

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator
City of Fort Lauderdale General Employees' Retirement System
Fort Lauderdale, FL

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Fort Lauderdale General Employees' Retirement System (the Plan), which comprise the statement of fiduciary net position as of September 30, 2014 and the related statement of changes in fiduciary net position for the fiscal year 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 States 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 respective financial position of the Plan, as of September 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Plan implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans, An Amendment to GASB Statement No.25*. Our opinion is not modified with respect to this matter.

Other Matters

Report on Comparative Information

We have previously audited the Plan's 2013 financial statements, and our report dated February 13, 2014, expressed an unmodified opinion on those financial statements. In our opinion, the comparative information presented herein as of and for the fiscal year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 4 to 8 and 21 to 23, respectively be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

Marcum LLP

Fort Lauderdale, FL
February 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Management's discussion and analysis of the City of Fort Lauderdale General Employees' Retirement System (GERS or the Plan) financial performance provides an overview of the Plan's financial activities for the years ended September 30, 2014 and 2013. Please read it in conjunction with the financial statements, notes to the financial statements and required supplementary information which follow this discussion.

FINANCIAL HIGHLIGHTS

- Plan assets exceeded its liabilities at the close of the years ended September 30, 2014 and 2013 by approximately \$593.1 million and \$551.8 million, respectively (reported as net position restricted for pension benefits). Net position restricted for pension benefits is held in trust to meet future benefit payments.
- Total return on investment for the Plan was 11.0% and 14.8% for the years ended September 30, 2014 and 2013, respectively.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of September 30, 2013 and 2012, (dates of the latest actuarial valuations), the funded ratio was approximately 90.8% and 90.7%, respectively.
- Additions to Plan net position for the years ended September 30, 2014 and 2013 were approximately \$77.9 million and \$235.7 million, respectively, and are comprised of contributions of \$18.3 million and \$163.5 million, respectively, with net investment income of \$59.6 million and \$72.3 million, respectively.
- Deductions to Plan net position for the years ended September 30, 2014 and 2013 were approximately \$36.7 million and \$36.4 million, respectively, and are comprised primarily of benefit payments of approximately \$36.1 million and \$35.8 million, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Plan was established to administer a defined benefit pension plan for all permanent City of Fort Lauderdale, Florida (the City) employees except for firefighters and police officers. The Plan's financial statements are comprised of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position, and Notes to Financial Statements. Also included is certain required supplementary information. These financial statements report information about the Plan as a whole and about its financial condition that should help answer the question: Is the Plan, as a whole, better off or worse off as a result of this year's activities? These 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Statement of Fiduciary Net Position presents information on the assets and liabilities and the resulting net position restricted for pension benefits. This statement reflects the Plan's investments, at fair value, along with cash, receivables and other assets and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the Plan's net position restricted for pension benefits changed during the fiscal year. It reflects contributions by employees and the employer (City), along with deductions for retirement benefits, refunds, and administrative expenses.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The required supplementary information presents a Schedule of Changes in The Employer Net Pension Liability and Related Ratios, a Schedule of Employer Contributions, and a Schedule of Investment Returns of the plan along with a discussion of changes in actuarial assumptions and methods.

SUMMARY OF FIDUCIARY NET POSITION

The following condensed comparative Summary of Fiduciary Net Position demonstrates the investment position of the Plan at September 30:

	2014	2013
Cash	\$ 42,369	\$ 3,117
Investments, at fair value	595,620,705	553,080,382
Receivables	6,547,618	3,914,845
Deposits	2,400	3,850
Capital Assets	<u>10,178</u>	<u>13,617</u>
Total Assets	602,223,270	557,015,811
Liabilities	<u>9,176,080</u>	<u>5,172,814</u>
Net Position Restricted for Pension Benefits	<u>\$ 593,047,190</u>	<u>\$ 551,842,997</u>

The Plan's total assets as of September 30, 2014 and 2013 were approximately \$602.2 million and \$557.0 million, respectively, and were mostly comprised of cash and short-term investments, equity and fixed income investments, and receivables related to investments. For the year ended September 30, 2014, total assets increased approximately \$45.2 million or 8.1% from the prior year primarily due to investment earnings.

