



# City of Lauderhill Firefighters' Retirement System

Financial Statements  
Years Ended September 30, 2017 and 2016

**City of Lauderdale  
Firefighters' Retirement System**

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Financial Statements  
Years Ended September 30, 2017 and 2016

# City of Lauderdale Firefighters' Retirement System

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## Independent Auditor's Report

Board of Trustees  
City of Lauderhill Firefighters' Retirement System  
Lauderhill, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the City of Lauderhill Firefighters' Retirement System (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2017 and 2016, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United State of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 entity's preparation and fair presentation of the 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 entity'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 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 fiduciary net position of the City of Lauderhill Firefighters' Retirement System as of September 30, 2017 and 2016, and the related changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

#### *Adoption of New Accounting Pronouncement*

The Plan has adopted the disclosure requirements of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* in 2016. The provisions of the additional disclosure requirements are disclosed in Note 4 to the financial statements. 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 "Management's Discussion and Analysis" and the "Required Supplementary Information" listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Schedules*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Miami, Florida  
February 28, 2018

BDO USA, LLP

Certified Public Accountants

# City of Lauderhill Firefighters' Retirement System

Pension Office

Sean Henderson, Chairman  
Michael Taussig, Vice Chairman  
Meralis Celetti, Trustee  
Ryan Gabner, Trustee  
Matthew Newman, Trustee



126 Cheffey Road  
Palatka, FL 32177  
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## Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

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Our discussion and analysis of the City of Lauderhill Firefighters' Retirement System (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2017 and 2016. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

### *Financial Highlights*

- Plan assets exceeded liabilities at the close of the fiscal year ended September 30, 2017 and 2016 by \$78,790,699 and \$69,596,718, respectively (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The increase of \$9,193,981 and \$5,714,833 of the respective years has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- Receivables at September 30, 2017 were higher than receivables at September 30, 2016 by \$603,342 (or 259%) primarily due to state contribution received after September 30, 2017.

Receivables at September 30, 2016 were less than receivables at September 30, 2015 by \$226,846 (or 49%) due primarily to a decrease in receivable for securities sold.

- Liabilities at September 30, 2017 were higher than liabilities at September 30, 2016 by \$170,598 (or 92%) primarily due to increase in payable for securities purchased.

Liabilities at September 30, 2016 were less than liabilities at September 30, 2015 by \$269,605 (or 59%) due primarily to a decrease in payable for securities purchased.

- For the fiscal year ended September 30, 2017, City contributions to the Plan decreased \$300,810 (or 8%) based on the actuarial valuation. Actual City contributions were \$3,521,811 and \$3,822,621 for 2017 and 2016, respectively.

For the fiscal year ended September 30, 2016, City contributions to the Plan decreased \$241,813 (or 6%) based on the actuarial valuation. Actual City contributions were \$3,822,621 and \$4,064,434 for 2016 and 2015, respectively.

- For the fiscal year ended September 30, 2017, member contributions increased by \$79,374 (or 8%). Actual member contributions were \$1,065,791 and \$986,417 for 2017 and 2016, respectively.

## City of Lauderdale Firefighters' Retirement System Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

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For the fiscal year ended September 30, 2016, member contributions increased by \$13,706 (or 1%). Actual member contributions were \$986,417 and \$972,711 for 2016 and 2015, respectively.

- For the fiscal year ended September 30, 2017, net investment income increased by \$2,694,263. The actual results were \$8,474,746 and \$5,847,582 of net appreciation in fair value of investments for 2017 and 2016, respectively, and \$940,420 and \$862,747 of income from interest and dividends for 2017 and 2016, respectively. Investment expenses for the fiscal year ended September 30, 2017 increased by \$10,574 (or 2%) from 2016.

For the fiscal year ended September 30, 2016, net investment income increased by \$6,793,711. The actual results were \$5,847,582 and (\$1,156,623) of net appreciation (depreciation) in fair value of investments for 2016 and 2015, respectively, and \$862,747 and \$1,127,384 of income from interest and dividends for 2016 and 2015, respectively. Investment expenses for the fiscal year ended September 30, 2016 decreased by \$54,143 (or 11%) from 2015.

- For the fiscal year ended September 30, 2017, benefit payments, including refunds, decreased by \$1,004,587 (or 18%) from 2016 because of the decrease in the members retiring and supplemental benefit payments to retirees.

For the fiscal year ended September 30, 2016, benefit payments, including refunds, increased by \$1,753,246 (or 46%) from 2015 because of the increase in the members retiring and supplemental benefit payments to retirees.

- For the fiscal year ended September 30, 2017 administrative expenses increased by \$1,046 (or 0%) from 2016 due primarily an increase in fees for professional services.

For the fiscal year ended September 30, 2016 administrative expenses increased by \$42,252 (or 23.9%) from 2015 due primarily an increase in fees for professional services.

### *Plan Highlights*

For the year ending September 30, 2017, the investment return of the portfolio was 12.89% for the fiscal year. Actual net return from investments was a net investment income of \$8,980,612 in 2017 compared with net investment loss of \$6,286,349 in 2016.

For the year ending September 30, 2016, the investment return of the portfolio was 10.02% for the fiscal year. Actual net return from investments was a net investment income of \$6,286,349 in 2016 compared with net investment loss of \$507,362 in 2015.

### *Overview of the Financial Statements*

The basic financial statements include the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and Notes to the Financial Statements. The Plan also includes in this report additional information to supplement the financial statements.

**City of Lauderdale Firefighters' Retirement System**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**

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The Plan presents required supplementary information and other supplementary schedules as described below.

The Plan prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Plan's overall financial status.

*Description of the Financial Statements*

The *Statement of Fiduciary Net Position* presents information that includes all of the Plan's assets and liabilities, with the balance representing the net position restricted for pensions. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the Plan's net position changed during the fiscal year. The additions and deductions to net position are summarized in this statement. The additions include contributions to the retirement plan from employers (City and State) and members and net investment income (loss), which includes interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. These schedules consist of the Plan's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the Plan's investment returns.

