THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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S I Gordon & Company, PA
Certified Public Accountant

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The City of Pompano Beach General Employees' Retirement System
Pompano Beach, Florida

We have audited the accompanying financial statements of **The City of Pompano Beach General Employees' Retirement System** ("Plan") which are comprised of the statement of fiduciary net position as of September 30, 2014, and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

11555 Heron Bay Blvd Suite 200 Coral Springs, FL 33076
Voice (954) 485-5788 Fax (954) 485-8988

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Pompano Beach General Employees' Retirement System as of September 30, 2014, and the changes in its fiduciary net position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplemental information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information in management's discussion and analysis or the supplemental schedules, the schedule of investment returns, schedule of changes in the employer's net pension liability and related ratios or the schedule of contributions from the employer and other contributors because the limited procedures we performed did not provide us with sufficient evidence to express an opinion or provide any assurance on them.

SI Gordon + Company

S I Gordon & Company, PA

February 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the The City of Pompano Beach General Employees' Retirement System (Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2014. Please read it in conjunction with the Plan financial statements, which immediately follow.

Financial highlights:

The Plan's financial statements net results from operations for fiscal year 2014 reflected the following financial activities:

- Total fiduciary net position was $154,313,634 which was 11% greater than 2013 total fiduciary net position.
- Total contributions were $9,213,527 which was 4% greater than the 2013 contributions.
- Total interest and dividend earnings were $2,563,933 which was 16% lower than the 2013 earnings.
- Net investment income was $ 12,471,017 which was 39% lower than the 2013 income.
- Benefits paid were $10,047,279 which was 6% greater than 2013.

Overview of the financial statements

The financial section of this annual report consists of four parts: MD&A, the basic financial statements, notes to the financial statements and other required supplemental information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplemental information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the Statement of Changes in Fiduciary Net Position. All assets and liabilities associated with the operation of the Plan are included in the Statement of Fiduciary Net Position.

The Statement of Fiduciary Net Position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

The Plan was first established December 8, 1972 and later amended to provide retirement, disability and death benefits for the employees of the City. The Plan is also governed by certain provisions of the Florida Statutes under Chapter 112. The City of Pompano Beach is the Plan Sponsor of this Plan.

There is a board of trustees in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Financial highlights

Employer and employee contributions for the year were $9,213,527 which was 4% greater than the 2013 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Employees' contributions consist of Tier One members which contribute at 10% of pensionable gross wages and Tier Two members which contribute at 7% of pensionable gross wages.

Statement of Fiduciary net position

The following condensed comparative Statement of Fiduciary Net Position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for pension benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It is important to remember that retirement system funding is based on a long-term perspective and that temporary ups and downs in the market are to be expected.

- Fiduciary net position at September 30, 2014 was $154,313,634 an 11% increase from Fiduciary net position at September 30, 2013.
- Total investments at September 30, 2014 were $ $151,916,314 an 8% increase from the investments at September 30, 2013.

	2014
Investments, at fair value	$ 151,916,314
Cash and cash equivalents	2,966,729
Receivables	779,658
Other assets	2,978
Total assets	155,665,679
Accounts payable	163,101
Due for Securities purchased	1,188,944
Total liabilities	1,352,045
Net position	$ 154,313,634

Statement of Changes in Fiduciary net position

The Statement of Changes in Fiduciary net position presents the effect of pension fund transactions that occurred during the fiscal year. On the statement, additions to the plan minus deductions from the plan equal net increase or decrease in Fiduciary Net Position.

The funding objective is to meet long-term obligations and fund all pension benefits.

- Revenues (additions to the fiduciary net position) for the Plan were $21,692,392 which was made up of employer and employee contributions of $9,213,527 plus net investment income of $12,471,017 plus miscellaneous income of $7848.
- Expenses (deductions from the fiduciary net position) increased from $10,102,131 during 2013 toin 2014.

	2014
Total contributions	$ 9,213,527
Other income	7,848
Net investment income	12,471,017
Total additions	21,692,392
Total deductions	10,901,488
Net increase	10,790,904
Net position – beginning	138,735,030
Prior period adjustment	4,787,700
Net position – ending	154,313,634

Asset allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2014:

Type of Investment	Investment policy	Actual allocation
Domestic Equities	35-60%	46%
International Equities	10-25%	15%
Fixed Income	10-35%	18%
Real Estate	5-15%	9%
Alternatives	5-20%	10%
Cash and Cash Equivalents	0-10%	2%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt long-term investment perspective.

