

**THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

YEAR ENDED SEPTEMBER 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The City of Pompano Beach General Employees' Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The City of Pompano Beach General Employees' Retirement System, which comprise the statement of fiduciary net position as of September 30, 2023, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The City of Pompano Beach General Employees' Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The City of Pompano Beach General Employees' Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



INDEPENDENT AUDITOR'S REPORT (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Pompano Beach General Employees' Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The City of Pompano Beach General Employees' Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 26 - 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



NDEPENDENT AUDITOR'S REPORT (Continued)

Required Supplementary Information (Continued)

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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The City of Pompano Beach General Employees' Retirement System's basic financial statements. The accompanying schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Prior Year Comparative Information

We have previously audited The City of Pompano Beach General Employees Retirement System's 2022 financial statements, and our report dated January 10, 2023, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2024, on our consideration of The City of Pompano Beach General Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of The City of Pompano Beach General Employees' Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Pompano Beach General Employees' Retirement System's internal control over financial reporting and compliance.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.

Weston, Florida
January 23, 2024

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of The City of Pompano Beach General Employees' Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2023. Please read it in conjunction with the Plan financial statements, which immediately follow.

General Overview of the Plan

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

There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Overview of the Financial Statements

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

Financial Highlights

The Plan's net results from operations for fiscal year 2023 reflected the following financial activities:

- Total net position restricted for pensions was \$250,075,581 which was 10% greater than the 2022 total net position restricted for pensions with the increase due primarily to favorable market conditions.
- Total contributions were \$21,968,576 which was 36% greater than the 2022 contributions, with the increase due primarily to a greater amount from the employer per the actuarial calculation and payroll increases.
- Total interest and dividend income was \$4,077,011 which was 27% lower than the 2022 interest and dividend income.
- Net investment income was \$18,034,079 which was 177% greater than the 2022 net investment loss with the increase due primarily to favorable market conditions.
- Benefits payments were \$14,581,582 which was 7% greater than the benefit payments during 2022 with the increase due primarily to current year new retirees and COLA increases.

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

- Total contributions from the City, Broward County Sheriff's Office and employees for the year were \$21,968,576 which was 36% greater than the 2022 contributions. The amount of employer contributions varies from year to year and is actuarially determined. All members are required to contribute at 10% of pensionable gross wages.

Statement of Fiduciary Net Position

The following condensed comparative statement of fiduciary net position is a snapshot 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 should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Net position restricted for pensions at September 30, 2023 was \$250,075,581, a 10% increase from net position restricted for pensions at September 30, 2022.
- Total investments at September 30, 2023 were \$250,015,108, a 10% increase from the investments at September 30, 2022.

The table below presents condensed comparative statements of fiduciary net position as of September 30:

	2023	2022	% Change
Cash	\$ 25,114	\$ 26,325	(5%)
Accrued investment income	238,395	166,741	43%
Investments, at fair value	250,015,108	227,166,024	10%
Other assets	3,415	3,415	0%
Total assets	250,282,032	227,362,505	10%
Total liabilities	206,451	233,290	(12%)
Net position restricted for pensions	\$ 250,075,581	\$ 227,129,215	10%

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of pension Plan 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 \$40,012,459 which was made up of contributions of \$21,968,576, plus net investment income of \$18,034,079, plus other income of \$9,804.
- Expenses (deductions from the fiduciary net position) decreased from \$17,076,656 during 2022 to \$17,066,093 during 2023.

The table below presents condensed comparative statements of the changes in fiduciary net position for the year ended September 30:

	2023	2022	% Change
Total contributions	\$ 21,968,576	\$ 16,196,193	36%
Net investment income (loss)	18,034,079	(23,516,087)	177%
Other income	9,804	33,465	(71%)
Total additions	40,012,459	(7,286,429)	649%
Total deductions	17,066,093	17,076,656	0.01%
Net change	22,946,366	(24,363,085)	194%
Net position restricted for pensions – beginning	227,129,215	251,492,300	(10%)
Net position restricted for pensions – ending	\$ 250,075,581	\$ 227,129,215	10%

Asset Allocation

The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2023:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	25%-60%	49.45%
International equities	0%-15%	3.62%
Fixed income	0%-25%	5.79%
Real estate funds	10%-30%	17.90%
Alternatives	0%-45%	17.82%
Cash and cash equivalents	0%-10%	5.42%

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 CITY OF POMPANO BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 a long-term investment perspective.