Additional information is presented as part of *Supplementary Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Plan and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Plan.

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**City of Lauderdale Firefighters' Retirement System**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**

*Condensed Statements of Fiduciary Net Position*

The table below reflects condensed comparative statements of fiduciary net position as of September 30:

<i>September 30,</i>	2017	2016	2015
Cash and cash equivalents	\$ 2,178,381	\$ 2,684,172	\$ 4,106,740
Receivables	836,346	233,004	459,850
Note receivable	1,000,000	1,000,000	1,000,000
Investments	75,132,872	65,865,844	58,771,202
<b>Total assets</b>	<b>79,147,599</b>	<b>69,783,020</b>	<b>64,337,792</b>
Liabilities	356,900	186,302	455,907
<b>Net position restricted for pensions</b>	<b>\$ 78,790,699</b>	<b>\$ 69,596,718</b>	<b>\$ 63,881,885</b>

*Condensed Statements of Changes in Fiduciary Net Position*

The table below reflects condensed comparative statements of the changes in fiduciary net position and reflect the activities of the Plan for the fiscal years ended September 30:

<i>September 30,</i>	2017	2016	2015
<b>Additions:</b>			
<b>Contributions</b>			
City	\$ 3,521,811	\$ 3,822,621	\$ 4,064,434
Member	1,065,791	986,417	972,711
State	394,437	391,657	485,663
<b>Total</b>	<b>4,982,039</b>	<b>5,200,695</b>	<b>5,522,808</b>
Net investment income (loss)	8,980,612	6,286,349	(507,362)
<b>Total additions</b>	<b>13,962,651</b>	<b>11,487,044</b>	<b>5,015,446</b>
<b>Deductions:</b>			
Benefits paid	4,512,657	5,500,238	3,730,013
Refund of contributions	35,787	52,793	69,592
Administrative expenses	220,226	219,180	176,928
<b>Total deductions</b>	<b>4,768,670</b>	<b>5,772,211</b>	<b>3,976,533</b>
<b>Net increase</b>	<b>9,193,981</b>	<b>5,714,833</b>	<b>1,038,913</b>
Net position restricted for pensions at beginning of year	69,596,718	63,881,885	62,842,972
<b>Net position restricted for pensions at end of year</b>	<b>\$ 78,790,699</b>	<b>\$ 69,596,718</b>	<b>\$ 63,881,885</b>

**City of Lauderhill Firefighters' Retirement System**  
**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**

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The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

***Asset Allocation***

At the end of the fiscal year end September 30, 2017, the domestic equity portion comprised 50.15% (\$39,271,800) of the total portfolio. The allocation to fixed income securities was 16.65% (\$13,041,267) while cash and cash equivalents comprised 2.75% (\$2,178,381). The portion of investments allocated to international equity was 13.65% (\$10,677,971) and the allocation to real estate funds was 15.50% (\$12,141,834) of the total portfolio. The Plan had 1.30% (\$1,000,000) allocated to a note receivable.

At the end of the fiscal year end September 30, 2016, the domestic equity portion comprised 47.5% (\$33,010,627) of the total portfolio. The allocation to fixed income securities was 18.3% (\$12,732,358) while cash and cash equivalents comprised 3.9% (\$2,684,172). The portion of investments allocated to international equity was 12.7% (\$8,825,829) and the allocation to real estate funds was 16.2% (\$11,297,030) of the total portfolio. The Plan had 1.4% (\$1,000,000) allocated to a note receivable.

The target asset allocation as of September 30, 2017 and 2016 was as follows:

Domestic equity	50%
International equity	15%
Fixed income	20%
Real estate	15%
Cash	0%

***Contacting the Plan's Financial Management***

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Lauderhill Firefighters' Retirement System, 126 Cheffey Road, Palatka, FL 32177.

**City of Lauderhill Firefighters' Retirement System**  
**Statement of Fiduciary Net Position**  
**September 30, 2017**

	Plan	Supplemental Retirement Benefit Account	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,178,381	\$ -	\$ 2,178,381
Receivables:			
State contributions	394,437	-	394,437
Interest and dividends	154,413	-	154,413
Receivable for securities sold	287,496	-	287,496
Due to/from other accounts	(527,702)	527,702	-
<b>Total receivables</b>	<b>308,644</b>	<b>527,702</b>	<b>836,346</b>
Note receivable	1,000,000	-	1,000,000
Investments, at fair value:			
Domestic equity	39,271,800	-	39,271,800
International equity fund	10,677,971	-	10,677,971
Debt securities	13,041,267	-	13,041,267
Real estate fund	12,141,834	-	12,141,834
<b>Total investments</b>	<b>75,132,872</b>	<b>-</b>	<b>75,132,872</b>
<b>Total assets</b>	<b>78,619,897</b>	<b>527,702</b>	<b>79,147,599</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	80,916	-	80,916
Prepaid City contributions	4,168	-	4,168
Payable for securities purchased	271,816	-	271,816
<b>Total liabilities</b>	<b>356,900</b>	<b>-</b>	<b>356,900</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 78,262,997</b>	<b>\$ 527,702</b>	<b>\$ 78,790,699</b>

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

**City of Lauderdale Firefighters' Retirement System**  
**Statement of Fiduciary Net Position**  
**September 30, 2016**

	Plan	Supplemental Retirement Benefit Account	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,684,172	\$ -	\$ 2,684,172
Receivables:			
Member contributions	49	-	49
Interest and dividends	115,326	-	115,326
Receivable for securities sold	117,629	-	117,629
Due to/from other accounts	(598,875)	598,875	-
<b>Total receivables</b>	<b>(365,871)</b>	<b>598,875</b>	<b>233,004</b>
Note receivable	1,000,000	-	1,000,000
Investments, at fair value:			
Domestic equity	33,010,627	-	33,010,627
International equity fund	8,825,829	-	8,825,829
Debt securities	12,732,358	-	12,732,358
Real estate fund	11,297,030	-	11,297,030
<b>Total investments</b>	<b>65,865,844</b>	<b>-</b>	<b>65,865,844</b>
<b>Total assets</b>	<b>69,184,145</b>	<b>598,875</b>	<b>69,783,020</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	79,135	-	79,135
Prepaid City contributions	4,168	-	4,168
Payable for securities purchased	102,999	-	102,999
<b>Total liabilities</b>	<b>186,302</b>	<b>-</b>	<b>186,302</b>
<b>Net position held in trust for pension benefits</b>	<b>\$ 68,997,843</b>	<b>\$ 598,875</b>	<b>\$ 69,596,718</b>

