

# POLICE AND FIRE PENSION

## City of Lincoln, Nebraska

555 South 10<sup>th</sup> Street, Room 302, Lincoln, Nebraska 68508

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**Dear Police and Fire Pension Member:**

Enclosed is your **2019** 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 is available online at: <http://www.lincoln.ne.gov/city/person/PFpen/actuaryrpt.htm>

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Active Member Count</b>	583	587	594	592	604
<b>DROP Member Count</b>	49	44	39	45	46
<b>Pensioned Member Count</b>	495	507	522	524	545
<b>Base Pension Benefits</b>	\$10,936,694	\$11,492,050	\$12,314,234	\$12,791,174	\$13,497,445
<b>13<sup>th</sup> Check Benefits</b>	\$582,415	\$591,942	\$616,465	\$637,439	\$661,121
<b>DROP Benefits</b>	\$1,926,101	\$2,283,013	\$2,022,634	\$2,006,560	\$2,548,904

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.

For Fiscal Year 2018-19 the City budgeted the full required contribution, but tax revenues were less than expected resulting in 96% of the budgeted amount being contributed. The \$326,354 gap has been recorded by the City as being owed to the pension and is reflected in the 2019 Actuarial Valuation Report. City administration will propose a funding solution to the City Council to transfer the funds to the pension fund by March of 2020.

An Experience Study was completed in 2019 which compared real plan experience to actuarial assumptions. As a result, some assumptions were updated to better reflect future expectations. For example, the life expectancy assumptions were increased and the investment return assumption was decreased from 7.50% to 7.25% in equal increments over the next 5 years. A full list of changes can be found in the 2019 Actuarial Valuation Report. As a result of the assumption changes, plan liability increased by \$13.7 million and the City's required contribution increased.

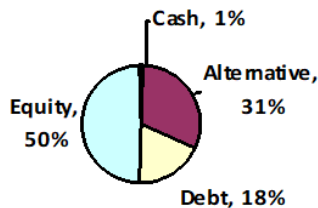
### Deferred Retirement Option Plan

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 choose 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 2019 was 16.9885%. 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, 2019 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 2020 you may defer up to \$19,500 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 \$39,000 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](mailto:WThoreson@lincoln.ne.gov) regarding the benefits mentioned in this paragraph.

Please contact Paul Lutomski at 402-441-8749 or [PLutomski@lincoln.ne.gov](mailto:PLutomski@lincoln.ne.gov) regarding the Police and Fire Pension.

Respectfully,

Douglas J. McDaniel  
Human Resources Director, MBA, SPHR