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, the Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board 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 a 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 July 18, 2023.

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, 2023 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, 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, 2255 S.W. 2nd Street, Pompano Beach, FL 33069.

THE CITY OF POMPAÑO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
CASH	\$ 25,114	\$ 26,325
ACCRUED INVESTMENT INCOME	<u>238,395</u>	<u>166,741</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	132,685,837	113,398,078
Corporate bonds	7,130,052	8,816,933
Government securities	7,350,965	9,028,325
Real estate funds	44,749,960	51,237,368
Private equity funds	25,700,100	17,907,826
Private credit funds	2,560,627	-
Hedge fund	16,286,731	10,629,591
Money market funds	<u>13,550,836</u>	<u>16,147,903</u>
TOTAL INVESTMENTS, AT FAIR VALUE	<u>250,015,108</u>	<u>227,166,024</u>
OTHER ASSETS	<u>3,415</u>	<u>3,415</u>
TOTAL ASSETS	<u>250,282,032</u>	<u>227,362,505</u>
LIABILITIES		
ACCOUNTS PAYABLE	159,272	165,300
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	<u>47,179</u>	<u>67,990</u>
TOTAL LIABILITIES	<u>206,451</u>	<u>233,290</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR DEFINED BENEFITS	239,779,808	219,381,907
NET POSITION RESTRICTED FOR DROP BENEFITS	<u>10,295,773</u>	<u>7,747,308</u>
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 250,075,581</u>	<u>\$ 227,129,215</u>

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

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	<u>2023</u>	<u>2022</u>
ADDITIONS:		
Contributions:		
City	\$ 17,331,437	\$ 10,930,384
Employee	4,045,439	3,803,438
Employee buybacks	321,658	1,272,887
Broward County Sheriff's Office	270,042	179,332
Broward County - library	<u>-</u>	<u>10,152</u>
Total contributions	<u>21,968,576</u>	<u>16,196,193</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	15,843,937	(27,630,039)
Interest and dividend income	<u>4,077,011</u>	<u>5,578,308</u>
Total investment income (loss)	19,920,948	(22,051,731)
Less: investment expenses	<u>1,886,869</u>	<u>1,464,356</u>
Net investment income (loss)	<u>18,034,079</u>	<u>(23,516,087)</u>
Other income	<u>9,804</u>	<u>33,465</u>
TOTAL ADDITIONS	<u>40,012,459</u>	<u>(7,286,429)</u>
DEDUCTIONS:		
Benefit payments	14,581,582	13,672,035
Benefits paid from DROP	1,450,042	2,199,415
Refund of contributions	437,555	321,573
Administrative expenses	<u>596,914</u>	<u>883,633</u>
TOTAL DEDUCTIONS	<u>17,066,093</u>	<u>17,076,656</u>
NET CHANGE IN NET POSITION		
RESTRICTED FOR PENSIONS	22,946,366	(24,363,085)
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>227,129,215</u>	<u>251,492,300</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 250,075,581</u>	<u>\$ 227,129,215</u>

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

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

NOTE 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 (see Note 4 for discussion of fair value measurements).

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.

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.

Concentration of Credit Risk

Financial instruments which potentially expose the Plan to concentration of credit risk, as defined by GAAP, consist primarily of cash and accrued investment income.

The Plan maintains its cash deposits at a financial institution which, from time to time, may exceed federally insured limits. The exposure of the Plan from these transactions is solely dependent upon the daily account balance and the financial strength of the respective institution. The Plan manages this risk by maintaining its deposit account at a high-quality financial institution. As of September 30, 2023, the Plan had no deposits in excess of federally insured limits.