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

**City of Lauderdale Firefighters' Retirement System**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended September 30, 2017**

	Plan	Supplemental Retirement Benefit Account	Total
<b>Additions</b>			
Contributions:			
City	\$ 3,521,811	\$ -	\$ 3,521,811
Member	1,065,791	-	1,065,791
State	197,218	197,219	394,437
<b>Total contributions</b>	<b>4,784,820</b>	<b>197,219</b>	<b>4,982,039</b>
Investment income:			
Net appreciation in fair value of investments	8,474,746	-	8,474,746
Interest and dividends	940,420	-	940,420
<b>Total investment income</b>	<b>9,415,166</b>	<b>-</b>	<b>9,415,166</b>
Less: Investment expenses	434,554	-	434,554
Net investment income	8,980,612	-	8,980,612
<b>Total additions</b>	<b>13,765,432</b>	<b>197,219</b>	<b>13,962,651</b>
<b>Deductions</b>			
Benefits paid	4,244,265	268,392	4,512,657
Refund of contributions	35,787	-	35,787
Administrative expenses	220,226	-	220,226
<b>Total deductions</b>	<b>4,500,278</b>	<b>268,392</b>	<b>4,768,670</b>
<b>Net increase (decrease)</b>	<b>9,265,154</b>	<b>(71,173)</b>	<b>9,193,981</b>
Net position held in trust for pension benefits			
Beginning of year	68,997,843	598,875	69,596,718
End of year	\$ 78,262,997	\$ 527,702	\$ 78,790,699

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

**City of Lauderdale Firefighters' Retirement System**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended September 30, 2016**

	Plan	Supplemental Retirement Benefit Account	Total
<b>Additions</b>			
Contributions:			
City	\$ 3,822,621	\$ -	\$ 3,822,621
Member	986,417	-	986,417
State	167,361	224,296	391,657
<b>Total contributions</b>	<b>4,976,399</b>	<b>224,296</b>	<b>5,200,695</b>
Investment income:			
Net appreciation in fair value of investments	5,847,582	-	5,847,582
Interest and dividends	862,747	-	862,747
<b>Total investment income</b>	<b>6,710,329</b>	<b>-</b>	<b>6,710,329</b>
Less: Investment expenses	423,980	-	423,980
Net investment income	6,286,349	-	6,286,349
<b>Total additions</b>	<b>11,262,748</b>	<b>224,296</b>	<b>11,487,044</b>
<b>Deductions</b>			
Benefits paid	5,161,822	338,416	5,500,238
Refund of contributions	52,793	-	52,793
Administrative expenses	219,180	-	219,180
<b>Total deductions</b>	<b>5,433,795</b>	<b>338,416</b>	<b>5,772,211</b>
Net increase (decrease)	5,828,953	(114,120)	5,714,833
Net position held in trust for pension benefits			
Beginning of year	63,168,890	712,995	63,881,885
End of year	\$ 68,997,843	\$ 598,875	\$ 69,596,718

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

# City of Lauderhill Firefighters' Retirement System

## Notes to Financial Statements

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### 1. Description of the Plan

#### *Organization*

The City of Lauderhill Firefighters' Retirement System (the "Plan"), is a single-employer defined benefit pension plan covering firefighters of the City of Lauderhill, Florida (the "City"). Prior to October, 1995, the Plan was a combined Plan with the City of Lauderhill General Employees. The following brief description is provided for general information purposes only. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive financial report as part of the City's financial entity. Participants should refer to Ordinance 83-112 of the City of Lauderhill and Summary Plan Description for more complete information.

The Plan's governing board is made up of a Board of Trustees consisting of five members:

- Two are active firefighters who are elected by active members of the plan
- Two are legal residents or current employees of the City who are elected by the City Commission
- One is elected by a majority of the previous four members

The following brief description of the Plan is provided for general information purposes only. Members should refer to the plan agreement for more detailed and comprehensive information.

#### *Participants*

Plan participants are full-time firefighters of the City, regardless of rank. Tier One members are members hired prior to October 1, 2009 and Tier Two members hired on or after October 1, 2009.

#### *Membership*

At October 1, Plan membership consisted of:

<i>October 1,</i>	2016	2015
Retirees and beneficiaries currently receiving benefits, DROP members, and terminated members entitled to benefits but not yet receiving them.	75	74
Current members:		
Vested	29	31
Nonvested	53	52
<b>Total current members</b>	<b>82</b>	<b>83</b>
<b>Total</b>	<b>158</b>	<b>157</b>

#### *Contributions*

Members of the Plan are required to contribute 13.72% of covered earnings.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### *Pension Benefits*

#### Tier One Members

Participants may retire and receive normal retirement benefits upon reaching the age of 55 with no less than 10 years of creditable service, or completing 20 years of service, regardless of age, whichever occurs first.

Upon normal retirement, firefighters receive a monthly pension amount equal to 3% of average monthly earnings times years of credited service prior to October 1, 2003. For all years of credited service after October 1, 2003, the monthly retirement benefit shall be an amount equal to 4% of average monthly earnings times years of credited service. The average monthly earnings for participants are computed based on the highest consecutive three years out of the last ten years of employment.

#### Tier Two Members

Tier Two benefits shall be administered in the same manner as Tier One benefits, except as follows:

The normal retirement benefit for Tier Two members shall be calculated using a three (3) percent multiplier for each year of service with a maximum seventy-five (75) percent benefit after twenty-five (25) years of service, however, such members may increase their pension multiplier to three and one-half (3.5) percent provided that all costs associated with such an increase are borne solely by the member. The Plan provides for a purchase, by Tier 2 Members, to increase the multiplier for service to three and one-half percent (3.5%). The purchase of this enhanced pension multiplier can be accomplished by various means as outlined in the Plan ordinance.

