

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 **2021** pension statement, a retirement benefit estimate, and a Summary Annual Report. The pension statement shows your account's activity and designated 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 <https://www.lincoln.ne.gov/City/Departments/HR/Police-Fire-Pension#section-7>

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

	2017	2018	2019	2020	2021
Active Member Count	594	592	604	603	604
DROP Member Count	39	45	46	44	49
Pensioned Member Count	522	524	545	556	556
Base Pension Benefits	\$12,314,234	\$12,791,174	\$13,497,445	\$14,386,070	\$15,341,439
13th Check Benefits	\$616,465	\$637,439	\$661,121	\$691,342	\$715,799
DROP Benefits	\$2,022,634	\$2,006,560	\$2,548,904	\$2,430,294	\$2,901,697

The City's pension funding policy is a strong formal commitment to the Police and Fire Pension Plan. The policy provides the City contribute Normal Cost plus the Unfunded Actuarial Accrued Liability (UAAL) amortization payment until the plan becomes 100% funded. At full funding the City's contribution decreases to Normal Cost and a provision to accumulate a surplus kicks in. The City will contribute the full Normal Cost of the plan until 115% funding is attained for three consecutive years. At this point the City may contribute less than Normal Cost by amortizing the surplus funding amount over 20 years. If the funding level decreases to less than 115% the negative amortization stops and the City contributes full Normal Cost again. If the surplus is exhausted and funding falls below 100% the UAAL amortization method re-starts.

A Service Credit Purchase option was passed in 2021 and took effect in 2022. Non-probationary members can purchase pension service time if they: 1) had prior full time, paid fire or commissioned law enforcement service with Lincoln or another governmental employer (excluding the federal government), 2) are not going to receive a pension for the service to their prior employer, and 3) make the purchase by the later of December 31, 2026 or five (5) years after their hire date. More details are online in your plan's General Benefits document.

Fire service members can purchase a Cost-of-Living Adjustment (COLA) on their monthly benefit within 30 days following their retirement. The language for this never used option was implemented in 2010, removed in 2020, and re-instated in 2021. The COLA can be purchased in 0.5% increments from 0-3%. Purchasers forfeit their 13th Check payments, but receive \$15,000 toward the COLA purchase cost. More details are online in your plan's General Benefits document.

In 2021 the Plan Administrator initiated a national search for an investment advisor. RVK was selected to replace CAPTRUST (formerly Ellwood), and began work to advise the Plan's Investment Board on January 1, 2022.

In 2020 the Coronavirus pandemic began. Vaccines were created with unprecedented speed. 513 million vaccine doses have been administered with 62% of the US population fully vaccinated. The virus and social unrest strained Police Officers and Fire Fighters as well as having economic and financial impacts. When 2021 ended the United States surpassed 62 million infections and 840,000+ Covid-19 related deaths.

I want to take this opportunity to thank the members of Lincoln's Fire and Rescue Department and members of the Police Department for their work during this unprecedented and challenging time.

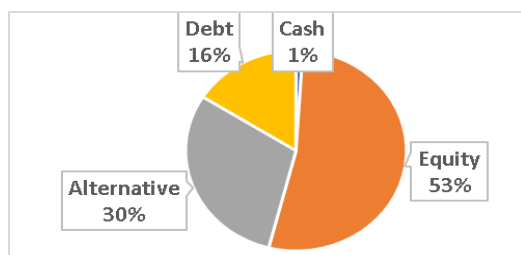
Deferred Retirement Option Plan

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 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 choose to deposit their contributions and earnings 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 2021 was 16.3909%. 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, 2021 major asset allocation classes.



Pension information, including Mission and Goals, Plan General Benefits, prior Annual Letters, Investment Board, Actuary Reports and Employee Member Information are on the City Internet site at <https://www.lincoln.ne.gov/City/Departments/HR/Police-Fire-Pension>. Within Employee Member Information, current employees can view their individual pension data by selecting the Member Inquiry Menu. Access is available using your City user ID and password.

The City offers Deferred Compensation Plans that allow you to save and invest for your retirement while deferring your taxes. In 2022 you may defer up to \$20,500 of your income. If you are over age 50 you may contribute an additional \$6,500. You may be eligible to participate in the "pre-retirement" catch-up provision allowing you to contribute up to \$41,000 in total. The City also offers a Deferred Compensation Roth option and a 529 College Savings Plan. Please contact Bill Thoreson at 402-441-7883 or WThoreson@lincoln.ne.gov regarding the benefits mentioned in this paragraph.

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