

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 **2020** 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 <https://www.lincoln.ne.gov/City/Departments/HR/Police-Fire-Pension#section-7>

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

	2016	2017	2018	2019	2020
Active Member Count	587	594	592	604	603
DROP Member Count	44	39	45	46	44
Pensioned Member Count	507	522	524	545	556
Base Pension Benefits	\$11,492,050	\$12,314,234	\$12,791,174	\$13,497,445	\$14,386,070
13th Check Benefits	\$591,942	\$616,465	\$637,439	\$661,121	\$691,342
DROP Benefits	\$2,283,013	\$2,022,634	\$2,006,560	\$2,548,904	\$2,430,294

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.

Due to unforeseen circumstances, during Fiscal Year 2018-19 the City contributed \$326,354 less than required by the funding policy. In Fiscal Year 2019-2020 this amount was contributed by a special action of the Mayor and City Council. Also, in Fiscal Year 2019-20 the City contributed the full amount required by the funding policy for that year.

In 2020 the City implemented a new payroll system. The first paycheck using that system was produced November 5, 2020. A new web-based pension system was created to more easily accept data from the new payroll system and to provide actively employed pension members easier access to their pension data.

In 2020 the Coronavirus pandemic began causing many problems for the entire world. There were travel restrictions, social distancing, and directed health measures. Dealing with the virus strained many systems. Vaccines were created with unprecedented speed. The virus had economic and financial impacts as well. When 2020 ended the United States surpassed 20 million infections and 346,000+ 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 year.

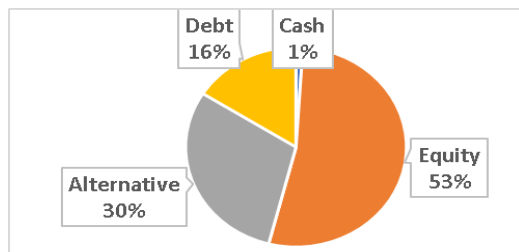
Deferred Retirement Option Plan

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 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 2020 was 12.5876%. 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, 2020 major asset allocation classes.



Pension information, including Mission and Goals, Plan descriptions, Annual Letters, Investment Board, 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 2021 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 \$30,000 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