Investment activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board of Trustees in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended on November 19, 2013.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial analysis summary

The investment activities, for the fiscal year ended September 30, 2014 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's financial management

This financial analysis is designed to provide the Board of Trustees, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the City of Pompano Beach General Employees' Retirement System, Madelene L Klein, Executive Director, 555 S. Andrews Avenue, Suite 106 Pompano Beach, FL 33069

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

ASSETS

		2014
Receivables:		
Due for securities sold	$	500,840
Accrued investment income		278,818
Total receivables		779,658
Investments, at fair value *(Notes 1 and 3)*:		
Common stock		53,993,562
Unit investment trusts		348,666
ETF- equity		112,646
Corporate bonds		13,465,995
Government securities		10,632,378
Real estate		14,388,810
Mutual funds		44,313,680
Private equity		14,660,577
Total investments		151,916,314
Cash and cash equivalents		2,966,729
Other assets		2,978
Total assets	$	155,665,679

LIABILITIES

Accounts payable	$	163,101
Due for securities purchased		1,188,944
Total liabilities	$	1,352,045

NET POSITION RESTRICTED FOR PENSIONS

Net position restricted for DROP benefits	$	5,310,631
Net position restricted for defined benefits		149,003,003
Net position restricted for pensions	$	154,313,634

READ THE NOTES TO THE FINANCIAL STATEMENTS

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2014

		2014
Additions:		
Contributions -		
City	$	6,288,467
Employees		2,515,665
Broward County- sheriff's office		385,789
Broward County- library		23,606
Total contributions		9,213,527
Investment income -		
Net appreciation in fair value of investments		10,740,905
Interest and dividend income		2,563,933
Total investment income		13,304,838
Less: Investment expenses		833,821
Net investment income		12,471,017
Other income		7,848
Total additions		21,692,392
Deductions:		
Benefits paid directly to retirees		8,330,279
Benefits paid into DROP		1,717,000
Refund of contributions		362,250
Administrative expenses *(Supplemental schedule)*		491,959
Total deductions		10,901,488
Net increase in net position		10,790,904
Net position restricted for pensions		
Beginning of year		138,735,030
Prior period adjustment *(Note 7)*		4,787,700
End of year	$	154,313,634

READ THE NOTES TO THE FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- **Investment valuation and income recognition -**

Investments are reported at fair value (*see Note 3*). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

- **Income taxes -**

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

- **Basis of accounting and use of estimates -**

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(2) DESCRIPTION OF THE PLAN:

The following description of the The City of Pompano Beach General Employees' Retirement System (Plan) provides only general information. Participants should refer to the City's ordinance for more complete information.

- **General -**

The City of Pompano Beach General Employees' Retirement System (the "Plan") is a single employer defined benefit pension plan established by the City of Pompano Beach, Florida (the "City") on December 8, 1972. The Plan reflects the provisions and requirements of City Code Section No. 34.010 through 34.040, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

(2) DESCRIPTION OF THE PLAN (CONTINUED):

- **General (Continued) -**

The Plan is administered by a board of seven trustees comprised of three persons elected directly by the members, three persons who are not members appointed by the City Commission, and one person elected by the other six trustees.

- **Plan membership -**

At September 30, 2014, pension plan membership consisted of the following:

Retirees and beneficiaries	367
Terminated employees entitled to benefits but not receiving them	21
Fully vested, partially vested and non-vested active employees covered by the Plan	479
	867

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

- **Eligibility -**

Participants are all general employees with full-time status, elected officials, appointees and senior managers in the City of Pompano Beach, Florida who have met the requirements of the City's merit system. Members are further divided in the following two tiers:

Tier One members are those members hired prior to June 8, 2011.

Tier Two members are those members hired on or after June 8, 2011.

- **Benefits -**

All Members:

Normal retirement is at the earlier of attainment of age 55 and 20 completed years of credited service or age 62 and 3completed years of credited service. Several benefit options are available to members that are elected at time of retirement. Early retirement, disability, death and other benefits are also provided. General employees have vested benefits after 10 years of creditable service in accordance with qualifications under the plan. Elected officials, appointees, and senior management have vested benefits after 5 years of creditable service in accordance with qualifications under the plan.