The Plan's investments consist of common stocks, government securities, corporate bonds, real estate funds, mutual funds, private equity funds, private credit funds, hedge fund and money market funds, which inherent in the fair market value determination, include the risk factor of credit worthiness for each individual security.

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to financial statements to constitute a 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 year ended September 30, 2022, from which the information was derived.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN

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

General

The Plan is a single employer defined benefit pension plan established by the City on December 8, 1972. The Plan reflects the provisions and requirements of City Code Sections 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 annual comprehensive financial report as part of the City's financial reporting entity.

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, 2023, pension plan membership consisted of the following:

Retirees and beneficiaries	497
Terminated employees entitled to benefits but not yet receiving them	30
Fully vested, partially vested and non-vested active employees covered by the Plan	<u>559</u>
	<u>1,086</u>

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. Participants also include members who transferred to the Broward Sheriff's Office and elected to continue to participate in the Plan, as well as specific management support employees. Members are further divided in the following two tiers:

Tier One members are those members hired prior to June 8, 2011 and all members participating in the Plan on or after December 17, 2020.

Tier Two is now closed for new service. Tier Two members were those members hired on or after June 8, 2011 through December 16, 2020. Tier Two members who fully pay to convert their Tier Two service to Tier One service within the allowable timeframe will receive Tier One service credit for that time. Otherwise, they retain their Tier Two credit for service while in Tier Two and will receive a bifurcated benefit at retirement.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

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 3 completed 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 7 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.

➤ ***Normal Retirement Benefit***

• ***Tier One Service***

Effective October 1, 2021 the normal retirement benefit is calculated by multiplying 3.00% 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 Service***

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***

The maximum benefit is \$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 Service***

Effective October 1, 2021 early retirement benefit is calculated using 3.00% of average monthly salary multiplied by the years of service. Benefits are actuarially reduced for early retirement.

• ***Tier Two Service***

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.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

➤ ***Delayed Retirement Benefit***

• ***Tier One Service***

Effective October 1, 2021 delayed retirement benefit is calculated using 3.00% of average monthly salary multiplied by the years of service.

• ***Tier Two Service***

Delayed retirement benefit is calculated using 2.00% of average monthly salary multiplied by the years of service.

➤ ***Deferred Retirement Option Plan***

Members who are 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. For members entering the DROP with 20 or more years of credited service prior to, and all members entering the DROP after September 12, 2023, the DROP is limited to 96 months. Participation in the DROP is limited to 60 months for members entering the DROP prior to September 12, 2023 with less than 20 years of credited service who did not elect to extend their DROP period to 96 months.

➤ ***Cost-of-Living Adjustment***

• ***Tier One Service***

For retirees with Tier One service, the Plan allows for an annual guaranteed cost of living adjustment (COLA) for retirements on or after October 1, 2021 equal to 3% payable on October 1, plus an additional variable COLA equal to up to 1% if Plan earnings are sufficient (as certified by the Plan's actuary); the cost of living (COLA) adjustment for retirements prior to October 1, 2021 with Tier One service is 2%. The COLA is payable to each retiree who has been retired for at least one year at the time of the COLA payment (October 1). All retirees and their beneficiaries are eligible for the COLA once they have been retired for one year.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

➤ *Cost-of-Living Adjustment* (Continued)

- *Tier Two Service*

For retirees with Tier Two service, the Plan allows for an annual guaranteed 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 1% for retirees between the ages of 55 and 64. For retirees age 65 and older, the COLA amount is 2%. In addition, eligible retirees may receive an additional variable COLA equal to up to 1% if Plan earnings are sufficient (as certified by the Plan's actuary).

Funding

All members are required to contribute 10% of their earnings to the Plan. If a member terminates employment before becoming eligible to receive benefits, the accumulated contributions will be returned to the member 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. For the year ended September 30, 2023, the Plan's actuary determined that the required City and Broward County Sheriff's Office total contribution was \$17,601,479. This amount was contributed in full.

