

POLICE AND FIRE PENSION

City of Lincoln, Nebraska

555 South 10th Street, Room 302, Lincoln, Nebraska 68508

Dear Police and Fire Pension Member:

Enclosed is your **2016** pension statement, a retirement benefit estimate, and a Summary Annual Report. The pension statement shows your account's activity and your primary and secondary beneficiaries. If no beneficiary is listed and you are married, per Lincoln Municipal Code, your spouse is automatically your primary beneficiary.

The enclosed benefit estimate assumes a 3% annual salary increase and a 7.5% annual return rate on assets. To help you in financial planning customized benefit estimates for any future separation date are available at no charge.

The Summary Annual Report is a synopsis of the most recent Actuarial Valuation Report. The full report will be available online at: <http://www.lincoln.ne.gov/city/person/PFpen/actuaryrpt.htm>

Below are calendar year end figures on members and benefit payments.

	2012	2013	2014	2015	2016
Active Member Count	558	569	571	583	587
DROP Member Count	51	52	45	49	44
Pensioned Member Count	444	452	475	495	507
Base Pension Benefits	\$8,517,594	\$9,304,559	\$10,024,553	\$10,936,694	\$11,492,050
13th Check Benefits	\$502,500	\$525,870	\$553,551	\$582,415	\$591,942
DROP Benefits	\$2,256,141	\$1,976,846	\$2,298,990	\$1,926,101	\$2,283,013

In 2016 a citizen Pension Review Committee finished a comprehensive study of the pension. In June 2016 Mayor Beutler and the City Council implemented a Committee recommendation that "The 13th Check be pooled with the regular Pension fund" by guaranteeing 13th Check benefits and merging 13th Check assets with the other pension assets. In addition to being beneficial to members this action will have a lasting effect by improving the financial health of the pension.

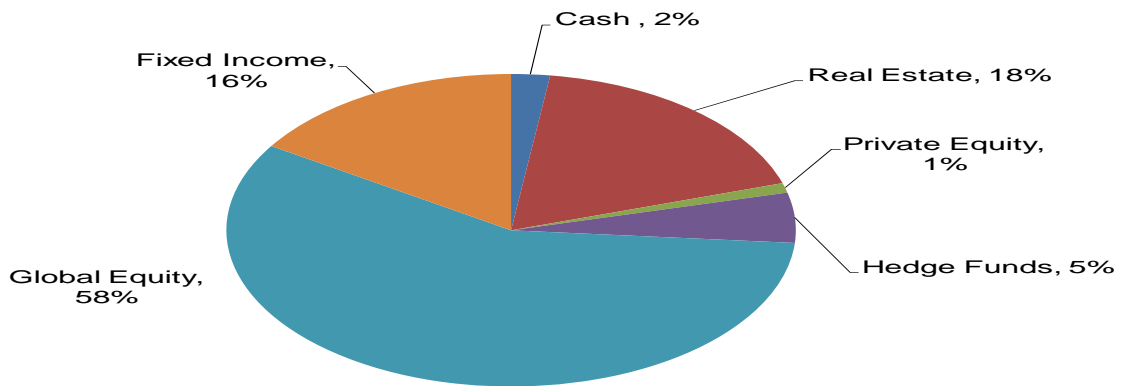
Deferred Retirement Option Plan

DROP allows you to retire for pension purposes and continue working and earning pay. DROP members have monthly pension benefits deposited into their DROP account. To be eligible for DROP you must be eligible for normal age and service retirement. Plan A members are eligible to enter DROP anytime after attaining both age 50 and 25 years of service. Plan B and C members are eligible to enter DROP for one year after attaining both age 53 and 21 years of service. Plan B or C DROP members can also chose to deposit their contributions and interest into their DROP account. A DROP member chooses how to invest the money in his or her DROP account from a menu of choices. DROP members can monitor and make changes to their account using a secured site on the internet.

Once in DROP you may exit DROP and retire-in-fact any time, but after five years you must exit DROP and retire-in-fact. At that time your monthly pension benefit will be paid directly to you and you will have access to the money in your DROP account.

Assets

The return for 2016 was 7.9318%. Pension assets are diversified by location, size, growth vs. value, products and services, and income vs. capital appreciation. Below is a pie chart showing December 31, 2016 allocations.



Pension information, such as the Plan descriptions, DROP, Investment Board minutes and the Investment Policy, is on the City Internet site at <http://www.lincoln.ne.gov/city/person/PFpen/>. You can also view your individual pension data from: <http://lincoln.ne.gov/city/person/pfpen/index.htm> by selecting the 'Member Inquiry Menu' You will use you City intranet User ID and password for access. To be able to view your data you will need to be entered in the pension security table.

The City offers 457 Deferred Compensation Plans that allow you to save and invest for your retirement while deferring your taxes. In 2017 you may defer up to \$18,000 of your income. If you are over age 50 you may contribute an additional \$6,000. You may be eligible to participate in the "pre-retirement" catch-up provision allowing you to contribute up to \$36,000 in total. The City also offers ROTH IRA and 529 College Savings Plans. Please contact Bill Thoreson at 402-441-7883 or WThoreson@lincoln.ne.gov regarding the above two benefits.

Please contact Paul Lutomski at 402-441-8749 or PLutomski@lincoln.ne.gov regarding the Police and Fire Pension.

Respectfully,

Douglas J. McDaniel
Human Resources Director, MBA, SPHR