

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

A PENSION TRUST FUND OF THE CITY OF FORT LAUDERDALE, FLORIDA

FINANCIAL STATEMENTS
For the fiscal year ended September 30, 2015

CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S 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), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 financial position of the Plan, as of September 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Comparative Information

As discussed in Note 1, the balances shown for the fiscal year ended September 30, 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015 only. The comparative information was derived from the financial statements of the Plan for the fiscal year ended September 30, 2014, which were audited by other auditors whose report dated February 25, 2015, expressed an unmodified opinion on those financial statements. The predecessor auditor opinion included an emphasis of matter paragraph with regard to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans, An Amendment to GASB Statement No. 25*.

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 3 to 7 and 19 to 22, respectively 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2016 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.


Crowe Horwath LLP

Fort Lauderdale, Florida
March 3, 2016

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, 2015 and 2014. 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, 2015 and 2014 by approximately \$551.7 million and \$593.0 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 (4.59%) and 11.0% for the years ended September 30, 2015 and 2014, respectively.
- The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. As of September 30, 2014 and 2013, (dates of the latest actuarial valuations), the funded ratio was approximately 93.3% and 90.8%, respectively.
- Additions to Plan net position for the years ended September 30, 2015 and 2014 were approximately (\$3.9) million and \$77.9 million, respectively, and are comprised of contributions of \$18.7 million and \$18.3 million, respectively, with net investment income (loss) of (\$22.6) million and \$59.6 million, respectively.
- Deductions to Plan net position for the years ended September 30, 2015 and 2014 were approximately \$37.5 million and \$36.7 million, respectively, and are comprised primarily of benefit payments of approximately \$37.0 million and \$36.1 million, respectively.

OVERVIEW OF THE FINANCIAL

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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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:

	<u>2015</u>	<u>2014</u>
Cash	\$ 276,173	\$ 42,369
Investments, at fair value	554,751,318	595,620,705
Receivables	3,531,466	6,547,618
Deposits	2,401	2,400
Capital Assets	<u>6,738</u>	<u>10,178</u>
Total Assets	558,568,096	602,223,270
Liabilities	<u>6,873,961</u>	<u>9,176,080</u>
Net Position Restricted for Pension	<u>\$ 551,694,135</u>	<u>\$ 593,047,190</u>

The Plan's total assets as of September 30, 2015 and 2014 were approximately \$558.6 million and \$602.2 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, 2015, total assets decreased approximately \$43.7 million or 8.1% from the prior year primarily due to investment earnings.

Total liabilities as of September 30, 2015 and 2014 were approximately \$6.9 million and \$9.2 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, 2015 decreased by approximately \$2.3 million or 77.4% from 2014 mostly due to an increase in pending trades as of year-end.

Plan assets exceeded its liabilities at the close of the years ended September 30, 2015 and 2014, by approximately \$551.7 million and \$593.0 million, respectively. For the year ended September 30, 2015, net position restricted for pension benefits decreased approximately \$41.4 million or 7.0% 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>2015</u>	<u>2014</u>
Additions		
Contributions		
City	\$ 15,501,180	\$ 15,061,353
Employees	<u>3,200,689</u>	<u>3,264,583</u>
Total	18,701,869	18,325,936
Net Investment Income (Loss)	<u>(22,561,456)</u>	<u>59,588,725</u>
Total Additions	<u>(3,859,587)</u>	<u>77,914,661</u>
Deductions		
Benefits paid	36,967,771	36,087,008
Refunds of contributions	127,423	153,598
Administrative expenses	<u>398,274</u>	<u>469,862</u>
Total Deductions	<u>37,493,468</u>	<u>36,710,468</u>
Net Increase (Decrease)	(41,353,055)	41,204,193
Net Position Restricted for Pension		
Benefits - Beginning of Year	<u>593,047,190</u>	<u>551,842,997</u>
Net Position Restricted for Pension		
Benefits- End of Year	<u>\$ 551,694,135</u>	<u>\$ 593,047,190</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):

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>	<u>Total Percentage Change</u>
City Contributions	\$ 15,501	\$ 15,061	\$ 440	2.9%
Employee Contributions	3,201	3,265	(64)	(2.0%)
Net Investment Income (Loss)	<u>(22,561)</u>	<u>59,589</u>	<u>(82,150)</u>	(137.9%)
Total Additions	<u>\$ (3,859)</u>	<u>\$ 77,915</u>	<u>\$ (81,774)</u>	(105.0%)

REVENUES – ADDITIONS TO PLAN NET POSITION (Continued)

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 (loss) income, for years ended September 30, 2015 and 2014 totaled approximately (\$3.9) million and \$77.9 million, respectively. Total contributions and net investment income (loss) for the year ended September 30, 2015 decreased from 2014 by approximately \$81.8 million or 105%. The decrease is primarily due to the significant decline in market conditions.

