

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Trustees and Plan Administrator
City of Fort Lauderdale General Employees Retirement System
Fort Lauderdale, FL

We have audited the accompanying statement of plan net assets of the City of Fort Lauderdale General Employees Retirement System (the Plan) as of September 30, 2010, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2009 financial statements and, in our report dated May 10, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets as of September 30, 2010, and the changes in the plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information on pages 13-14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Plan has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Marcum LLP

Fort Lauderdale, FL
May 5, 2011

FINANCIAL STATEMENTS

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

STATEMENT OF PLAN NET ASSETS

**SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2009)**

	2010	2009
Assets		
Cash	\$ 4,920	\$ 6,879
Investments, at Fair Value		
U.S. treasury securities	693,000	565,693
U.S. government agency obligations	32,918,154	36,054,449
Corporate bonds	31,186,763	27,643,822
Money market funds	4,486,588	6,033,259
Mutual funds and other	74,794,882	54,946,207
Common stock	167,281,479	159,870,138
Real estate	3,190,000	5,360,000
Total Investments	314,550,866	290,473,568
Receivables		
Unsettled trades	711,103	3,386,886
Accrued dividends and interest	813,657	741,837
Total Receivables	1,524,760	4,128,723
Capital assets (net of accumulated depreciation)	24,766	28,618
Deposits	4,050	4,050
Total Assets	316,109,362	294,641,838
Liabilities and Net Assets		
Liabilities		
Unsettled trades	767,945	4,094,054
Accounts payable and accrued liabilities	298,451	268,632
Due to City	512,981	565,912
Deposits	8,500	5,500
Total Liabilities	1,587,877	4,934,098
Net Assets Held in Trust for Pension Benefits	\$ 314,521,485	\$ 289,707,740

The accompanying notes are an integral part of these financial statements.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

STATEMENT OF CHANGES IN PLAN NET ASSETS

**FISCAL YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE
FISCAL YEAR ENDED SEPTEMBER 30, 2009)**

	2010	2009
Additions		
Contributions		
Employer	\$ 19,351,946	\$ 18,325,484
Plan members	4,505,041	4,354,972
County	35,121	37,867
Total Contributions	<u>23,892,108</u>	<u>22,718,323</u>
Investment Income		
Net appreciation (depreciation) in fair value of investments	21,587,581	(5,443,002)
Interest	4,478,381	5,032,318
Dividends	3,080,095	2,911,405
Rental income	218,547	238,078
Other income	22,640	27,259
Transfer from Police and Fire Pension Trust Fund	5,515	--
	<u>29,392,759</u>	<u>2,766,058</u>
Less investment expenses	<u>1,462,153</u>	<u>1,389,503</u>
Net Investment Income	<u>27,930,606</u>	<u>1,376,555</u>
Total Additions	<u>51,822,714</u>	<u>24,094,878</u>
Deductions		
Benefits Paid		
Retirement	23,204,036	22,528,250
Disability	577,248	680,105
Death	2,615,447	2,712,876
Total Benefits Paid	26,396,731	25,921,231
Refund of contributions	228,100	416,209
Administrative expenses	384,138	397,528
Total Deductions	<u>27,008,969</u>	<u>26,734,968</u>
Change in Net Assets	24,813,745	(2,640,090)
Net Assets Held in Trust for Pension Benefits		
Beginning	<u>289,707,740</u>	<u>292,347,830</u>
Ending	<u>\$ 314,521,485</u>	<u>\$ 289,707,740</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the City of Fort Lauderdale General Employees Retirement System (the Plan) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividends are recorded as earned.

METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments which consist of money market funds are reported at cost, which is fair value. Securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates. Investments that do not have an established market are reported at estimated fair value. Net appreciation or depreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. The fair value of real estate investments have been estimated based upon latest appraisal information. Purchases and sales of securities are recorded on the trade-date basis. Dividends are recorded on the ex-dividend date. Within certain limitations as specified in the Plan, the investment policy is determined by the Board of Trustees and is implemented by the Plan's investment managers. The investment managers are monitored by a financial consultant.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

COMPARATIVE DATA

The balances shown for the year ended September 30, 2009 in the accompanying financial statements are included to provide a basis for comparison with 2010 only. Accordingly, the 2009 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the fiscal year ended September 30, 2009, from which the summarized information was derived.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

PLAN DESCRIPTION

The General Employees Retirement System is a single-employer defined benefit plan administered by an eight-member Board of Trustees which covers a majority of City of Fort Lauderdale (the City) general employees hired prior to October 1, 2007 except police and firefighters. On March 4, 2008, the City passed Ordinance No. C-08-06 effectively closing the Plan to new entrants. The latest actuarial valuation is dated September 30, 2010.

Membership in the Plan as of September 30, 2010 consists of the following:

Retirees and beneficiaries currently receiving benefits and terminated plan members entitled to benefits but not yet receiving them	<u>1,306</u>
DROP participants	<u>23</u>
Active plan members	<u>1,227</u>

PENSION BENEFITS

Under the vesting provisions of the Plan, most Plan members are entitled to 100% of normal retirement benefits after 5 years of service beginning at age 55. Certain Plan members hired on or after October 1, 1983 electing reduced benefits are entitled to 100% of normal retirement benefits after 10 years of service beginning at age 65. Members who terminate prior to vesting are entitled to a refund of their contributions plus interest at 3% per year. Members who continue in employment past normal retirement may either accrue larger pensions or freeze their accrued benefit and enter the Deferred Retirement Option Plan (DROP). Each participant in the DROP has an account credited with benefits not received and investment earnings. Participation in the DROP must end no later than 36 months after normal retirement. These benefit provisions and all other requirements are established by City ordinance.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS AND FUNDING POLICY

Plan members contribute from 4% to 6% of their earnings to the Plan. The City is required to contribute the remaining amounts necessary to fund the plan, based on an amount determined by the Plan's actuaries as of September 30 each year. Employer contribution requirements for the fiscal year ended September 30, 2010 were based on the September 30, 2008 actuarial valuation. For the years ended September 30, 2010 and 2009, the City's contribution rate as a percentage of annual covered payroll was 28.68% and 25.76%, respectively.

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements for the Plan is the Entry Age Method.

NOTE 3 - INVESTMENTS

Investments permitted by this fund's investment policy include Florida PRIME, U.S. Treasury securities, U.S. Government agency obligations, common and preferred stocks from domestic and foreign corporations, repurchase agreements, commercial paper, corporate bonds, banker's acceptances, state or local government taxable or tax exempt debt, real estate and real estate securities, money market funds invested in permitted securities and intergovernmental investment pools.

As of September 30, 2010, this portfolio consists of investments in U.S. Treasury securities, U.S. Government agency obligations, money market funds, mutual funds, corporate bonds, common stock and real estate.

INTEREST RATE RISK

As of September 30, 2010, the Plan had the following debt instruments and maturities in its portfolio:

Investment	Fair Value	Investment Maturities (In Years)			
		Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 693,000	\$ 693,000	\$ --	\$ --	\$ --
U.S. Government Agency obligations	32,918,154	--	4,926,067	5,239,207	22,752,880
Corporate bonds	<u>31,186,763</u>	<u>--</u>	<u>3,395,314</u>	<u>26,398,729</u>	<u>1,392,720</u>
	<u>\$ 64,797,917</u>	<u>\$ 693,000</u>	<u>\$ 8,321,381</u>	<u>\$ 31,637,936</u>	<u>\$ 24,145,600</u>

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

Interest rate risk refers to the portfolio's exposure to fair value losses arising from increasing interest rates. As a means of limiting its exposure to fair value losses, the investment policy looks to control impacts from interest rate risk in both rising and declining interest rate environments considering such factors as credit quality and duration for losses in rising rate environments, and credit quality in declining rate environments. The benchmarks are monitored and changed when warranted by investment market environment. Debt portfolios are structured and managed to produce returns based on risks inherent in the selected benchmarks.