Total liabilities as of September 30, 2014 and 2013 were approximately \$9.2 million and \$5.2 million, respectively, and were mostly comprised of accruals for pending trades and accruals for expenses made by the City of Fort Lauderdale on behalf of the Plan. Total liabilities at September 30, 2014 increased by approximately \$4.0 million or 77.4% from 2013 mostly due to an increase in pending trades as of year end.

SUMMARY OF FIDUCIARY NET POSITION (CONTINUED)

Plan assets exceeded its liabilities at the close of the years ended September 30, 2014 and 2013, by approximately \$593.0 million and \$551.8 million, respectively. For the year ended September 30, 2014, net position restricted for pension benefits increased approximately \$41.2 million or 7.5% from the prior year primarily due to investment earnings.

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

The Summary of Changes in Fiduciary Net Position, displays the effect of pension fund transactions that occurred during the fiscal year, where Additions - Deductions = Net Increase (or decrease) in Net Position. The table below reflects a condensed comparative summary of the changes in net position and reflects the activity of the Plan and for the years ended September 30:

	<u>2014</u>	<u>2013</u>
Additions		
Contributions		
City	\$ 15,061,353	\$ 159,943,525
Employees	3,264,583	3,509,882
County	<u> --</u>	<u> 6,816</u>
Total	18,325,936	163,460,223
Net Investment Income	<u>59,588,725</u>	<u>72,251,041</u>
Total Additions	<u>77,914,661</u>	<u>235,711,264</u>
Deductions		
Benefits paid	36,087,008	35,844,477
Refunds of contributions	153,598	133,231
Administrative expenses	<u>469,862</u>	<u>441,784</u>
Total Deductions	<u>36,710,468</u>	<u>36,419,492</u>
Net Increase	41,204,193	199,291,772
Net Position Restricted for Pension		
Benefits - Beginning of Year	<u>551,842,997</u>	<u>352,551,225</u>
Net Position Restricted for Pension		
Benefits - End of Year	<u>\$ 593,047,190</u>	<u>\$ 551,842,997</u>

REVENUES – ADDITIONS TO PLAN NET POSITION

The following condensed comparative summary demonstrates the additions to the Plan and percentage change for the years ended September 30 (In Thousands):

	2014	2013	Increase (Decrease)	Total Percentage Change
City Contributions	\$ 15,061	\$ 159,944	\$ (144,882)	-90.6%
Employee Contributions	3,265	3,510	(245)	-7.0%
County Contributions	--	7	(7)	-100.0%
Net Investment Income	<u>59,589</u>	<u>72,251</u>	<u>(12,662)</u>	-17.5%
Total Additions	<u>\$ 77,915</u>	<u>\$ 235,711</u>	<u>\$ (157,797)</u>	-66.9%

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from the employees, the City, and the County and through earnings on investments. Contributions and net investment income, for years ended September 30, 2014 and 2013 totaled approximately \$77.9 million and \$235.7 million, respectively. Total contributions and net investment income for the year ended September 30, 2014 decreased from 2013 by approximately \$157.8 million or 66.9%. The fluctuation is primarily due to the significant City's Pension Obligation Bond contribution made in October 2012 of approximately \$146.4 million to reduce the plan's unfunded liability.

Net investment income for the year ended September 30, 2014 decreased from 2013 by approximately \$12.7 million due to a decline in market conditions.

Total City contributions for the year ended September 30, 2014 decreased from 2013 by approximately \$144.9 million or 90.6% due to the City's Pension Obligation Bond contributions made in October 2012.