(2) DESCRIPTION OF THE PLAN (CONTINUED):

. **Benefits (continued) –**

Normal Retirement Benefit

Tier One members

The normal retirement benefit is calculated by multiplying 2.75% of the Average Monthly Salary by the years of credited service. Average Monthly Salary is the average of the highest completed 78 biweekly pay periods multiplied by 1.0048.

Tier Two members

The normal retirement benefit is calculated by multiplying 2.00% of the Average Monthly Salary by the years of credited service. Average Monthly Salary is the average of the highest completed 130 biweekly pay periods multiplied by 1.0048.

Maximum Benefit

$90,000 per year (indexed) at age 62, or 100% of Average Monthly Salary (such earnings to exclude picked-up employee contributions per Sec. 414(h)(2), deferred compensation per Sec 457, and amounts deferred under Sec 125).

Early Retirement Benefit

Tier One members

Early retirement benefit is calculated using 2.75% of Average Monthly Salary multiplied by the years of service. Benefits are actuarially reduced for early retirement.

Tier Two members

Early retirement benefit is calculated using 2.00% of Average Monthly Salary multiplied by the years of service. Benefits are actuarially reduced for early retirement.

Delayed Retirement Benefit

Tier One members

Delayed retirement benefit is calculated using 2.75 of Average Monthly Salary multiplied by the years of service.

(2) DESCRIPTION OF THE PLAN (CONTINUED):

Delayed Retirement Benefit (continued):

Tier Two members

Delayed retirement benefit is calculated using 2.00% of Average Monthly Salary multiplied by the years of service.

- **Deferred Retirement Option Plan -**

Any member who is eligible to receive a normal retirement pension may freeze their accrued benefits and elect to participate in a Deferred Retirement Option Plan (DROP) while continuing their active employment. For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan into the employee's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits plus interest. Interest shall be at the same rate as the investment earnings assumption for the Plan.

Participation in the DROP is limited to 60 months.

- **Cost-of-Living Adjustment -**

Tier One members

The Plan allows for an annual guaranteed Cost of Living Adjustment (COLA) equal to two percent (2%) payable on October 1, plus an additional variable COLA equal to up to one percent (1%) if Plan earnings are sufficient (as certified by the Plan's actuary). The COLA is payable to each Retiree who has been retired for at least one year at the time of COLA payment (October 1). All retirees and their beneficiaries are eligible for the COLA once they have been retired for one year.

(2) DESCRIPTION OF THE PLAN (CONTINUED):

- **Cost-of-Living Adjustment (continued): -**

Tier Two members

The Plan allows for an annual guaranteed Cost of Living Adjustment (COLA) for eligible Retirees over the age of 55, payable to each Retiree who has been retired for five years at the time of the COLA payment (October 1). The amount is determined by the Retiree's age on October 1. The COLA amount is one percent (1%) for Retirees between the ages of 55 and 64. For Retirees age 65 and older, the COLA amount is two percent (2%). In addition, eligible Retirees may receive an additional variable COLA equal to up to one percent (1%) if Plan earnings are sufficient (as certified by the Plan's actuary).

- **Funding -**

Tier One members are required to contribute 10% of their earnings to the Plan. Tier Two members are required to contribute 7% of their earnings to the Plan. If a member terminates their employment before they become eligible to receive benefits, the accumulated contributions will be returned to the members plus interest at 3% per year.

The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the participants.

The County is to contribute such amounts as determined by the actuary to cover Broward Sheriff's Office employees.

(3) INVESTMENTS:

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The investment policy statement was last amended on November 19, 2013. The following was the Board's adopted asset allocation policy as of September 30, 2014:

(3) INVESTMENTS (CONTINUED):

Type of Investment	Target Allocation
Domestic Equities	35-60%
International Equities	10-25%
Fixed Income	10-35%
Real Estate	5-15%
Alternatives	5-20%
Cash and Cash Equivalents	0-10%

During the year ended September 30, 2014 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $10,740,905 (reported as Net appreciation in fair value of investments in the Statements of Changes in Fiduciary net position) as follows:

Common stock	$5,564,461
Unit investment trust	3,867
EFT	(1,634)
Private equity funds	896,353
Real estate	1,480,455
Mutual funds	3,073,024
Corporate bonds	(286,800)
Government securities	11,179
Total	$10,740,905

The term "interest risk" refers to the portfolio's exposure to fair value losses arising from increasing interest rates. Interest rate risk disclosures are required for all debt investments, as well as investments in mutual funds, external investment pools and other pooled investments that do not meet the definition of a 2a7-like pool.