Rate of Return

For the year ended September 30, 2023, the annual money-weighted rate of return on Plan investments, net of investment expense was 8.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 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 July 18, 2023. The following was the Board's adopted asset allocation policy as of September 30, 2023:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	25%-60%
International equities	0%-15%
Fixed income	0%-25%
Real estate funds	10%-30%
Alternatives	0%-45%
Cash and cash equivalents	0%-10%

During the year ended September 30, 2023 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$15,843,937 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

Common stocks	\$ 3,848,676
Private equity funds	3,887,202
Private credit funds	202,801
Real estate funds	(6,232,681)
Mutual funds	12,128,560
Hedge fund	2,295,465
Corporate bonds	6,262
Government securities	<u>(292,348)</u>
Total	<u>\$ 15,843,937</u>

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 CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan'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 corporate bonds and government securities had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 7,130,052	\$ -	\$ 2,403,200	\$ 2,851,900	\$ 1,874,952
U.S. treasuries	1,598,327	-	1,116,522	481,805	-
U.S. agencies	<u>5,752,638</u>	-	<u>29,507</u>	<u>76,132</u>	<u>5,646,999</u>
Totals	<u>\$ 14,481,017</u>	<u>\$ -</u>	<u>\$ 3,549,229</u>	<u>\$ 3,409,837</u>	<u>\$ 7,521,951</u>

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:

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 3,352,785
A1	844,069
A2	1,478,233
A3	1,229,730
BAA1	1,119,544
BAA2	341,886
BAA3	362,132
Unrated securities	<u>5,752,638</u>
Total	<u>\$ 14,481,017</u>

"Concentration of investment risk" is the risk of losses that may occur from having a large portion of the Plan's holding in a particular investment relative to the overall portfolio. GASB Statement 40 and GASB Statement 67, require disclosure of investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represent 5% or more of total investments or fiduciary net position. At September 30, 2023, investment in the following mutual funds represented more than 5% of the Plan's net position: Rhumblin Russell 1000 Pooled Index Fund (16.2%) and Rhumblin S&P Small Cap 600 Pooled Index Fund (7.2%). At September 30, 2023, investment in the following real estate fund represented more than 5% of the Plan's net position: Principal Real Estate U.S. Property Separate Account (10.7%). At September 30, 2023, investment in the following hedge fund represented more than 5% of the Plan's net position: Serenitas Credit Gamma Fund (6.5%).

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. 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 investment policy limits the foreign investments to no more than 15% of the Plan's investment balance. As of year-end, the foreign investments were 3.62% of total investments.

THE CITY OF POMPANO BEACH

GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements within the fair value hierarchy as established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

The following is a description of the valuation methodologies used for investments measured at fair value.

Common stocks: Valued at the closing price reported on the New York Stock Exchange.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Mutual funds: Valued at the daily closing price as reported by the Plan. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Private equity funds and private credit funds: Valued based on the net asset value (NAV). The most significant input into the NAV is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly basis, in conjunction with management and investment advisors. The Plan has holdings in limited partnerships.

Real estate funds: Valued at the net asset value of shares held by the Plan at year end. The Plan has an investment in a private market real estate investment for which no liquid public market exists.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

Hedge fund: Valued at the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investment.

Money market funds: Valued at the floating net asset value of shares held by the Plan at year end.

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2022:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 48,937,180	\$ 48,937,180	\$ -	\$ -
Mutual funds	<u>83,748,657</u>	<u>83,748,657</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>132,685,837</u>	<u>132,685,837</u>	<u>-</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	1,598,327	-	1,598,327	-
U.S. agency securities	5,752,638	-	5,752,638	-
Corporate bonds	<u>7,130,052</u>	<u>-</u>	<u>7,130,052</u>	<u>-</u>
Total debt securities	<u>14,481,017</u>	<u>-</u>	<u>14,481,017</u>	<u>-</u>
Total investments by fair value level	<u>147,166,854</u>	<u>\$ 132,685,837</u>	<u>\$ 14,481,017</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV) ^(a)</u>				
Real estate funds	44,749,960			
Private equity funds	25,700,100			
Private credit funds	2,560,627			
Hedge fund	<u>16,286,731</u>			
Total investments measured at the NAV	<u>89,297,418</u>			
Money market funds (exempt)	<u>13,550,836</u>			
Total investments	<u>\$ 250,015,108</u>			