Net investment income for the year ended September 30, 2015 decreased from 2014 by approximately \$82.2 million due to a decline in market conditions.

Total City contributions for the year ended September 30, 2015 decreased from 2014 by approximately \$440,000 or 2.9% due to the state mandated mortality assumption change.

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):

	<u>2015</u>	<u>2014</u>	<u>Increase Decrease</u>	<u>Total Percentage Change</u>
Pension Benefits Paid	\$ 36,968	\$ 36,087	\$ 881	2.4%
Refund of Contributions	127	154	(27)	(17.5%)
Administrative Expenses	<u>398</u>	<u>470</u>	<u>(72)</u>	(15.3%)
Total Additions	<u>\$ 37,493</u>	<u>\$ 36,711</u>	<u>\$ 782</u>	2.1%

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, 2015 and 2014 were approximately \$37.5 million and \$36.7 million, respectively. Total deductions for the year ended September 30, 2015 was an increase of approximately 2.1% from 2014.

The pension benefits paid to retirees and beneficiaries increased for the year ended September 30, 2015 from 2014 by approximately \$36,968 or approximately 2.4% due to an increase in number of retirees.

RETIREMENT SYSTEM AS A WHOLE

With the exception of the fiscal year ended 2008, 2011, and 2015 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.

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

STATEMENT OF FIDUCIARY NET POSITION

**SEPTEMBER 30, 2015
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2014)**

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 276,173	\$ 42,369
Investments, at Fair Value		
U.S. Treasury securities	42,916,477	31,176,194
U.S. Government agency obligations	19,285,596	26,664,837
Corporate bonds	4,495,031	6,060,494
Money market funds	10,706,623	10,636,632
Mutual funds and other	91,210,733	97,796,295
Commingled trust fund	83,304,743	51,473,060
Common and preferred stock	262,274,555	346,830,603
Real estate	<u>40,557,560</u>	<u>24,982,590</u>
Total Investments	<u>554,751,318</u>	<u>595,620,705</u>
Receivables		
Unsettled trades	2,913,197	5,871,437
Accrued dividends and interest	<u>618,269</u>	<u>676,181</u>
Total Receivables	3,531,466	6,547,618
Capital Assets (Net of Accumulated Depreciation)	6,738	10,178
Deposits	<u>2,401</u>	<u>2,400</u>
Total Assets	<u>558,568,096</u>	<u>602,223,270</u>
Liabilities		
Unsettled trades	2,997,808	5,332,164
Accounts payable and accrued liabilities	720,080	703,360
Due to the City of Fort Lauderdale	3,138,671	3,123,154
Deposits	<u>17,402</u>	<u>17,402</u>
Total Liabilities	<u>6,873,961</u>	<u>9,176,080</u>
Net Position Restricted for Pension Benefits	<u>\$ 551,694,135</u>	<u>\$ 593,047,190</u>

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, 2015

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

	<u>2015</u>	<u>2014</u>
Additions		
Contributions		
Employer	\$ 15,501,180	\$ 15,061,353
Plan members	<u>3,200,689</u>	<u>3,264,583</u>
Total Contributions	<u>18,701,869</u>	<u>18,325,936</u>
Investment Income		
Net appreciation (depreciation)	(31,907,879)	51,410,863
Interest	3,282,860	5,683,580
Dividends	7,664,510	5,595,636
Real estate income	1,692,378	544,078
Other income	<u>22,217</u>	<u>19,045</u>
	(19,245,914)	63,253,202
Less: investment expenses	<u>3,315,542</u>	<u>3,664,477</u>
Net Investment Income	<u>(22,561,456)</u>	<u>59,588,725</u>
Total Additions	<u>(3,859,587)</u>	<u>77,914,661</u>
Deductions		
Benefits Paid		
Retirement	33,826,256	33,110,149
Disability	457,764	403,520
Death	<u>2,683,751</u>	<u>2,573,339</u>
Total Benefits Paid	36,967,771	36,087,008
Refund of Contributions	127,423	153,598
Administrative Expenses	<u>398,274</u>	<u>469,862</u>
Total Deductions	<u>37,493,468</u>	<u>36,710,468</u>
Net Increase (Decrease) in Net Position	(41,353,055)	41,204,193
Net Position Restricted for Pension Benefits		
Beginning	<u>593,047,190</u>	<u>551,842,997</u>
Ending	<u>\$ 551,694,135</u>	<u>\$ 593,047,190</u>

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

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – These financial statement represent only the City of Fort Lauderdale (the City) General Employees' Retirement System (the Plan). The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

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.