Average monthly earnings for Tier Two members who retire with less than twenty-five (25) years of credited service shall mean one-twelfth (1/12) of the arithmetic average of annual earnings for the highest consecutive four (4) years of the ten (10) full years immediately preceding the actual retirement or termination date of a member and for Tier Two members who retire with twenty-five (25) years or more of credited service average monthly earnings shall mean one-twelfth (1/12) of the arithmetic average of annual earnings for the highest consecutive three (3) years of the ten (10) full years immediately preceding the actual retirement or termination date of a member.

#### *Early Retirement*

A participant may retire early after completing 10 years of credited service and attaining the age of 50. Upon early retirement, the participant may receive the normal benefits accrued to the date of early retirement payable at the normal retirement date or reduced by 3% for each year early retirement date precedes normal retirement date.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### *Variable Benefits*

Effective October 1, 1999, for all firefighters employed on or after October 1, 1997, a variable benefit will be paid. Based upon procedures and methods adopted by the Board of Trustees, as determined to be actuarially sound by the City of Lauderdale Firefighters' Retirement System's actuaries, benefits currently payable under this article shall be increased from time to time, but no more than 3%.

### *Disability Benefits*

A participant, who incurs a service-connected disability, is eligible for benefits. A participant, who incurs a nonservice-connected disability after two years of service, is eligible for benefits. The benefit is equal to the greater of 50% of the rate of monthly earnings in effect on the date of disability or the monthly benefit accrued to the date of disability. The total monthly benefits paid (i.e., disability benefits, worker's compensation and social security benefits) shall not exceed 100% of the employee's salary for service incurred disability and shall not exceed 80% for nonservice incurred disability. The benefit is paid in the form of an annuity until the earlier of death or recovery.

### *Death Benefits*

The Plan provides benefits for spouses and children of participants for both service-connected deaths and nonservice-connected deaths. However, the participant must have been eligible for early or normal retirement to receive a nonservice-connected death benefit.

### *Termination*

Upon termination of employment with less than ten years of credited service, a participant is entitled to a refund of their accumulated contributions plus interest credited at a rate of 3% per annum.

### *Deferred Retirement Option Plan*

Effective September 24, 2001, the Plan implemented a Deferred Retirement Option Plan (DROP). Eligibility to enter the DROP is for firefighters who have attained, 20 years for Tier One members and 25 years for Tier Two members, of credited service or upon earning a pension benefit equal to 80%. The maximum number of months in which a firefighter may participate in the DROP shall be reduced by 1 month for each month of eligibility after attaining 80% accrued benefit for Tier One members and 25 years of service for Tier Two members. The number of months a Tier Two member may participate in the DROP shall be reduced by one month for each month of eligibility following completion of 25 years of credited service during which the member does not participate in the DROP. Participation in the DROP is limited to a maximum of 60 months.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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The DROP account earns a variable return equal to the Plan's rate of return less an adjustment for administrative expenses. Alternatively, for Tier One members, at the option of the member, the member's DROP account will be paid a fixed amount as determined by the Board of Trustees. Once a member enters the DROP, their monthly retirement benefit is frozen, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including investment earnings, is paid in a cash lump sum, unless the member elects all or a portion paid to an eligible retirement plan in a direct rollover.

A summary of the changes in the DROP balance as of September 30 is as follows:

<i>September 30,</i>		2017	2016
Beginning balance	\$	751,144	\$ 1,852,419
Additions		276,943	483,393
Distributions		442,154	1,656,673
Net earnings		37,664	72,005
Ending balance	\$	623,597	\$ 751,144

### *Supplemental Retirement Benefits*

Effective December 9, 2002, the Plan created a supplemental retirement benefit to be funded by the payment to the supplemental retirement fund (for bookkeeping purposes) of seventy-five (75) percent of the Plan's prior years actuarial gain remaining after the applications of payments of variable benefits and payment of any increase in insurance premium tax revenue received by the City pursuant to Chapter 175, over the amount received by the City for 1997, after all minimum benefits are paid.

New ordinance was adopted February 13, 2017. This ordinance revised (1) the annual funding to the Supplemental Retirement Benefit Account from annual premium tax revenues in excess of \$167,361 to 50% of annual premium tax revenues, and (2) the Supplemental Benefit to be payable over only the life of the member for individuals who retire on or after October 1, 2016 and who were not eligible to retire until on or after October 1, 2016. This ordinance also established mutual consent between the City and the union that 50% of the annual premium tax revenues are used to fund the Supplemental Benefit and 50% of annual premium tax revenues will be used by the City to reduce its pension contributions or the unfunded liabilities of the Plan and that the accumulated unused premium tax contributions as of September 30, 2016 are to be used to pay for the Supplemental Benefit.

The supplemental retirement benefit will be paid in equal monthly installments effective October 1, to retirees or their beneficiaries (when the retiree is deceased). The annual payments to a retiree shall not exceed (1) year's payment of the premium cost of the individual retiree health insurance provided by the City, for the previous September 30.

Participants in the DROP will not be eligible for the supplemental retirement benefit until such time as they separate from service. The ordinance also provides for calculating the benefits when the full amounts of funds are not available and the treatment of excess funds. The supplemental retirement benefits will be paid only to those eligible persons who retired after October 1, 2000.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### *Cost of Living Benefit*

Effective October 1, 2006, for Tier One members, each retiree, including all retirees who retired prior to October 1, 2006, shall have their monthly retirement benefits increased by a sum equal to 1.5% (the "COLA") per year. Provided, however, that the retiree must have been retired for three years before being entitled to the COLA. Following the retiree's death, the COLA will be paid to each designated beneficiary.

Tier Two members shall have their monthly retirement increased by a sum equal to the net return of the plan per year, with a one and one-half (1.5) percent cap and zero (0) percent floor per year and a Tier Two member must have been retired for three (3) years before he/she is entitled to a Tier Two Cola.