CREDIT RISK

State law and the Plan's investment policy limits investments in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the corporation is listed on any one or more of the recognized national stock exchanges or on the National Market System of the NASDAQ Stock Market and in the case of bonds only, holds a rating in one of the three highest classifications by a major rating service. The Plan's investment policy requires investments in corporate bonds or notes, general obligation and/or revenue bonds of state or local governments to be rated A or better by a nationally recognized rating service. All of these investments met this requirement.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of total investments require disclosure, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds. The Plan utilizes limitations on securities of a single issuer to manage this risk.

As of September 30, 2010, none of the Plan's investments were held with any single issuer that represents 5% or more of the Plan's investments.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan's exposure to foreign currency risk as of September 30, 2010 is as follows:

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 3 – INVESTMENTS (CONTINUED)

FOREIGN CURRENCY RISK (CONTINUED)

Investment	Currency	Maturity	Fair Value
HIS Emerging Markets Fund	Various	Not Applicable	\$ 10,120,341
Schroder Emerging Markets Fund	Various	Not Applicable	9,916,268
Credit Suisse	Various	Not Applicable	20,927,694
TIFI Foreign Equity Series	Various	Not Applicable	<u>20,586,636</u>
			<u>\$ 61,550,939</u>

REAL ESTATE INVESTMENTS

The Plan purchased two properties located at 316 N.E. 4th Street (purchased in 2006 for approximately \$3 million) and 4800 North Federal Highway (purchased in 2007 for approximately \$3.8 million), both within the City. The intent of the purchases was for long term appreciation and to generate rental income through leasing agreements for office space. The Plan has entered into leasing agreements with various tenants and is estimated to earn rental income of approximately \$339,000 through December 2013.

RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 4 – DEFERRED RETIREMENT OPTION PLAN

The Plan offers a Deferred Retirement Option Plan (DROP) for all eligible participants. Eligible members may apply to participate by applying to the Board of Trustees.

Upon a member’s election to participate in the DROP, that member shall cease to be a member of the Plan and shall be precluded from any additional benefits under the Plan; accordingly, that member shall be considered retired. Monthly retirement benefits that would have been payable had the member retired and elected to receive monthly pension payments will be paid into the DROP and credited to the retired member. Payments into the DROP are made monthly for the period the retired member participates in the DROP, up to a maximum of 36 months. Payments into the DROP will earn interest at the Plan’s actuarial rate of return (currently 7.75%). Upon termination of employment, participants in the DROP will receive the balance of their account either in a lump-sum distribution or may be rolled over to a qualified retirement plan that accepts the payment.

As of September 30, 2010 and 2009, the balance in the DROP account was \$2,502,715 and \$2,008,427, respectively. These amounts are included in the total investment balance presented on the statement of plan net assets.

NOTE 5 – ADMINISTRATIVE EXPENSES

The City provides the Plan with certain services without receiving compensation. Administrative costs paid by the Plan consisted of the following for the year ended September 30:

	2010	2009
Salaries and wages	\$ 180,635	\$ 181,163
Professional services	120,953	109,710
Fringe benefits	31,501	31,750
Meetings/conferences/dues	31,263	44,030
Intragovernmental service charges	6,075	2,322
Other expenses	4,003	5,590
Depreciation	3,852	3,855
Leases and rentals	3,110	2,738
Supplies	2,599	2,359
Utilities	147	2,456
Insurance	--	11,555
	<u>\$ 384,138</u>	<u>\$ 397,528</u>

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 6 – FUNDED STATUS AND FUNDING PROGRESS

The funded status for the plan as of September 30, 2010, the most recent actuarial valuation date, is as follows (dollar amount in millions):

Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Annual covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
09/30/10	\$ 353.5	\$ 499.9	\$ 146.4	70.7%	\$ 71.4	205.0%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date	September 30, 2010
Actuarial cost method	Entry age
Amortization method	Level dollar
Closed amortization period	13-30 years
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases*	4.25% - 8.25%
Cost-of-living adjustments (COLA)	Ad-hoc adjustments are made at the discretion of the Board of Trustees with approval of the City Commission if investment earnings have exceeded the funding assumption during the prior fiscal year.

