



## Police and Fire Pension

### Mission

To accumulate sufficient financial assets in order to provide long-term pension benefits to the City's Firefighters and Police Officers who have served the residents of the City of Pembroke Pines.

### Goals

To accurately account for all the financial resources of the Pension Plan whether earned through investments or contributed by the City, the State, and the members and to pay pension benefits as they become due; and to maintain the actuarial soundness of the Plan.

### Objectives

To provide accurate, timely and efficient accounting for the Firefighters and Police Officers Pension Fund related activities, as administered by the Pension Board of Trustees (hereafter referred to as the Board).

To maintain the actuarial soundness of the Plan by funding the full amount of the Annual Required Contribution, as determined by the Plan's actuary.

To invest the assets of the Plan in accordance with the Investment Policy adopted by the Board.

To ensure that all members of the Plan contribute the required 10.4% of regular wages.

To accurately pay pension benefits to retired members and their beneficiaries on a timely basis, and in accordance with stated policy.

### Major Functions and Activities

The Plan, which is a single employer, defined benefit plan, was established to provide retirement benefits to Firefighters and Police Officers in the City. A more detailed description of the Plan and its provisions appears in the City's Code of Ordinances constituting the plan and the summary plan description.

The City of Pembroke Pines Firefighters and Police Officers Pension Fund was established by referendum in 1973. It has subsequently been amended by the following ordinances:

ORDINANCE NUMBER	DATED
557	February 19, 1981
829	March 4, 1987
967	September 19, 1991

1014	November 4, 1992
1067	February 16, 1994
1091	September 8, 1994
1131	September 6, 1995
1198	December 18, 1996
1249	January 7, 1998
1318	November 17, 1999
1321	December 15, 1999
1325	January 19, 2000
1353	September 20, 2000
1360	November 15, 2000
1443	June 18, 2003
1480	March 17, 2004
1521	August 3, 2005
1572	February 21, 2007
1581	May 16, 2007
1669	August 4, 2010

The City is required to contribute an actuarially-determined amount that, when combined with participants' contributions and contributions from the State of Florida, will fully provide for all benefits as they become payable.

Participants were required to contribute 10.4% of regular wages, the State contributed approximately 7.8%, and the City's contribution is based on the actuarial valuation using the frozen initial liability method and the level percent closed amortization method. Unfunded liabilities are amortized over 30 years consistent with Chapter 112, Part VII, Florida Statutes.

All full-time employees, as defined in the Ordinance, are required to participate in the Pension Plan as a condition of continued employment, provided at the time of hiring the employee is at least eighteen years of age and has satisfactorily completed all required medical examinations.

For Police Officer and Firefighter members of the Plan, normal retirement is the earliest of (1) the attainment of age 50 and the completion of 10 years of continuous service, or (2) the completion of 20 years of service regardless of age.

Members who elect to retire or enter the Deferred Retirement Option Plan (DROP) upon, but not after, attaining the earlier of the normal retirement age of twenty (20) years of service or age fifty (50) with 10 years of service will receive the following:

1) the amount of the benefit will be 4% of average monthly earnings for the highest two years of continuous service, multiplied by the years of continuous service, subject to a maximum of 80% of average monthly earnings for the highest two years



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of continuous service

2) up to 1,000 hours of accrued leave will be included in earnings and

3) a cost of living adjustment, as described below.

Effective April 1, 2005, and each April 1 thereafter, Firefighter retirees, their beneficiaries, and DROP participants will receive a cost of living adjustment (COLA) of 2% per year minimum, on pension benefits received.

Effective October 1, 2009 and each October 1 thereafter, Police Officer members who retired on or after October 1, 2003 will receive a 1.5% cost of living increase in their retirement benefits, and those members who retired on or after October 1, 2006 will receive a 3.0% cost of living increase.

Effective May 1, 2010, the International Association of Firefighters (IAFF), Police Benevolent Association (PBA), and the City negotiated significant changes affecting the Fire and Police Pension Plan. Employees not electing to receive these revised pension changes would receive a 30% reduction in salary. These changes are described below in the section titled "2009-10 Accomplishments".

### Budget Highlights

The Fire and Police Pension budget includes an estimated annual rate of return of 8.0% which approximates to \$22.9 million in investment income. The actuarial assumption of 8.0% represents the average long term expected rate of return.