(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

<u>Investments Measured at the NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate fund ⁽¹⁾	\$ 26,853,915	\$ -	Daily	Daily
Real estate fund ⁽²⁾	8,372,332	-	Quarterly	10 Days
Real estate fund ⁽³⁾	9,523,713	-	Quarterly	45 Days
Private equity fund ⁽⁴⁾	1,577,796	136,594	N/A	N/A
Private equity fund ⁽⁴⁾	9,672,937	-	N/A	N/A
Private equity fund ⁽⁴⁾	7,386,008	1,190,000	N/A	N/A
Private equity fund ⁽⁴⁾	2,033,462	5,670,000	N/A	N/A
Private equity fund ⁽⁴⁾	4,702,230	2,987,929	N/A	N/A
Private equity fund ⁽⁴⁾	327,667	3,600,000	N/A	N/A
Private credit fund ⁽⁵⁾	200,000	4,800,000	N/A	N/A
Private credit fund ⁽⁵⁾	806,564	4,246,086	N/A	N/A
Private credit fund ⁽⁵⁾	1,554,063	3,500,538	N/A	N/A
Hedge fund ⁽⁶⁾	<u>16,286,731</u>	<u>-</u>	Quarterly	90 Days
Total investments measured at the NAV	<u>\$ 89,297,418</u>	<u>\$ 26,131,147</u>		

- (1) Real estate fund: This fund is an open-end, commingled real-estate fund consisting primarily of real estate properties in the multifamily, industrial, office, retail and hotel sector. The investment is valued at NAV and redemption requests are daily.
- (2) Real estate fund: This fund is an open-end, commingled investment vehicle with a multi-disciplinary investment strategy. Diversified nationally, the foundation of the portfolio is to acquire yield-driven assets consisting of all property types. The investment is valued at NAV and redemption request must be received by the fund 10 days prior to quarter end.
- (3) Real estate fund: This fund is an open-end, commingled real-estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and redemption request must be received 45 days before quarter end.
- (4) Private equity funds: These funds seek to acquire and structure private equity portfolios of private equity partnerships and underlying portfolio companies. The investments are valued at NAV.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 5. FAIR VALUE MEASUREMENTS (Continued)

- (5) Private credit funds: These funds seek to provide a consistent stream of income and capital protection. These funds invest in securitized bonds and real estate collateralized loan obligations. The investments are valued at NAV.
- (6) Hedge fund: This fund seeks to acquire fundamentally cheap corporate and mortgage securities in order to reduce drawdowns during market dislocations. The investment is valued at NAV and redemption requests must be received by the fund 90 days prior to quarter end.

NOTE 5. ACTUARIAL VALUATION

The most recent actuarial valuation was done as of October 1, 2022. 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 tables used were as follows:

Pre-Retirement Mortality – Female: PUB-2010 Headcount Weighted General Below Median Employee Female Table; Male: PUB-2010 Headcount Weighted General Below Median Employee Male Table, set back one year. Projection Scale: MP-2018.

Post-Retirement Healthy Mortality – Female: PUB-2010 Headcount Weighted General Below Median Healthy Retiree Female Table; Male: PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table, set back one year. Projection Scale: MP-2018.

Post-Retirement Disabled Mortality – Female: PUB-2010 Headcount Weighted General Disabled Retiree Female, set forward three years; Male: PUB-2010 Headcount Weighted General Disabled Retiree Male Table, set forward three years. Projection Scale: MP-2018.

Principal assumptions used were 7.35% for the investment rate of return and 4.25% to 7.50% for projected salary increases.