The Fund's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in government securities, fixed income mutual funds and corporate bonds had maturities as follows:

(3) INVESTMENTS (CONTINUED):

Investment type	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate bonds	$13,465,995	$2,249,540	$7,107,547	$2,384,456	$1,724,452
Fixed income mutual funds	4,035,416	2,625	1,145,113	2,852,742	34,936
US treasuries	3,821,051	-	208,766	3,612,285	-
US agencies	6,811,327	-	348,615	83,189	6,379,523
Totals	$28,133,789	$2,252,165	$8,810,041	$8,932,672	$8,138,911

The term "credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan's fixed income portfolio was rated by Moody's Investors Services as follows:

Rating	Fair Value
A1	$1,273,901
A2	1,461,966
A3	3,346,138
AA1	85,101
AA2	704,053
AA3	155,752
AAA	5,537,303
B	2,548,002
BAA1	2,263,331
BAA2	1,916,245
BAA3	243,599
BB	1,047,185
BBB	31,283
CCC	352,404
Unrated	56,544
Government securities	7,110,982
Total	$28,133,789

The Plan limits investment in the securities of any one issuer, other than the US Government and its agencies, to no more than 5% of Fiduciary net position. The Plan had investments in Oppenheimer Senior Rate Fund and Pacific Life Floating Rate Fund, mutual funds owning securities of numerous issuers, totaling 6.07% and 6.06%, respectively of Plan Assets.

(3) INVESTMENTS (CONTINUED):

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than US Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds. The Plan owns participation in international equity funds as well as individual securities. The Plan's exposure to foreign currency risk related to foreign equity funds is as follows:

Country	Fair Value
France	$2,454,948
Germany	2,180,842
Japan	2,304,805
Switzerland	2,756,381
United Kingdom	4,080,086
Other	8,222,656
Total currency risk	$21,999,718

American Depository Receipts (ADRs) are non-U.S. equity that are issued in U.S. dollars and have no foreign currency risk, and therefore are not included above. The total foreign investment in ADR's and other US dollar based securities is $1,762,134. The investment policy limits the foreign investments to no more than 25% of the Plan's investment balance. As of year-end, the foreign investments were 15% of total investments.

(4) ACTUARIAL VALUATION:

The most recent actuarial valuation was done as of October 1, 2013. Entry age normal was used as the actuarial cost method. The amortization method used was the level percentage closed method and 30 years was used for the amortization period. The five year smoothed market value method was used for asset valuation. The mortality table used was the 1983 Group Annuity Mortality Table.

Principal assumptions used were 8.00% for the investment rate of return, 4.25% to 7.50% for projected salary increases and 3.5% for inflation.

The actuaries determined that the accrued actuarial liability for benefits was $191,554,000 while the actuarial value of the assets available to pay benefits was $132,248,000.

They further determined that the required City contribution for the year ended September 30, 2014 was $6,674,256, which was contributed in full.

(5) 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 fiduciary net position available for benefits.

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 would be material to the financial statements.

(6) NET PENSION LIABILITY OF THE FUND

The components of the net pension liability of the City at September 30, 2014:

Total pension liability	$200,374,332
Plan fiduciary net position	154,313,634
City's net pension liability	$46,060,698
Plan fiduciary net position as a percentage of the total pension liability	77.01%

The total pension liability was determined by an actuarial valuation as of September 30, 2014 using certain actuarial assumptions, the most significant of which was 8.00% for the investment rate of return, 4.25% to 7.50% for projected salary increases and 3.50% for inflation.

Mortality rates were based on the 1983 Group Annuity Mortality Table for males and females.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

(6) NET PENSION LIABILITY OF THE FUND (CONTINUED):

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic equity	47.10%	7.60%
Int'l equity	14.20%	8.10%
Fixed income	18.30%	4.08%
Real estate	9.30%	6.61%
Infrastructure	9.50%	7.47%
Cash	1.60%	2.00%

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 8.00 percent. It was also calculated using a discount rate that was 1-percentage-point lower (7.00 percent) and 1-percentage-point higher (9.00 percent) and the different computations were compared.

	1% decrease (7.00%)	Current discount rate (8.00%)	1% increase (9.00%)
Net pension liability	$67,448,714	$46,060,698	$27,864,194

(7) PRIOR PERIOD ADJUSTMENT:

In accordance with GASB 67 the DROP balances have been reclassified from liabilities to be included in the total net position restricted for pensions. The reclassification had the effect of increasing net position restricted for pensions as of September 30, 2013 by $4,787,700.