EXPENSES - DEDUCTIONS FROM PLAN NET POSITION

The table below reflects a condensed comparative summary of the deductions of the Plan and percentage change for the years ended September 30 (In Thousands):

	2014	2013	Increase (Decrease)	Total Percentage Change
Pension Benefits Paid	\$ 36,087	\$ 35,844	\$ 243	0.7%
Refund of Contributions	154	133	20	15.3%
Administrative Expenses	<u>470</u>	<u>442</u>	<u>28</u>	6.4%
Total Deductions	<u>\$ 36,710</u>	<u>\$ 36,419</u>	<u>\$ 291</u>	0.8%

EXPENSES - DEDUCTIONS FROM PLAN NET POSITION (CONTINUED)

The primary deductions of the Plan include the payment of pension benefits to retirees and beneficiaries, refund of contributions to former members, and administrative expenses. Total deductions for the years ended September 30, 2014 and 2013 were approximately \$36.7 million and \$36.4 million, respectively. Total deductions for the year ended September 30, 2014 was an increase of approximately 0.8% from 2013.

The pension benefits paid to retirees and beneficiaries increased for the year ended September 30, 2014 from 2013 by approximately \$243,000 or approximately 0.7% due to an increase in number of retirees.

RETIREMENT SYSTEM AS A WHOLE

With the exception of the fiscal year ended 2008 and 2011, the Plan's net position has experienced increases over the last 10 years. Management believes, and actuarial studies concur, that the Plan 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 PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board of Pension Trustees, our members, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the funds invested in the GERS. If you have any questions about this report or need additional financial information, contact the Plan Administrator, City of Fort Lauderdale General Employees' Retirement System, 316 NE Fourth Street, Suite 2, Fort Lauderdale, FL 33301.

FINANCIAL STATEMENTS

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

STATEMENT OF FIDUCIARY NET POSITION

**SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2013)**

	2014	2013
Assets		
Cash	\$ 42,369	\$ 3,117
Investments, at Fair Value		
U.S. Treasury securities	31,176,194	3,664,636
U.S. Government agency obligations	26,664,837	33,756,690
Corporate bonds	6,060,494	29,879,347
Money market funds	10,636,632	10,770,930
Mutual funds and other	97,796,295	85,957,793
Commingled trust fund	51,473,060	43,166,098
Common and preferred stock	346,830,603	326,850,033
Real estate	24,982,590	19,034,855
Total Investments	595,620,705	553,080,382
Receivables		
Unsettled trades	5,871,437	3,058,052
Accrued dividends and interest	676,181	856,793
Total Receivables	6,547,618	3,914,845
Capital Assets (Net of Accumulated Depreciation)	10,178	13,617
Deposits	2,400	3,850
Total Assets	602,223,270	557,015,811
Liabilities		
Unsettled trades	5,332,164	2,484,853
Accounts payable and accrued liabilities	703,360	540,639
Due to the City of Fort Lauderdale	3,123,154	2,129,920
Deposits	17,402	17,402
Total Liabilities	9,176,080	5,172,814
Net Position Restricted for Pension Benefits	\$ 593,047,190	\$ 551,842,997

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

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014
(WITH COMPARATIVE TOTALS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2013)**

	2014	2013
Additions		
Contributions		
Employer	\$ 15,061,353	\$ 159,943,525
Plan members	3,264,583	3,509,882
County	--	6,816
Total Contributions	<u>18,325,936</u>	<u>163,460,223</u>
Investment Income		
Net appreciation in fair value of investments	51,410,863	63,877,980
Interest	5,683,580	5,269,340
Dividends	5,595,636	5,698,303
Real estate income	544,078	278,442
Other income	19,045	28,586
	<u>63,253,202</u>	<u>75,152,651</u>
Less: investment expenses	<u>3,664,477</u>	<u>2,901,610</u>
Net Investment Income	<u>59,588,725</u>	<u>72,251,041</u>
Total Additions	<u>77,914,661</u>	<u>235,711,264</u>
Deductions		
Benefits Paid		
Retirement	33,110,149	32,689,575
Disability	403,520	399,885
Death	2,573,339	2,755,017
Total Benefits Paid	<u>36,087,008</u>	<u>35,844,477</u>
Refund of Contributions	153,598	133,231
Administrative Expenses	<u>469,862</u>	<u>441,784</u>
Total Deductions	<u>36,710,468</u>	<u>36,419,492</u>
Net Increase in Net Position	41,204,193	199,291,772
Net Position Restricted for Pension Benefits		
Beginning	<u>551,842,997</u>	<u>352,551,225</u>
Ending	<u>\$ 593,047,190</u>	<u>\$ 551,842,997</u>

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

NOTES TO FINANCIAL STATEMENTS

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the City of Fort Lauderdale General Employees' Retirement System (the Plan) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividends are recorded as earned.

METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION

Investments are reported at fair value. 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. Short-term investments which consist of money market funds are reported at cost, which is fair value. Securities traded on national or international exchanges 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 period. 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 a financial consultant.

USE OF ESTIMATES

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

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPARATIVE INFORMATION AND RECLASSIFICATION

The balances shown for the fiscal year ended September 30, 2013 in the accompanying financial statements are included to provide a basis for comparison with 2014 only. Accordingly, the 2013 financial statements are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the fiscal year ended September 30, 2013, from which the information was derived.

Certain amounts in the prior year financial statements, primarily related to the investment categories on the statement of fiduciary net position, have been reclassified to conform with the presentation in the current year financial statements.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Plan implemented the following GASB Statement during the year ended September 30, 2014 that had a significant impact on the financial statements:

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability of employers and non-employer contributing entities for benefit provided through the plan (net pension liability), about which information is required to be presented.

The Plan implemented the following GASB Statements during the fiscal year ended September 30, 2014, which did not have an impact on the financial statements:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

PLAN DESCRIPTION

The General Employees' Retirement System is a single-employer defined benefit plan administered by a seven-member Board of Trustees plus a non-voting Ex-Officio Member, which covers a majority of City of Fort Lauderdale (the City) general employees hired prior to October 1, 2007 except police and firefighters. On March 4, 2008, the City passed Ordinance No. C-08-06 effectively closing the Plan to new entrants. The latest actuarial valuation prior to September 30, 2014 is dated September 30, 2013.

Membership in the Plan as of September 30, 2013, the date of the latest actuarial valuation, consists of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,335
Inactive plan members entitled to but not yet receiving benefits	108
Active plan members	<u>947</u>
Total	<u>2,390</u>

PENSION BENEFITS

Under the vesting provisions of the Plan, most Plan members are entitled to 100% of normal retirement benefits after 5 years of service beginning at age 55 or after 30 years of service, whichever occurs first. Certain Plan members hired on or after October 1, 1983 electing reduced benefits are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 65. Members who terminate prior to vesting are entitled to a refund of their contributions plus interest at 3% per year.

Members who continue in employment past normal retirement may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Program (DROP), see Note 4. Each participant in the DROP has an account credited with benefits not received and investment earnings. Participation in the DROP must end no later than 36 months after normal retirement. These benefit provisions and all other requirements are established by City ordinance.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS AND FUNDING POLICY

Plan members contribute 6% of their earnings to the Plan or, based on their date of hire, 4% if the employee elected to remain in a lower tier classification. 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 September 30 each year. Employer contribution requirements for the fiscal year ended September 30, 2014 were based on the September 30, 2012 actuarial valuation. For the years ended September 30, 2014 and 2013, the City's contribution rate as a percentage of annual covered payroll was 27.49% and 22.60%, respectively.

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.

NOTE 3 - INVESTMENTS

Investments permitted by the Plan's investment policy include Florida PRIME, U.S. Treasury securities, U.S. Government agency obligations, common and preferred stocks from domestic and foreign corporations, commingled trust funds, repurchase agreements, commercial paper, corporate bonds, banker's acceptances, state or local government taxable or tax exempt debt, real estate and real estate securities, money market funds invested in permitted securities and intergovernmental investment pools.

As of September 30, 2014, this portfolio consists of investments in U.S. Government agency obligations, money market funds, mutual funds, commingled trust funds, corporate bonds, common and preferred stock and real estate.