*Includes inflation and other general other increases at COLA at 3.25%

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2010

NOTE 7 – TAX STATUS

The plan received a favorable Internal Revenue Service (IRS) determination letter in a prior year and has recently applied for a new determination letter. Through this application process, the Plan administrator has indicated that they will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF FORT LAUDERDALE
GENERAL EMPLOYEES RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF FUNDING PROGRESS
(IN MILLIONS)**

Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a÷b)	Annual covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)÷c)
09/30/05	\$ 283.0	\$ 392.6	\$ 109.6	72.1%	\$ 60.5	181.2%
09/30/06	301.2	408.7	107.5	73.7%	64.2	167.4%
09/30/07	327.7	430.0	102.3	76.2%	69.1	148.0%
09/30/08	338.7	454.3	115.6	74.6%	69.5	166.3%
09/30/09	345.3	482.1	136.8	71.6%	71.5	191.3%
09/30/10	353.5	499.9	146.4	70.7%	71.4	205.0%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended September 30	Annual Required Contributions	Percentage Contributed
2004	\$ 12,055,085	100.0%
2005	14,036,569	100.0%
2006	14,749,038	100.0%
2007	15,221,841	100.0%
2008	16,025,608	100.0%
2009	18,363,351	100.0%
2010	19,387,067	100.0%

See notes to schedule of funding progress and schedule of employer contributions.

**CITY OF FORT LAUDERDALE GENERAL EMPLOYEES
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**NOTES TO THE SCHEDULE OF FUNDING PROGRESS AND
EMPLOYER CONTRIBUTIONS**

SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2010 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None

2009 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None

2008 Change in plan provisions and actuarial methods since prior actuarial valuations:

- A plan amendment was passed and adopted on March 4, 2008 under Ordinance No. C-08-09 that closed the plan to all new hires.
- The actuarial payroll growth assumption was changed from 3.25% to 0.0% due to the closing of the Plan to new hires.

2007 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None

2006 Change in plan provisions and actuarial methods since prior actuarial valuations:

- None

COMPLIANCE REPORT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees and Plan Administrator
City of Fort Lauderdale General Employees Retirement System
Fort Lauderdale, FL

We have audited the statement of plan net assets of the City of Fort Lauderdale General Employees Retirement System (the Plan) as of September 30, 2010 and the related statement of changes in plan net assets for the year then ended, and have issued our report thereon dated May 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we have one matter we have identified to management in the attached Schedule of Findings and Responses.

The Plan's response to the finding identified in our audit is described in the accompanying schedule of Findings and Responses. We did not audit the Plan's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, the Plan Administrator, and Plan members and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Fort Lauderdale, FL
May 5, 2011

**CITY OF FORT LAUDERDALE GENERAL EMPLOYEES
RETIREMENT SYSTEM**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

CURRENT YEAR OBSERVATION AND RECOMMENDATION

2010-1 Benefit Payments

Criteria

Benefit payments should be made in accordance with plan documents to eligible participants based on the benefit calculation approved by the Board of Trustees.

Condition

Certain plan participants and/or beneficiaries were paid incorrect benefit payments during 2010.

As part of our audit procedures, Marcum randomly selected 25 terminated employees receiving benefits during the fiscal year ended September 30, 2010. From of our sample, we noted two (2) payments which were made for the incorrect monthly amount.

- (i) Marcum examined the benefit payment made to Participant A, who retired on May 4, 2008, and noted he was only paid \$1,147.44 for the month of September 2010 instead of the \$1,270.40 benefit calculated and approved, representing a difference of \$122.96 per month.

When Participant A retired mid-month, on May 4, 2008, the first benefit payment made to him in July 2008 was for the partial month (28 days) of May 2008 that he was retired, for \$1,147.44, and the full month of June 2008, for \$1,270.40, for a total payment amount of \$2,417.84. This payment was verified by the pension office, determined to be appropriate, and maintained in the employees benefit file. Subsequent months payments; however, were inadvertently being paid by the payroll department at the partial calculation of \$1,147.44 instead of the calculated and approved benefit of \$1,270.40.