Additionally, activity in the DROP accounts, including withdrawals by participants and investment earnings, are now reflected in the Statement of Changes in Fiduciary Net Position.

(8) LEASE COMMITMENT:

During 2012, the Plan entered into a lease agreement with 555 Andrews, LLC for rental of office space. The lease agreement is classified as an operating lease. Rent expense during 2014 was $37,968. The following is a schedule of approximate future minimum lease required under the agreement:

Year	Amount
2015	$39,710
2016	40,320
2017	40,947
2018	41,591
2019	42,252
	$204,820

(9) SUBSEQUENT EVENTS:

Management has evaluated subsequent events for the Plan through February 25, 2015, the date the financial statements were available to be issued.

(10) PENSION PLANS:

The Plan's employees are covered under a 401(a) pension plan. Contributions were made to the plan at a rate 10% of gross payroll. The pension expense, which is included in employee benefits expense, was $19,601.

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THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	2014
Personnel services	
Salaries and payroll taxes	$ 209,963
Employee benefits	48,055
Total personnel services	258,018
Professional services	
Legal	50,621
Actuarial	16,000
Audit	17,600
Medical fees	3,270
Total professional services	87,491
Other	
Trustee expense	34,225
Rent	37,968
Insurance	30,369
Staff Expense	8,642
Printing and office expense	10,146
Miscellaneous	2,505
Participant Education	6,077
Repairs & Maintenance	12,009
Telephone	4,509
Total other	146,450
Total administrative expenses	$ 491,959

CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

SUPPLEMENTAL SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS

AS OF SEPTEMBER 30, 2014

(UNAUDITED)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined employer contribution	6,697,862	6,332,731	5,801,971	5,351,521	4,338,870	3,706,870	3,416,488	4,064,240	3,144,061	2,341,224
Actual employer contributions	6,697,862	6,332,731	5,801,971	5,351,521	4,338,870	3,706,870	3,416,488	4,064,240	3,144,061	2,341,224
Annual contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Covered- employee payroll	26,048,410	25,922,708	25,833,472	26,238,403	26,596,532	27,477,396	27,611,132	26,825,168	25,183,705	24,484,820
Actual contributions as a percentage of covered employee payroll	25.71%	24.43%	22.46%	20.40%	16.31%	13.49%	12.37%	15.15%	12.48%	9.56%

CITY OF POMPANO BEACH GENERAL EMPLOYEES

RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS

AS OF SEPTEMBER 30, 2014

(UNAUDITED)

Year Ended September 30	Annual money-weighted rate of return net of investment expense
2014	10.4%
2013	16.5
2012	16.9
2011	2.0
2010	6.9
2009	(5.1)
2008	(16.0)
2007	16.1

GENERAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

		2014
Total pension liability:		
Service Cost	$	4,002,187
Interest		15,228,081
Benefit Changes		-
Difference between actual & expected experience		-
Assumption Changes		-
Benefit Payments		(10,047,279)
Refunds		(362,250)
Net Change in Total Pension Liability		8,820,739
Total Pension Liability - Beginning		191,553,593
Total Pension Liability - Ending	$	200,374,332
Plan Fiduciary Net Position		
Contributions - Employer	$	6,697,862
Contributions- Member		2,515,665
Net investment income		12,478,865
Benefit Payments		(10,047,279)
Refunds of contributions		(362,250)
Administrative expenses		(491,959)
Other		-
Net Change in Fiduciary Net Position		10,790,904
Plan Fiduciary Net Position - Beginning		143,522,730
Plan Fiduciary Net Position - Ending	$	154,313,634
Net Pension Liability - Ending		46,060,698
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		77.01%
Covered Employee Payroll	$	26,048,410
Net Pension Liability as a Percentage of Covered Employee Payroll		176.83%

S I Gordon & Company, PA
Certified Public Accountant

American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

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

The Board of Trustees
The City of Pompano Beach General Employees' Retirement System
Pompano Beach, Florida

We have audited the financial statements of **The City of Pompano Beach General Employees' Retirement System**, as of and for the year ended September 30, 2014, and have issued our report thereon dated February 25, 2015. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **The City of Pompano Beach General Employees' Retirement System** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **The City of Pompano Beach General Employees' Retirement System** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

S I Gordon & Company

S I Gordon & Company, PA
February 25, 2015