### *Funding Requirements*

Pursuant to Florida Statute, Chapters 175, contributions from the State of Florida Department of Insurance consist of excise tax imposed by the City upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City. The allowable portion of the State contribution is used to reduce the City's contributions when received. The City (Employer) is expected to contribute such additional amounts as necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

### *Investments*

The Plan has contracts with investment counselors who supervise and direct the investments in equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan. The Plan provides for investments in U.S. Government securities, money market funds, bonds, notes, common stock, real estate and international equity securities.

## **2. Summary of Significant Accounting Policies**

### *Basis of Accounting*

The Plan's financial statements are prepared on the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenue when due pursuant to the actuarial valuation. State contributions are recognized in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

### *Cash equivalents*

The Plan considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### *Investments*

Investments are recorded at fair value in the statements of fiduciary net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. Refer to Note 4 to the financial statements for more detail regarding the methods used to measure the fair value of investments.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in fiduciary net position along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

### *Use of Estimates*

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

### *Income Tax Status*

The Plan is tax-exempt under the Internal Revenue Code, and, therefore, has recorded no income tax liability or expense.

### *Risk and Uncertainties*

Contributions to the Plan and the actuarial information included in the required supplementary information ("RSI") are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

### *Subsequent Events*

Management has evaluated subsequent events through February 28, 2018, the date which the financial statements were available for issue.

# City of Lauderhill Firefighters' Retirement System

## Notes to Financial Statements

### 3. Contributions

#### *Actual Contributions*

The actual City and State contributions amounted to \$3,916,248 and \$4,214,278 for the years ended September 30, 2017 and 2016, respectively. The actual amount of annual covered payroll for the years ended September 30, 2017 and 2016 were \$7,651,000 and \$7,200,000 respectively. City and State contributions consisted of the following for the year ended September 30:

	2017		2016	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 3,521,811	46.03%	\$ 3,822,621	53.09%
State contributions	394,437	5.16	391,657	5.44
<b>Total City and State</b>	<b>\$ 3,916,248</b>	<b>51.18%</b>	<b>\$ 4,214,278</b>	<b>58.53%</b>

Member contributions were \$1,065,791 and \$986,417 for the fiscal years ended September 30, 2017 and 2016, respectively.

#### *Actuarially Determined Contributions*

Effective, May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contribution) that best fits the funding requirements of the Plan. For the years ended September 30, 2017 and 2016, the Plan selected to use the fixed dollar contribution amount.

The contributions required from the City of Lauderhill and the State for the fiscal years ended September 30, 2017 and 2016 were actuarially determined by the October 1, 2016 and 2015 valuation reports to be \$3,716,888 and \$3,985,678, respectively. The actuarially computed annual covered payroll amounted to \$7,651,439 and \$7,136,191, respectively.

The required City and State contribution covers the following for September 30:

	2017		2016	
	Amount	Percent of Actual Covered Annual Payroll	Amount	Percent of Actual Covered Annual Payroll
Normal cost	\$ 1,993,857	26.06%	\$ 2,331,157	32.67%
Amortization of unfunded liability	1,723,031	22.52	1,654,521	23.18
<b>Total required from City and State</b>	<b>\$ 3,716,888</b>	<b>48.58%</b>	<b>\$ 3,985,678</b>	<b>55.85%</b>

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### 4. Deposits and Investment Risk Disclosures

#### *Cash and Cash Equivalents*

Deposits are carried at cost and are included in cash and cash equivalents in the statement of fiduciary net position. Cash and cash equivalents include short-term investment funds at September 30, 2017 and 2016.

#### *Investment Authorization*

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees' service and subsequent retirement. The Trustees are authorized to acquire and retain every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 85% of the Plan's total asset value. No more than 5% of the portfolio may be invested in the shares of a single corporate issuer at cost. The target allocation for investments in stocks of foreign companies is 15% of the value of the portfolio.

The fixed income portfolio shall be comprised of securities rated not less than "A" rating by a major rating service and limited to no more than 40% of the Plan's total asset value. In the event that there is a downgrade in the quality below the "BAA" rating or equivalent by both S&P and Moody's, the security must be liquidated immediately or in a manner not to be detrimental to the performance of the plan.

#### *Types of Investments*

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments.

The current target allocation of these investments at market is as follows:

Authorized investments	Target % of portfolio
Domestic equity	50%
Fixed income	20%
International equity	15%
Real estate	15%
Cash	0%

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

### *Rate of Return*

For the years ended September 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.89% and 10.02%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Investments*

The table below shows the Plan's investments by type as of September 30:

<i>September 30,</i>	<b>2017</b>	<b>2016</b>
Domestic equity	\$ 39,271,800	\$ 33,010,627
International equity mutual funds	10,677,971	8,825,829
Real estate fund	12,141,834	11,297,030
Debt securities:		
U.S. treasuries	1,236,784	1,334,952
U.S. agencies	3,179,938	2,935,266
Corporate bonds	8,624,545	8,462,140
<b>Total debt securities</b>	<b>13,041,267</b>	<b>12,732,358</b>
<b>Total</b>	<b>\$ 75,132,872</b>	<b>\$ 65,865,844</b>

### *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 Plan diversifies its 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 Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30:

Investment Type	2017				
	Investment Maturities (in years)				
Fair Value	Less than 1	1 to 5	6 to 10	More than 10	
U.S. treasuries	\$ 1,236,784	\$ -	\$ 196,243	\$ -	\$ 1,040,541
U.S. agencies	3,179,938	2,382	23,012	260,264	2,894,280
Corporate bonds	8,624,545	699,957	4,147,323	1,437,447	2,339,818
	<b>\$ 13,041,267</b>	<b>\$ 702,339</b>	<b>\$ 4,366,578</b>	<b>\$ 1,697,711</b>	<b>\$ 6,274,639</b>

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

2016						
Investment Maturities (in years)						
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10	
U.S. treasuries	\$ 1,334,952	\$ -	\$ 317,520	\$ 181,130	\$ 836,302	
U.S. agencies	2,935,266	-	48,933	150,502	2,735,831	
Corporate bonds	8,462,140	71,972	3,826,326	1,748,770	2,815,072	
	\$ 12,732,358	\$ 71,972	\$ 4,192,779	\$ 2,080,402	\$ 6,387,205	