NOTE 6. 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.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023
(Continued)

NOTE 7. NET PENSION LIABILITY OF THE PLAN

The components of the net pension liability of the City at September 30, 2023 were as follows:

Total pension liability	\$ 375,665,996
Plan fiduciary net position	<u>250,075,581</u>
City's net pension liability	<u>\$ 125,590,415</u>
Plan fiduciary net position as a percentage of the total pension liability	66.57%

The total pension liability, required to be reported under Governmental Accounting Standards, was determined by an actuarial valuation as of October 1, 2022. The total pension liability was rolled-forward from the valuation date to the Plan's fiscal year ending September 30, 2023 using certain actuarial assumptions, the most significant of which were 7.35%, net of pension plan investment expense, for the investment rate of return, 4.25% to 7.50% for projected salary increases and 2.50% for inflation.

Mortality rates were based on the PUB-2010 Headcount Weighted General Below Median Employee Tables 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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
US Large Cap Equity	30.00%	6.20%
US Small/Mid Cap Equity	15.00%	7.25%
International Equity	5.00%	6.91%
US Direct Real Estate	20.00%	5.01%
Absolute Return	5.00%	5.91%
Private Equity	5.00%	10.30%
Private Credit	5.00%	6.42%
US Fixed Income	10.00%	2.46%
Cash	5.00%	0.76%

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

(Continued)

NOTE 7. NET PENSION LIABILITY OF THE PLAN (Continued)

The discount rate used to measure the total pension liability was 7.35%. 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 City 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 was calculated using the discount rate of 7.35%. It was also calculated using a discount rate that was 1-percentage-point lower (6.35%) and 1-percentage-point higher (8.35%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.35%)</u>	<u>(7.35%)</u>	<u>(8.35%)</u>
Net pension liability	\$ 171,994,049	\$ 125,590,415	\$ 87,004,230

NOTE 8. 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.

On December 12, 2016, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a), and therefore, is tax exempt.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through January 23, 2024, the date the financial statements were available to be issued.

**THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2022)

	<u>2023</u>	<u>2022</u>
PERSONNEL SERVICES:		
Salaries and payroll taxes	\$ 249,013	\$ 459,086
Employee benefits	<u>45,964</u>	<u>62,561</u>
TOTAL PERSONNEL SERVICES	<u>\$ 294,977</u>	<u>\$ 521,647</u>
PROFESSIONAL SERVICES:		
Legal	\$ 110,673	\$ 149,677
Actuarial	32,209	44,833
Audit	<u>13,906</u>	<u>16,179</u>
TOTAL PROFESSIONAL SERVICES	<u>\$ 156,788</u>	<u>\$ 210,689</u>
OTHER EXPENSES:		
Rent	\$ 45,197	\$ 39,266
Insurance	26,283	23,399
Trustee expense	24,578	29,855
Repairs and maintenance	19,175	21,625
Printing and office expense	18,575	23,340
Telephone	5,435	4,539
Staff expense	3,187	6,512
Miscellaneous	<u>2,719</u>	<u>2,761</u>
TOTAL OTHER EXPENSES	<u>\$ 145,149</u>	<u>\$ 151,297</u>
TOTAL ADMINISTRATIVE EXPENSES	<u><u>\$ 596,914</u></u>	<u><u>\$ 883,633</u></u>

The accompanying independent auditor's report should be read with this supplemental schedule.

**THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2023

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS
(UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined employer contribution	\$ 17,601,479	\$ 11,119,868	\$ 10,864,448	\$ 10,130,579	\$ 9,330,496
Actual employer contribution	<u>17,601,479</u>	<u>11,119,868</u>	<u>10,864,448</u>	<u>10,130,579</u>	<u>9,330,496</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$36,977,205</u>	<u>\$33,860,266</u>	<u>\$36,074,168</u>	<u>\$36,094,711</u>	<u>\$32,795,343</u>
Actual contributions as a percentage of covered-employee payroll	47.60%	32.84%	30.12%	28.07%	28.45%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contribution	\$ 8,301,969	\$ 6,755,068	\$ 6,545,407	\$ 6,669,132	\$ 6,697,862
Actual employer contribution	<u>8,301,969</u>	<u>6,755,068</u>	<u>6,545,407</u>	<u>6,669,132</u>	<u>6,697,862</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	<u>\$31,178,459</u>	<u>\$28,647,136</u>	<u>\$27,957,210</u>	<u>\$27,015,680</u>	<u>\$26,048,410</u>
Actual contributions as a percentage of covered-employee payroll	26.63%	23.58%	23.41%	24.69%	25.71%

