

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 **2018** 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.

	2014	2015	2016	2017	2018
Active Member Count	571	583	587	594	592
DROP Member Count	45	49	44	39	45
Pensioned Member Count	475	495	507	522	524
Base Pension Benefits	\$10,024,553	\$10,936,694	\$11,492,050	\$12,314,234	\$12,791,174
13th Check Benefits	\$553,551	\$582,415	\$591,942	\$616,465	\$637,439
DROP Benefits	\$2,298,990	\$1,926,101	\$2,283,013	\$2,022,634	\$2,006,560

The City's pension funding policy is a strong formal commitment to the Police and Fire Pension Plan.

Specifically it amortized the Unfunded Actuarial Accrued Liability (UAAL) as of August 31, 2018 over the next 26 years and provides for each future years' actuarial gains (or losses) to be amortized over 20 years, creating a "layered" amortization. The policy provides the City contribute Normal Cost plus the 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.

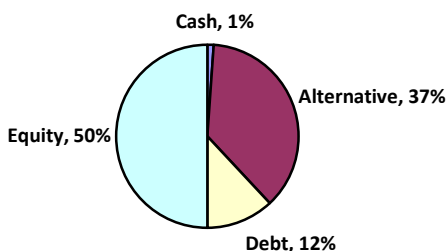
Deferred Retirement Option Plan

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 2018 was -3.3936%. 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, 2018 major asset allocation classes.



Pension information, such as the Plan descriptions, DROP, Investment Board minutes, the Investment Policy, and a beneficiary form is on the City Internet site at <http://www.lincoln.ne.gov/city/person/PFpen>. You can also view your individual pension data by selecting the 'Member Inquiry Menu' if you have previously been set up for access. If you do not have access, you may contact the pension office to set it up.

The City offers 457 Deferred Compensation Plans that allow you to save and invest for your retirement while deferring your taxes. In 2019 you may defer up to \$19,000 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 \$38,000 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