### *Credit Risk*

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following tables disclose credit ratings by investment type, at September 30, 2017 and 2016, as applicable:

	2017		2016	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 4,416,722	33.87%	\$ 4,270,218	33.54%
Quality rating of credit risk debt securities:				
AAA	475,779	3.65	432,024	3.39
AA+	568,545	4.36	618,123	4.85
AA	64,065	0.49	306,859	2.41
AA-	376,092	2.88	309,962	2.43
A+	623,071	4.78	580,432	4.56
A	1,073,392	8.23	1,488,237	11.69
A-	1,490,958	11.43	1,597,531	12.55
BBB+	2,510,358	19.25	1,825,805	14.34
BBB-	214,735	1.65	197,330	1.55
BBB	1,227,550	9.41	1,105,837	8.69
Total credit risk debt securities	8,624,545	66.13	8,462,140	66.46
Total fixed income securities	\$ 13,041,267	100.00%	\$ 12,732,358	100.00%

\* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### *Concentration of Credit Risk*

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2017 and 2016.

### *Custodial Credit Risk*

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

### *Investment Valuation*

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 - Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

The Plan has established a framework to consistently measure the fair value of the Plan's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing a valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

The following table summarizes the valuation of the Plan's investments in accordance with the above mentioned fair value hierarchy levels as of September 30:

	Fair Value Measurements Using			
	9/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
Government and agency obligations	\$ 4,416,722	\$ -	\$ 4,416,722	\$ -
Corporate bonds	8,624,545	-	8,624,545	-
<b>Total debt securities</b>	13,041,267	-	13,041,267	-
Equity securities				
Domestic equities	25,694,582	25,694,582	-	-
International equities	5,479,586	5,479,586	-	-
<b>Total equity securities</b>	31,174,168	31,174,168	-	-
<b>Total investments by fair value level</b>	44,215,435	\$ 31,174,168	\$ 13,041,267	\$ -
<b>Investments measured at the net asset value ("NAV")</b>				
Commingled domestic equity funds	17,313,000			
Commingled real estate funds	12,141,834			
Collective investment trust	1,462,603			
<b>Total investments measured at the NAV</b>	30,917,437			
<b>Total investments</b>	\$ 75,132,872			

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

	Fair Value Measurements Using			
	9/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Debt securities				
Government and agency obligations	\$ 4,888,564	\$ -	\$ 4,888,564	\$ -
Corporate bonds	7,843,794	-	7,843,794	-
<b>Total debt securities</b>	12,732,358	-	12,732,358	-
Equity securities				
Domestic equities	21,547,146	21,547,146	-	-
International equities	4,592,660	4,592,660	-	-
<b>Total equity securities</b>	26,139,806	26,139,806	-	-
<b>Total investments by fair value level</b>	38,872,164	\$ 26,139,806	\$ 12,732,358	\$ -
<b>Investments measured at the net asset value ("NAV")</b>				
Commingled domestic equity funds	14,490,146			
Commingled real estate funds	11,297,030			
Collective investment trust	1,206,504			
<b>Total investments measured at the NAV</b>	26,993,680			
<b>Total investments</b>	\$ 65,865,844			

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# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, securitized offerings backed by residential and commercial mortgages, TIPS and foreign debt securities. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

Equity securities: These include domestic and international equities. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2017 and 2016. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

The Plan's valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2017 and 2016, respectively, are as follows:

2017				
Investments Measured at the NAV				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled domestic equity funds (1)	\$ 17,313,000	\$ -	Daily	Same Day
Real estate fund (2)	12,141,862	-	Quarterly	10 Days
Collective investment fund (3)	1,462,575	-	Daily	Same Day
<b>Total investments measured at the NAV</b>	<b>\$ 30,917,437</b>	<b>\$ -</b>		

2016				
Investments Measured at the NAV				
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled domestic equity funds (1)	\$ 14,490,146	\$ -	Daily	Same Day
Real estate fund (2)	11,297,030	-	Quarterly	10 Days
Collective investment fund (3)	1,206,504	-	Daily	Same Day
<b>Total investments measured at the NAV</b>	<b>\$ 26,993,680</b>	<b>\$ -</b>		

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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- (1) Commingled domestic equity funds consist of three comingled investment vehicles which invest primarily in publicly traded equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (2) The real estate funds consist of three comingled investment vehicles which invest primarily in United States commercial real estate and farmland. The fair value of the investment funds is valued at the net asset value of outstanding units held at the end of the period based upon the fair value of the underlying investments.
- (3) The collective investment fund invests primarily in publicly traded domestic and global equity securities. The fund is valued at the net asset value held at the end of the period based upon the fair value of the underlying investments.

### 5. Commitments

The Plan is obligated for payments under a one year operating lease for office space that expires February 29, 2018. Effective March 1, 2017, the Plan renewed this lease for an additional year. The lease requires a monthly rent of \$530.

Rent expense was \$6,360 for the fiscal years ending September 30, 2017 and 2016.

### 6. Related Party Transaction

As of September 30, 2017 and 2016, the Plan has a note receivable for \$1,000,000 from the City of Lauderdale Housing Authority. The City of Lauderdale, Plan Sponsor, is guarantor on the note. The note accrues interest at 7.0% per annum. Commencing on July 1, 2010 and continuing on the first day of each quarter thereafter, consecutive quarterly payments of interest only on the outstanding principal balance shall be made. The note matures on July 1, 2020 at which time the remaining indebtedness, if not paid sooner, shall be due.

During the fiscal years ended September 30, 2017 and 2016, the Plan recorded interest income of \$70,000. There was \$35,000 and \$0 accrued interest receivable due on the note for the fiscal years ending September 30, 2017 and 2016, respectively.

The City of Lauderdale Housing Authority and the City, severally expressly grant to the Plan a continuing first lien security interest in any and all money, general or specific deposits, or property of any such parties now or hereafter in their possession.