- (ii) Marcum examined the benefit payment made to the beneficiary of Participant B, for the month of September 2010 and noted the payment amount was only \$144.00. No support in the file indicated what the approved payment to the beneficiary was required to be on a monthly basis. Participant B, an employee who had been on disability for several years prior, passed away on June 27, 2007, and his pension benefits were to be split equally between his two surviving children. Based on further review of the participant's file, the beneficiaries should have been paid \$505.70 each per month since the retiree's death.

Participant B had been out on medical disability for several years prior to his passing in 2007. While on disability he was receiving disability benefit payments equal to fifty percent (50%) of his monthly earnings at the time of his disability adjusted for COLA increases.

**CITY OF FORT LAUDERDALE GENERAL EMPLOYEES
RETIREMENT SYSTEM**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

CURRENT YEAR OBSERVATION AND RECOMMENDATION (CONTINUED)

2010-1 Benefit Payments (continued)

- (ii) When he began to receive social security disability benefits in addition to his pension, his monthly pension payment was reduced by an amount equal to his social security benefits in accordance with the provisions of the plan document. When Participant B passed away in 2007, the benefit payment to be distributed to his beneficiaries was inadvertently calculated on his net reimbursement at the time of his death (pension payment less social security disability) as opposed to the full benefit calculated when he first went out on disability of 50% of his monthly earnings.

Cause

The cause is a lack of adequate controls over monthly benefit payments. Monthly benefit payments prepared by the city payroll department were not compared to the approved benefit calculated by the pension office on a regular and timely basis.

Effect

In both cases that errors were found, the Plan was making benefit payments to the participants in amounts less than required by the plan documents. Therefore, overall distributions made during the plan year were understated during the years affected. As the differences noted were not significant to the Plan, only a few hundred dollars per month on each, Marcum does not believe that these errors could have caused a material misstatement in the financial statement if gone undetected. However, these were significant to the retirees and beneficiaries.

While the errors we found led to an understatement of benefit payments, it is just as likely that if a larger sample was tested, certain benefit payments could have been made in excess of amounts calculated and approved.

Recommendation

We recommend that the pension office implement an internal control to review the monthly benefit payments made by the city on behalf of the pension plan on a regular basis to verify that the payments being made are equal to the amounts documented in the pension benefit files.

It may be beneficial for the pension office to establish a spreadsheet of all retirees and beneficiaries receiving benefits to track the benefit payments independent of the city's payroll department. This listing can then be compared to the payroll disbursement records on a regular basis and any discrepancies should be investigated.

**CITY OF FORT LAUDERDALE GENERAL EMPLOYEES
RETIREMENT SYSTEM**

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

CURRENT YEAR OBSERVATION AND RECOMMENDATION (CONTINUED)

2010-1 Benefit Payments (continued)

Recommendation (continued)

We also recommend that the Pension office review all other payments being made to retirees and beneficiaries to ensure their accuracy.

Views of Responsible Officials and Planned Corrective Actions

The City of Fort Lauderdale General Employees' Retirement System Board of Trustees acknowledges that a random audit of benefit payments revealed 2 instances of imprecise payment amounts. The Board, Pension Administrator, and Pension Office Staff take this matter very seriously and have taken stringent actions to correct this situation.

Initially, every benefit payment is being recalculated and checked for accuracy. Once verified, it will be reconciled with a City generated list of actual benefit payment amounts. This process is expected to be completed in approximately 2 months. Once this comprehensive review is completed, the Plan Administrator will report his findings and any corrective actions taken to the Board of Trustees.

Additionally, the Plan Administrator, in conjunction with the Pension Board's Audit Committee has implemented office controls, processes, and procedures that further ensure the accuracy of future benefit payments. Each benefit amount will be recalculated within the first 6 months of its origin and the amount of that benefit will then be compared to the actual amount paid by the City. A comparison of pension benefits calculated by staff and approved by the Board will be reconciled with payments actually dispersed on a regular and ongoing basis.