Valuation of Investments and Realized Gains and Losses - 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.

Comparative Information And Reclassification - The balances shown for the fiscal year ended September 30, 2014 in the accompanying financial statements and notes to financial statements are included to provide a basis for comparison with 2015 only. Accordingly, the 2014 financial statements and notes to 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 and notes to financial statements for the fiscal year ended September 30, 2014, from which the information was derived.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR 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, 2015 is dated September 30, 2014.

Membership in the Plan as of September 30, 2014, the date of the latest actuarial valuation, consists of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,351
Inactive plan members entitled to but not yet receiving benefits	115
Active plan members	<u>874</u>
Total	<u>2,340</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.

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, 2015 were based on the September 30, 2013 actuarial valuation. For the years ended September 30, 2015 and 2014, the City's contribution rate as a percentage of annual covered payroll was 29.15% and 27.49%, 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.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)**

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, 2015, 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, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (4.59%). 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.

Interest Rate Risk

As of September 30, 2015, the Plan had the following fixed income securities and maturities in its portfolio:

<u>Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Treasury securities	\$ 42,916,477	\$ -	-	\$ 42,916,477	\$ -
U.S. Government agency obligations	19,285,596	-	2,320,483	13,426,538	3,538,575
Corporate bonds	4,495,031	-	-	4,495,031	-
Total	\$ 66,697,104	\$ -	2,320,483	\$ 60,838,046	\$ 3,538,575

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 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
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)**

NOTE 3 – INVESTMENTS (Continued)

The following table discloses credit ratings by investment type, at September 30, as applicable:

	2015		2014	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government Guaranteed*	\$ 62,202,073	93.26%	\$ 57,841,031	90.52%
Quality rating of credit risk debt securities by Moody's:				
Aa1	530,888	0.80%	646,362	0.97%
Aa2	734,033	1.10%	0	0.00%
Aa3	535,839	0.80%	653,101	0.98%
A1	551,147	0.83%	539,720	0.81%
A3	2,143,124	3.21%	3,066,316	4.60%
Baa1	-	0.00%	1,154,995	1.73%
Total credit risk debt securities	4,495,031	6.74%	6,060,494	9.09%
Total fixed income securities	<u>\$ 66,697,104</u>	<u>100.00%</u>	<u>\$ 63,901,525</u>	<u>100.00%</u>

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

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 or total investments 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, 2015, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's net position or total investments.

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)

NOTE 3 – INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no exposure to foreign currency risk as all investments are denominated in US dollars as of September 30, 2015.

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.

The real estate investments are recorded at fair value on a recurring basis. The fair value of the real estate investments is the amount that the plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller.

On October 13, 2015, the Plan finalized the sale of two properties located at 316 N.E. 4th Street (purchased in 2006 for approximately \$3.0 million) and 300 N.E. 3rd Avenue (purchased in December 2011 for approximately \$3.9 million) for approximately \$8.5 million.

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.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)**

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 7.55%). 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, 2015 and 2014, there were 16 members enrolled under DROP, and the balance in the DROP account was \$1,401,739 and \$1,538,074, respectively. These amounts are included in the total investment balance presented on the Statement of Fiduciary Net Position.

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:

	2015	2014
Professional services	\$ 98,058	\$ 91,221
Salaries and wages	172,942	168,386
Meetings/conferences/dues	30,514	36,748
Fringe benefits	30,840	32,896
Depreciation	3,440	3,440
Leases and rentals	2,988	2,630
Supplies	4,416	2,257
Intragovernmental service charges	30,185	122,704
Repairs and Maintenance	835	-
Accounting and Auditing	20,394	-
Other expenses	<u>3,662</u>	<u>9,580</u>
Total Administrative Expenses	<u>\$ 398,274</u>	<u>\$ 469,862</u>

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)**

NOTE 6 – NET PENSION LIABILITY

The components of the net pension liability at September 30, 2015:

Total pension liability	\$ 609,531,091
Plan fiduciary net position	<u>551,694,135</u>
Net pension liability	<u>\$ 57,836,956</u>

Plan fiduciary net position as a percent of the total pension liability 90.51%

Significant Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to all measurement periods:

Inflation	3.25%
Salary increases	4.00% to 9.50% depending on age, including inflation
Investment rate of return	7.55%
Mortality	RP-2000 Combined Healthy 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, 2015 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.