RATE OF RETURN

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.62%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK

As of September 30, 2014, the Plan had the following fixed income securities and maturities in its portfolio:

Investment	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 31,176,194	\$ --	\$ 4,782,615	\$ 26,393,579	\$ --
U.S. Government agency obligations	26,664,837	--	1,648,033	11,052,742	13,964,062
Corporate bonds	<u>6,060,494</u>	<u>--</u>	<u>--</u>	<u>6,060,494</u>	<u>--</u>
Total	<u>\$ 63,901,525</u>	<u>\$ --</u>	<u>\$ 6,430,648</u>	<u>\$ 43,506,815</u>	<u>\$ 13,964,062</u>

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. As a means of limiting its exposure to fair value losses, the investment policy looks to control impacts from interest rate risk in both rising and declining interest rate environments considering such factors as credit quality and duration for losses in rising rate environments, and credit quality in declining rate environments. The benchmarks are monitored and changed when warranted by investment market environment. Debt portfolios are structured and managed to produce returns based on risks inherent in the selected benchmarks.

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 investments in corporate bonds or notes, general obligation and/or revenue bonds of state or local governments to be rated "A" or better by a nationally recognized rating service. All of these investments met this requirement.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – INVESTMENTS (CONTINUED)

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. Investments in any one issuer that represent 5% or more of total net position require disclosure, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds. The Plan utilizes limitations on securities of a single issuer to manage this risk.

As of September 30, 2014, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's net position.

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 has no exposure to foreign currency risk as all investments are denominated in U'S dollars as of September 30, 2014.

REAL ESTATE INVESTMENTS

The Plan purchased three properties located at 316 N.E. 4th Street (purchased in 2006 for approximately \$3.0 million), 4800 North Federal Highway (purchased in 2007 for approximately \$3.8 million) and 300 N.E. 3rd Avenue (purchased in December 2011 for approximately \$3.9 million), all within the City. The property located at 300 N.E. 3rd Avenue included a vacant building that the due diligence review revealed would not be worthwhile to rehabilitate. The property was purchased with the intent of demolishing the building and aggregating this property with the contiguous property at 316 N.E. 4th Street for long-term appreciation and future development. The Plan has entered into leasing agreements with various tenants at both the 316 N.E. 4th Street and the 4800 North Federal Highway building, estimated to earn rental income of approximately \$964,000 through October 2023.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 3 – INVESTMENTS (CONTINUED)

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 change could materially affect the amounts reported in the Statement of Fiduciary Net Position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

NOTE 4 – DEFERRED RETIREMENT OPTION PROGRAM

The Plan offers a Deferred Retirement Option Program (DROP) for all eligible participants. Eligible members may apply to participate by applying to the Board of Trustees.

Upon a member's election to participate in the DROP, that member shall cease to be a member of the Plan and shall be precluded from any additional benefits under the Plan; accordingly, that member shall be considered retired. Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments will be paid into the DROP and credited to the retired member. Payments into the DROP are made monthly for the period the retired member participates in the DROP, up to a maximum of 36 months. Payments into the DROP will earn interest at the Plan's actuarial rate of return (currently 7.65%). Upon termination of employment, participants in the DROP will receive the balance of their account either in a lump-sum distribution or may be rolled over to a qualified retirement plan that accepts rollovers.

As of September 30, 2014 and 2013, there were 19 and 19 member enrolled under DROP, and the balance in the DROP account was \$1,538,074 and \$1,969,019, respectively. These amounts are included in the total investment balance presented on the Statement of Fiduciary Net Position.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 5 – ADMINISTRATIVE EXPENSES

The City provides the Plan with certain services without receiving compensation. Administrative costs paid or incurred by the Plan consisted of the following for the year ended September 30:

	2014	2013
Professional services	\$ 91,221	\$ 185,494
Salaries and wages	168,386	173,908
Meetings/conferences/dues	36,748	41,638
Fringe benefits	32,896	31,253
Depreciation	3,440	3,444
Leases and rentals	2,630	3,024
Supplies	2,257	1,517
Intragovernmental service charges	122,704	1,343
Other expenses	<u>9,580</u>	<u>163</u>
Total Administrative Expenses	<u>\$ 469,862</u>	<u>\$ 441,784</u>