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# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

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### 7. Net Pension Liability of the City

The components of the net pension liability of the City at September 30 were as follows:

<i>September 30,</i>	2017	2016
Total pension liability	\$ 92,525,745	\$ 87,540,772
Plan fiduciary net position - ending	(78,790,699)	(69,596,718)
<b>City net pension liability</b>	<b>\$ 13,735,046</b>	<b>\$ 17,944,054</b>
Plan fiduciary net position as a percentage of total pension liability	85.16%	79.50%

#### *Actuarial Assumptions*

The total pension liability at September 30, 2017 was determined using an actuarial valuation as of October 1, 2016 updated to September 30, 2017. The actuarial valuation used the following actuarial assumptions:

Inflation	3%
Projected salary increases	7%, including inflation
Investment rate of return	7.85% net of investment expenses, including inflation

For the October 1, 2017 actuarial valuation, the mortality table has been revised to that used for special risk employees in the valuation of FRS as of July 1, 2016 and 2017, as required by state statute. While healthy post-retirement mortality and disabled mortality rates were unchanged, healthy pre-retirement was revised.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an actuarial experience study for the period October 1, 2007 to September 30, 2012.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*.

ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

# City of Lauderdale Firefighters' Retirement System

## Notes to Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of the valuation dates of October 1, 2017 and 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

### Long-Term Expected Real Rate of Return\*

Asset Class	2017	2016
Large Cap	5.3%	6.4%
Small / Mid Cap	7.0%	7.8%
International Equity	3.3%	2.9%
Real Estate	7.9%	7.1%
Fixed Income	6.8%	2.7%
Farmland	4.1%	4.7%
Emerging markets	2.2%	11.3%

\* Real rates of return are net of the long-term inflation assumption of 3% for 2017 and 2016.

### *Discount Rate*

The discount rate used to measure the total pension liability was 7.85% for 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City calculated using the discount rate of 7.85% for 2017 and 2016, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	City Net Pension Liability		
	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% Increase (8.85%)
September 30, 2017	\$25,372,399	\$13,735,046	\$ 4,114,897
	City Net Pension Liability		
	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% Increase (8.85%)
September 30, 2016	\$ 29,008,126	\$ 17,944,054	\$ 8,807,619

**Required Supplementary Information - Unaudited**

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**City of Lauderdale Firefighters' Retirement System**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net Pension Liability (Unaudited)**  
**Last Ten Fiscal Years\***

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 2,619,073	\$ 2,527,101	\$ 2,558,195	\$ 2,440,094
Interest	6,818,819	6,519,385	6,289,742	5,928,052
Changes of benefit terms	268,422	338,414	357,454	345,399
Differences between expected and actual experience	(326,449)	(749,900)	(1,715,691)	(551,848)
Changes of assumptions	224,755	1,946,542	101,056	96,389
Benefit payments, including refunds of member contributions	(4,512,657)	(5,500,238)	(3,730,013)	(3,982,063)
Other	(71,203)	598,906	-	-
Contribution refunds	(35,787)	(52,793)	(69,592)	(4,028)
<b>Net change in total pension liability</b>	<b>4,984,973</b>	<b>5,627,417</b>	<b>3,791,151</b>	<b>4,271,995</b>
<b>Total pension liability- beginning</b>	<b>87,540,772</b>	<b>81,913,355</b>	<b>78,122,204</b>	<b>73,850,209</b>
<b>Total pension liability- ending</b>	<b>92,525,745</b>	<b>87,540,772</b>	<b>81,913,355</b>	<b>78,122,204</b>
<b>Plan fiduciary net position</b>				
Contributions - City	3,521,811	3,822,621	4,064,434	4,164,581
Contributions - member	1,065,791	986,417	972,711	970,011
Contribution - State	394,437	391,657	485,663	492,840
Net investment income (loss)	8,980,612	6,286,349	(507,362)	5,036,474
Benefit payments	(4,512,657)	(5,500,238)	(3,730,013)	(3,982,063)
Contribution refunds	(35,787)	(52,793)	(69,592)	(4,028)
Administrative expenses	(220,226)	(219,180)	(176,928)	(169,317)
<b>Net change in plan fiduciary net position</b>	<b>9,193,981</b>	<b>5,714,833</b>	<b>1,038,913</b>	<b>6,508,498</b>
<b>Plan fiduciary net position - beginning</b>	<b>69,596,718</b>	<b>63,881,885</b>	<b>62,842,972</b>	<b>56,334,474</b>
<b>Plan fiduciary net position - ending</b>	<b>78,790,699</b>	<b>69,596,718</b>	<b>63,881,885</b>	<b>62,842,972</b>
<b>City's net pension liability</b>	<b>\$ 13,735,046</b>	<b>\$ 17,944,054</b>	<b>\$ 18,031,470</b>	<b>\$ 15,279,232</b>

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*See accompanying independent auditor's report and notes to required supplementary information.*

**City of Lauderhill Firefighters' Retirement System**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net Pension Liability (Unaudited) - continued**  
**Last Ten Fiscal Years\***

	2017	2016	2015	2014
Total pension liability	\$ 92,525,745	\$ 87,540,772	\$ 81,913,355	\$ 78,122,204
Plan fiduciary net position - ending	(78,790,699)	(69,596,718)	(63,881,885)	(62,842,972)
<b>City's net pension liability</b>	<b>\$ 13,735,046</b>	<b>\$ 17,944,054</b>	<b>\$ 18,031,470</b>	<b>\$ 15,279,232</b>
Plan fiduciary net position as a percentage of the total pension liability	85.16%	79.50%	77.99%	80.44%
Covered - actuarially computed employee payroll	\$ 7,651,439	\$ 7,136,191	\$ 6,884,383	\$ 6,945,645
City's net pension liability as a percentage of covered - employee payroll	179.51%	251.45%	261.92%	219.98%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*See accompanying independent auditor's report and notes to required supplementary information.*