Notes to Schedules of Contributions from Employer and Other Contributors

Actuarial cost method	Entry age normal
Amortization method	Bases prior to 2017: Level Percent Closed. Bases on or after 2017: Level Dollar Closed.
Remaining amortization period	1 to 30 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increase	4.25% to 7.50%
Investment rate of return	7.35%, net of pension plan investment expense.

The accompanying independent auditor's report should be read with this supplemental schedule.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year ended <u>September 30</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2023	8.8%
2022	(8.0%)
2021	25.6%
2020	5.7%
2019	3.1%
2018	10.3%
2017	13.3%
2016	9.7%
2015	(0.1%)
2014	10.4%

The accompanying independent auditor's report should be read with this supplemental schedule.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY:					
Service cost	\$ 9,431,172	\$ 7,562,780	\$ 5,768,934	\$ 5,595,991	\$ 5,005,369
Interest	26,303,905	22,626,704	21,417,150	21,083,676	20,253,594
Benefit changes	-	32,353,868	5,239,968	-	-
Difference between actual and expected experience	(279,584)	2,221,889	(3,110,567)	(1,467,357)	1,394,230
Changes of assumptions	-	5,884,343	-	(1,090,644)	4,333,704
Benefit payments	(16,031,624)	(15,871,450)	(13,457,378)	(14,559,767)	(16,084,009)
Refunds	<u>(437,555)</u>	<u>(321,573)</u>	<u>(313,481)</u>	<u>(341,802)</u>	<u>(285,177)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	18,986,314	54,456,561	15,544,626	9,220,097	14,617,711
TOTAL PENSION LIABILITY - BEGINNING	<u>356,679,682</u>	<u>302,223,121</u>	<u>286,678,495</u>	<u>277,458,398</u>	<u>262,840,687</u>
TOTAL PENSION LIABILITY - ENDING	<u>375,665,996</u>	<u>356,679,682</u>	<u>302,223,121</u>	<u>286,678,495</u>	<u>277,458,398</u>
PLAN FIDUCIARY NET POSITION:					
Contributions - Employer	\$ 17,601,479	\$ 11,119,868	\$ 10,864,448	\$ 10,130,579	\$ 9,330,496
Contributions- Member	4,367,097	5,076,325	4,517,442	3,104,113	2,880,798
Net investment income (loss)	18,043,883	(23,482,622)	49,818,959	11,092,521	5,374,056
Benefit payments	(16,031,624)	(15,871,450)	(13,457,378)	(14,559,767)	(16,084,009)
Refunds of contributions	(437,555)	(321,573)	(313,481)	(341,802)	(285,177)
Administrative expenses	<u>(596,914)</u>	<u>(883,633)</u>	<u>(654,114)</u>	<u>(572,044)</u>	<u>(572,997)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	22,946,366	(24,363,085)	50,775,876	8,853,600	643,167
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>227,129,215</u>	<u>251,492,300</u>	<u>200,716,424</u>	<u>191,862,824</u>	<u>191,219,657</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>250,075,581</u>	<u>227,129,215</u>	<u>251,492,300</u>	<u>200,716,424</u>	<u>191,862,824</u>
NET PENSION LIABILITY - ENDING	<u>\$ 125,590,415</u>	<u>\$ 129,550,467</u>	<u>\$ 50,730,821</u>	<u>\$ 85,962,071</u>	<u>\$ 85,595,574</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	66.57%	63.68%	83.21%	70.01%	69.15%
COVERED EMPLOYEE PAYROLL	\$ 36,977,205	\$ 33,860,266	\$ 36,074,168	\$ 36,094,711	\$ 32,795,343
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	339.64%	382.60%	140.63%	238.16%	261.00%

The accompanying independent auditor's report should be read with this supplemental schedule.

THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)
(Continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:					
Service cost	\$ 4,718,048	\$ 4,125,985	\$ 4,065,485	\$ 3,971,996	\$ 4,002,187
Interest	19,113,699	17,193,735	16,453,581	15,846,713	15,228,081
Benefit changes	-	-	62,449	-	-
Difference between actual and expected experience	5,838,209	(1,530,189)	1,438,845	402,266	-
Changes of assumptions	2,726,764	19,985,869	-	-	-
Benefit payments	(13,342,113)	(12,997,314)	(12,536,330)	(12,286,072)	(10,047,279)
Refunds	<u>(224,969)</u>	<u>(122,787)</u>	<u>(198,760)</u>	<u>(238,755)</u>	<u>(362,250)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	18,829,638	26,655,299	9,285,270	7,696,148	8,820,739
TOTAL PENSION LIABILITY - BEGINNING	<u>244,011,049</u>	<u>217,355,750</u>	<u>208,070,480</u>	<u>200,374,332</u>	<u>191,553,593</u>
TOTAL PENSION LIABILITY - ENDING	<u>262,840,687</u>	<u>244,011,049</u>	<u>217,355,750</u>	<u>208,070,480</u>	<u>200,374,332</u>
PLAN FIDUCIARY NET POSITION:					
Contributions - Employer	\$ 8,301,969	\$ 6,755,068	\$ 6,545,407	\$ 6,669,132	\$ 6,697,862
Contributions- Member	2,663,296	2,617,652	2,593,355	2,562,901	2,515,665
Net investment income (loss)	17,035,198	21,126,562	14,289,309	(235,039)	12,478,865
Benefit payments	(13,342,113)	(12,997,314)	(12,536,330)	(12,286,072)	(10,047,279)
Refunds of contributions	(224,969)	(122,787)	(198,760)	(238,755)	(362,250)
Administrative expenses	<u>(539,529)</u>	<u>(475,674)</u>	<u>(526,236)</u>	<u>(530,248)</u>	<u>(491,959)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	13,893,852	16,903,507	10,166,745	(4,058,081)	10,790,904
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>177,325,805</u>	<u>160,422,298</u>	<u>150,255,553</u>	<u>154,313,634</u>	<u>143,522,730</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>191,219,657</u>	<u>177,325,805</u>	<u>160,422,298</u>	<u>150,255,553</u>	<u>154,313,634</u>
NET PENSION LIABILITY - ENDING	<u>\$71,621,030</u>	<u>\$66,685,244</u>	<u>\$56,933,452</u>	<u>\$57,814,927</u>	<u>\$46,060,698</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	72.75%	72.67%	73.81%	72.21%	77.01%
COVERED EMPLOYEE PAYROLL	\$31,178,459	\$28,647,136	\$27,957,210	\$27,015,680	\$26,048,410
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	229.71%	232.78%	203.64%	214.01%	176.83%

The accompanying independent auditor's report should be read with this supplemental schedule.

**THE CITY OF POMPANO BEACH
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

COMPLIANCE REPORT

SEPTEMBER 30, 2023



**INDEPENDENT AUDITOR’S 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**

To the Board of Trustees of
The City of Pompano Beach General Employees’ Retirement System

We have audited, in accordance with the 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, the financial statements of The City of Pompano Beach General Employees’ Retirement System, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise The City of Pompano Beach General Employees’ Retirement System’s basic financial statements, and have issued our report thereon dated January 23, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Pompano Beach General Employees’ Retirement System’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 City of Pompano Beach General Employees’ Retirement System’s internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Pompano Beach General Employees’ Retirement System’s internal control.

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 City of Pompano Beach General Employees’ Retirement System’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



INDEPENDENT AUDITOR'S 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 (Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Pompano Beach General Employees' Retirement System financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.

Weston, Florida
January 23, 2024