NOTE 6 – NET PENSION LIABILITY

The components of the net pension liability at September 30, 2014:

Total pension liability	\$ 592,365,618
Plan fiduciary net position	<u>593,047,190</u>
Net pension liability	<u>\$ (681,572)</u>
Plan fiduciary net position as a percent of the total pension liability	<u>100.12%</u>

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods:

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 6 – NET PENSION LIABILITY (CONTINUED)

SIGNIFICANT ACTUARIAL ASSUMPTIONS (CONTINUED)

Inflation	3.25%
Salary increases	4.00% to 9.50% depending on age, including inflation
Investment rate of return	7.65%
Mortality	RP-2000 Combined Health Participant Mortality Table for males and females with mortality improvements projected to all future years after 2000 using Scale AA

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study dated November 1, 2012 for the period from October 1, 2001 to September 30, 2011.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	40.0%	11.1%
Smid Cap Equity	5.0%	12.5%
Small Cap Equity	5.0%	9.8%
International Equity	15.0%	7.1%
Emerging Markets Equity	15.0%	9.6%
Real Estate	5.0%	9.7%
Timber	5.0%	8.4%
Fixed Income	<u>10.0%</u>	6.2%
Total	<u><u>100.0%</u></u>	

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

NOTE 6 – NET PENSION LIABILITY (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65%) or 1-percentage-point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability	\$ 63,239,555	\$ (681,572)	\$ (54,855,578)

NOTE 7 – TAX STATUS

Management and tax counsel believe that the Plan 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 management has indicated that they will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

Subsequent to year end, on October 24, 2014, the Plan received its favorable determination letter.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
EMPLOYER NET PENSION LIABILITY AND RELATED RATIOS**

	2014
Total Pension Liability	
Service cost	\$ 10,774,138
Interest	43,346,733
Benefit changes	--
Differences between expected and actual experience	--
Assumption changes	--
Benefit payments	(36,087,008)
Refunds	(153,598)
	17,880,265
Net Change in Total Pension Liability	17,880,265
Total Pension Liability - Beginning	574,485,353
Total Pension Liability - Ending (a)	\$ 592,365,618
Plan Fiduciary Net Position	
Contributions - employer	15,061,353
Contributions - member	3,264,583
Net investment income	59,569,680
Benefit payments	(36,087,008)
Refunds	(153,598)
Administrative expenses	(469,862)
Other	19,045
	41,204,193
Net Change in Plan Fiduciary Net Position	41,204,193
Plan Fiduciary Net Position - Beginning	551,842,997
Plan Fiduciary Net Position - Ending (b)	\$ 593,047,190
Net Pension Liability - Ending (a) - (b)	\$ (681,572)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.12%
Covered-Employee Payroll	\$ 58,445,771
Net Pension Liability as a Percentage of Covered-Employee Payroll	-1.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 15,061,353	\$ 15,061,353	\$ --	\$ 58,445,771	25.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a fully 10-year trend is compiled, pension plans should present information for those years for which information is available.

Note to Schedule:

Valuation date: September 30, 2013

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Closed amortization period	4-29 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Salary increases	3.25% compounded annually for inflation plus a seniority/merit scale ranging from 4.0% to 9.5%.
Cost-of-living adjustments	Ad-hoc adjustments are made at the discretion of the Board of Trustees with approval of the City Commission if investment earnings have exceeded the funding assumptions during the prior fiscal year.
Mortality	RP-2000 Combined Healthy Participant Mortality Tables for males and females with mortality improvements projected to all future years after 2000 using Scale AA.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u><u>10.62%</u></u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

REPORTING SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees and Plan Administrator
City of Fort Lauderdale General Employees' Retirement System
Fort Lauderdale, FL

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 financial statements of the City of Fort Lauderdale General Employees' Retirement System (the Plan) which comprises the statement of fiduciary net position as of September 30, 2014 and the statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 25, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 opinion on the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Fort Lauderdale, FL
February 25, 2015