agreements, 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*.

### ***The Plan's Response to Finding***

The Plan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Plan's response was not subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.

### ***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  
May 8, 2013

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

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**CURRENT YEAR FINDING**

**FINANCIAL STATEMENT FINDINGS**

***SIGNIFICANT DEFICIENCY***

**2012-01 Financial Reporting Closing Process**

***Criteria***

Prudent policies require a formal closing process with supervisory Accounting Department personnel being responsible for the review of transactions and balances recorded. This plays a key role in proving the accuracy of accounting data and financial information that comprise the year end financial statements.

***Condition***

As we have done in the past, the auditors have been requested to assist in aggregating the information to prepare a trial balance for the twelve months ended December 31, 2012. This was done for the year ended December 31, 2012, however, it was noted, based on the 15 adjusting journal entries, some of which were material, that the components of the trial balance provided by the Plan were not reviewed and not accurate.

***Effect***

The lack of a formal closing process at December 31, 2012, which includes a thorough review of account balances, can result in material errors being reported in the combined financial statements.

***Cause***

The cause of the condition was a weakness in the year end closing process which did not incorporate a thorough review by supervisory Accounting Department personnel.

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

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

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**CURRENT YEAR FINDING (Continued)**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

***SIGNIFICANT DEFICIENCY (CONTINUED)***

**2012-01 Financial Reporting Closing Process (Continued)**

***Recommendation***

The process for the year end closing of the books can be difficult; however, a logical and organized methodology is of a significant benefit and will prove easier over time. Monthly reconciliations and reviews play a key role in providing the accuracy of accounting data and financial information. We recommend that reconciliation procedures be implemented as part of the financial reporting closing process.

The Plan utilizes a custodian to track investment activity to record transactions in the general ledger on a monthly basis. As part of the financial reporting closing process, these reports should be reviewed and compared to the information provided by the individual investment managers to insure that the information is properly presented and recorded.

We also recommend that the Plan prepare a fully adjusted trial balance for the twelve months ended December 31<sup>st</sup> each year and that it is reviewed for completeness and accuracy. In addition, we recommend that the Plan and the City create a formal agreement of responsibility for financial reporting (i.e., preparation of a fully adjusted trial balance for the Plan year ended December 31<sup>st</sup>).

***View of Responsible Individuals and Planned Corrective Action***

The Plan recognizes the need for more control over the year end closing process. The Plan will work with the City's Finance Department to develop a formal reporting process, which will include timelines, for the monitoring of the transactions in the trust. In addition, year-end closing procedures and timelines will be established for both the Plan and the City to ensure accurate and timely financial reporting for the twelve months ending December 31<sup>st</sup>. In accordance with these procedures, the Plan will review the trial balance for period ending December 31<sup>st</sup> for accuracy prior to dissemination to the external auditors.