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

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015
(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)**

NOTE 6 – NET PENSION LIABILITY (Continued)

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	40.0%	6.6%
Smid Cap Equity	5.0%	8.3%
Small Cap Equity	5.0%	5.6%
International Equity	15.0%	3.4%
Emerging Markets Equity	12.0%	6.5%
Real Estate	2.5%	7.1%
Timber	2.5%	5.0%
Fixed Income	15.0%	2.7%
Cash	<u>3.0%</u>	<u>-0.6%</u>
Total	<u>100%</u>	<u>5.3%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.55%. 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. The investment return assumption change from 7.65% to 7.55% is reflected in the 2015 Statement of Changes in Net 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 7.55%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Net Pension Liability	\$123,048,807	\$ 57,836,956	\$ 2,546,691

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

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(WITH PARTIAL COMPARATIVE INFORMATION FOR SEPTEMBER 30, 2014)

NOTE 7 – TAX STATUS

Management and the Plan's tax counsel believe that the Plan is designed, and is currently being operated, in compliance with the applicable requirements of the Internal Revenue Code. The Internal Revenue Service has determined and informed the City by a letter dated October 24, 2014, that the Plan is designed in accordance with applicable sections of the Internal Revenue Code (IRC).

NOTE 8 – SUBSEQUENT EVENTS

On October 13, 2015, the Plan finalized the sale of two properties located at 316 N.E. 4th Street (purchased in 2006 for approximately \$3.0 million) and 300 N.E. 3rd Avenue (purchased in December 2011 for approximately \$3.9 million) for approximately \$8.5 million.

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**

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 9,917,828	\$ 10,774,138
Interest	44,655,792	43,346,733
Differences between expected and actual experience	(6,253,927)	-
Assumption changes	5,940,974	-
Benefit payments	(36,967,771)	(36,087,008)
Refunds	<u>(127,423)</u>	<u>(153,598)</u>
Net Change in Total Pension Liability	17,165,473	17,880,265
Total Pension Liability - Beginning	<u>592,365,618</u>	<u>574,485,353</u>
Total Pension Liability - Ending (a)	<u>\$ 609,531,091</u>	<u>\$ 592,365,618</u>
Plan Fiduciary Net Position		
Contributions - employer	15,501,180	15,061,353
Contributions - member	3,200,689	3,264,583
Net investment income	(22,561,456)	59,588,725
Benefit payments	(36,967,771)	(36,087,008)
Refunds	(127,423)	(153,598)
Administrative expenses	<u>(398,274)</u>	<u>(469,862)</u>
Net Change in Plan Fiduciary Net Position	(41,353,055)	(41,204,193)
Plan Fiduciary Net Position - Beginning	<u>593,047,190</u>	<u>551,842,997</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 551,694,135</u>	<u>\$ 593,047,190</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 57,836,956</u>	<u>\$ 57,836,956</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.51%	100.12%
Covered-Employee Payroll	\$ 57,804,651	\$59,303,500
Net Pension Liability as a Percentage of Covered-Employee Payroll	100.06%	97.53%

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

**CITY OF FORT LAUDERDALE
 GENERALEMPOYEEES' 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>
2006	\$ 14,749,038	\$ 14,749,038	\$ -	N/A	N/A
2007	\$ 15,221,841	\$ 15,221,841	\$ -	N/A	N/A
2008	\$ 16,025,608	\$ 16,025,608	\$ -	N/A	N/A
2009	\$ 18,363,351	\$ 18,363,351	\$ -	N/A	N/A
2010	\$ 19,387,067	\$ 19,387,067	\$ -	N/A	N/A
2011	\$ 21,534,043	\$ 21,534,043	\$ -	N/A	N/A
2012	\$ 22,379,269	\$ 22,379,269	\$ -	N/A	N/A
2013	\$ 13,560,634	\$ 13,560,634	\$ -	N/A	N/A
2014	\$ 15,061,353	\$ 15,061,353	\$ -	\$ 59,303,500	25.40%
2015	\$ 15,501,180	\$ 15,501,180	\$ -	\$ 57,804,651	26.82%

N/A – Information not 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 normal
Amortization method	Level dollar
Closed amortization period	29 years
Asset valuation method	5-year smoothed market
Investment rate of return	7.65%
Inflation	3.25%
Salary increases	4.0% to 9.5% depending on age, including inflation.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF EMPLOYER CONTRIBUTIONS (Continued)

Note to Schedule (Continued):

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.
Other Information: Notes	The investment return assumption change from 7.65% to 7.55% is reflected in the 2015 Statement of Changes in Net Position.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS**

	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	(4.59%)	10.62%

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

REPORTING SECTION

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

Board of Trustees
City of Fort Lauderdale, Florida
General Employees' Retirement System

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), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 3, 2016.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely 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 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.



Crowe Horwath LLP

Fort Lauderdale, Florida
March 3, 2016