The Annual Required Contribution (ARC) for fiscal year 2010-11 is approximately \$20.5 million (71.6% of covered payroll); this represents a decrease of \$1.6 million or 7.2% over the 2009-10 actual contribution, as a result of union negotiated changes.

### 2009-10 Accomplishments

The ARC for the fiscal year ending 2009-10 is \$22.1 million. This represents a 9.1% reduction from the initial estimates provided of \$24.3 million. The decrease is a result of the union negotiated changes. The City will be making the full contribution by the end of the year.

For the period ending June 30, 2010, the Fire and Police Pension investments were valued at \$270.9 million. The annualized net rate of return for the Plan

was 8.6% for the twelve months ending June 30, 2010.

As of FY2009-10, the Actuarial valuations will now be prepared for the fiscal year in advance as allowed for by the Florida Statutes. This will greatly increase the City efficiency in budgeting for the Annual Required Contribution (ARC). The City's Contribution for FY2010-11 will be \$20.5 million.

In May 2010, the International Association of Firefighters (IAFF), Police Benevolent Association (PBA), and the City negotiated significant changes affecting the Fire and Police Pension Plan effective retroactively to May 1, 2010. These changes included:

1. COLA – The COLA was reduced from 3.0% to 2.0%

2. Multiplier – The benefit multiplier will be 4.0% for all time accrued through April 30, 2010, and all future years of service at 3.5% up to a maximum of 80% of salary.

3. Accrued time – Only accrued time earned as of April 30, 2010 will be allowed to be included in an individual's pension calculation up to a maximum of 1,000 hours.

4. DROP -DROP Funds will earn a minimum of 5% and up to 8% based on the pension fund gross rate of return.

# Police and Fire Pension Performance Measures

Indicator	2007-08		2008-09		2009-10	2010-11
	Actual	Goal	Actual	Goal	Goal	Goal
<b>Outputs</b>						
Retired participants	208	213	230	200	273	248
Benefits (in millions) paid to participants (including DROP)	\$13.7M	\$11.0M	\$16.1M	\$16.1M	\$15.1M	\$20.9M
<b>Effectiveness</b>						
% of transfers completed within pay period	100%	100%	100%	100%	100%	100%
Return on investment	-13.20%	8.00%	-1.90%	8.00%	8.00% **	8.00%
City contribution as a % of covered payroll	57.00%	57.80% *	80.30%	57.80%	88.20%	71.60%
<b>Efficiency</b>						
% of administrative costs to total assets	0.20%	0.20%	0.26%	0.10%	0.20%	0.30%

\* The increase in the City's contribution from 47.0% to 57.7% is as a result of Plan changes made whereby in lieu of a 13th Check Police members were allowed to receive a COLA in the amount of 2.0% to 3.0% depending on effective retirement date. Also contributing to an increase in the contribution was an update of actuarial assumptions of the Plan, which is recommended every five years by the GFOA.

\*\* The actuarial assumption of 8% represents the average long term expected rate of return.

### Police and Fire Pension - Budget Summary

Revenue Category	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget
Investment Income	-39,659,943	-4,584,040	17,600,000	22,881,000
Pension Fund Contributions	21,143,427	25,111,444	28,011,359	25,951,382
Beginning Surplus	-	-	-28,226,359	-25,961,582
<b>Total</b>	<b>-18,516,516</b>	<b>20,527,404</b>	<b>17,385,000</b>	<b>22,870,800</b>

Expenditure Category	2007-08 Actual	2008-09 Actual	2009-10 Budget	2010-11 Budget
Operating Expenses				
Professional Services	1,881,686	1,624,477	1,995,000	1,785,300
Travel Per Diem	-	-	30,000	13,000
Insurance	-	-	20,000	20,500
Other Current Charges and Obligation	13,835,750	16,256,428	15,290,000	21,000,000
Operating Supplies	-	-	50,000	52,000
Operating Expenses Subtotal	15,717,436	17,880,905	17,385,000	22,870,800
<b>Total</b>	<b>15,717,436</b>	<b>17,880,905</b>	<b>17,385,000</b>	<b>22,870,800</b>