**City of Lauderdale Firefighters' Retirement System**  
**Required Supplementary Information**  
**Schedule of Contributions by Employer (Unaudited)**  
**Last Ten Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 3,716,888	\$ 3,989,982	\$ 4,231,795	\$ 4,331,942	\$ 4,369,844
Contributions in relation to the actuarially determined contribution	<u>3,719,029</u>	<u>3,989,982</u>	<u>4,231,795</u>	<u>4,331,942</u>	<u>4,369,844</u>
<b>Contribution deficiency (excess)</b>	<u>\$ (2,141)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-actuarially computed employee payroll *	\$ 7,651,439	\$ 7,136,191	\$ 6,884,383	\$ 6,945,643	\$ 6,716,257
Contributions as a percentage of covered-employee payroll	48.61%	55.91%	61.47%	62.37%	65.06%
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 3,691,300	\$ 3,003,218	\$ 2,952,870	\$ 2,448,774	\$ 2,534,923
Contributions in relation to the actuarially determined contribution	<u>3,691,300</u>	<u>3,003,218</u>	<u>2,952,870</u>	<u>2,448,774</u>	<u>2,534,923</u>
<b>Contribution deficiency (excess)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-actuarially computed employee payroll *	\$ 6,445,935	\$ 6,018,473	\$ 6,024,458	\$ 6,357,484	\$ 5,943,239
Contributions as a percentage of covered-employee payroll	57.27%	49.90%	49.01%	38.52%	42.65%

\* Includes DROP members

*See accompanying independent auditor's report and notes to required supplementary information.*

**City of Lauderdale Firefighters' Retirement System**  
**Required Supplementary Information**  
**Schedule of Investment Returns (Unaudited)**  
**Last Ten Fiscal Years \***

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	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	12.89%	10.02%	-0.66%	8.83%

\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

*See accompanying independent auditor's report and notes to required supplementary information.*

**City of Lauderdale Firefighters' Retirement System**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information (Unaudited)**  
**Last Ten Fiscal Years**

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*Method and assumptions used in calculations of the City's actuarially determined contributions.* The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of October 1. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Amortization period	25 years effective October 1, 2016.
Asset valuation method	3-year smoothed market
Inflation	3.0%
Projected salary increases	7%, including inflation
Investment rate of return	Effective October 1, 2017, the investment return is 7.85%, net of investment expenses, including inflation.
Cost-of-living increases	1.5%

**Retirement Age:** For the current valuation retirement is assumed at 50% of those eligible to retire or DROP with 20 through 24 years of service with 100% choosing to retire or DROP at 25 years of service or upon reaching age 55 with 10 years of service.

**Mortality Rates:** For the October 1, 2017 actuarial valuation, the mortality table has been revised to that used for special risk employees in the valuation of FRS as of July 1, 2016 and 2017, as required by state statute. While healthy post-retirement mortality and disabled mortality rates were unchanged, healthy pre-retirement was revised.

**Disability Rates:** Representative values of the assumed annual rates of disability among members in active service are as follows:

<u>Age</u>	<u>Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>
15-21	0.14%	36	0.24%	46	0.59%
22-25	0.15%	37	0.25%	47	0.70%
26-27	0.16%	38	0.26%	48	0.79%
28-29	0.17%	39	0.28%	49	0.90%
30	0.18%	40	0.30%	50	1.00%
31	0.19%	41	0.32%	51	1.10%
32	0.20%	42	0.35%	52	1.20%
33	0.21%	43	0.39%	53	1.31%
34	0.22%	44	0.44%	54	1.43%
35	0.23%	45	0.51%	55	1.55%
				56	1.68%
				57	1.81%
				58	1.95%
				59	2.09%
				>=60	0.00%

75% of disabilities are assumed to be in the line of duty.

**Employee Withdrawal Rates:** Representative values of the assumed annual rates of withdrawal among members in active service are as follow

<u>Service</u>	<u>Withdrawal Rates</u>						
0-1	3.8%	6	3.0%	11	2.4%	16	1.3%
2	3.7%	7	2.8%	12	2.1%	17	1.1%
3	3.5%	8	2.8%	13	1.8%	18	0.9%
4	3.3%	9	2.7%	14	1.6%	19	0.9%
5	3.2%	10	2.6%	15	1.4%	20+	0.0%

**Marital Assumptions:**

- 80% of members are assumed married at retirement.
- Male spouses are assumed to be three years older than female spouses.

*See accompanying independent auditor's report.*

## Supplementary Schedules

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**City of Lauderdale Firefighters' Retirement System**  
**Supplementary Schedules of Investment Expenses and Administrative Expenses**

<i>For the years ended September 30,</i>	2017	2016
<b>Schedule "1" - Schedules of Investment Expenses</b>		
Financial management expenses *		
Loomis Sayles	\$ 97,992	\$ 86,893
Systematic Financial	44,353	52,681
American Realty Advisors	48,884	46,146
Agincourt	32,569	30,935
State Street Global Advisors	29,080	25,731
Brown Advisory	45,051	50,213
Glovista	5,819	8,115
Intercontinental	48,027	46,349
Ceres	35,961	30,780
<b>Total financial management expenses</b>	<b>387,735</b>	<b>377,843</b>
Investment consultant fees		
Dahab Consultants	38,105	33,779
Investment custodial fees		
Fifth Third Bank	8,714	12,358
<b>Total investment expenses</b>	<b>\$ 434,554</b>	<b>\$ 423,980</b>
* Does not include Mutual Funds.		
<b>Schedule "2" - Schedules of Administrative Expenses</b>		
Professional services		
Legal	\$ 75,755	\$ 80,701
Administrator	52,194	49,202
Actuarial	33,900	32,175
Audit	17,323	14,700
<b>Total professional services</b>	<b>179,172</b>	<b>176,778</b>
Other		
Education	19,851	13,074
Insurance	11,626	11,626
Rent	6,360	6,360
Office expense	2,216	787
Medical	-	9,455
Dues	1,000	1,100
<b>Total other</b>	<b>41,054</b>	<b>42,402</b>
<b>Total administrative expenses</b>	<b>\$ 220,226</b>	<b>\$ 219,180</b>