

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

A PENSION TRUST FUND OF THE CITY OF POMPANO BEACH, FLORIDA

FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2021

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

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Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2021***

Presented to

Pompano Beach Police and Firefighters Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Executive Director
Pompano Beach Police and Firefighters' Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Pompano Beach Police and Firefighters' Retirement System (the System), which comprise the statement of fiduciary net position as of September 30, 2021, and the 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

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Opinion

In our opinion, the 2021 financial statements referred to above present fairly, in all material respects, the respective financial position of the System, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the Pompano Beach Police and Firefighters' Retirement System's 2020 financial statements, and our report dated January 22, 2021, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the employer net pension liability and related ratios, schedule of employer and other contributing entity contributions, and schedule of investment returns on pages 5–10 and 30-34 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 taken as a whole. The Schedules of Administrative and Investment Expenses (the Schedules) are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

The Public Pension Standard Award is presented for purposes of additional analysis and is not a required part of the financial statements.

The Public Pension Standard Award has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 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 System's internal control over financial reporting and compliance.

Marcum LLP

Fort Lauderdale, FL
January 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial activities of the Pompano Beach Police and Firefighters' Retirement System (the System or the Plan) provides an overview of the financial statements by focusing on the System's financial performance during the years ended September 30, 2021 and 2020 and identifying significant changes in the financial position. Please read it in conjunction with the financial statements and notes to the financial statements which follow this discussion.

The System is responsible for administering a defined benefit public employee retirement system. It provides services to approximately 2 active police officers, 184 active firefighters and 413 benefit recipients.

Overview of Financial Statements

Financial Statements

The System presents financial statements as of and for the year ended September 30, 2021 with comparative totals for 2020. The financial statements are prepared using the accrual basis of accounting in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. The two financial statements are the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

The Statement of Fiduciary Net Position presents information on all of the System's assets and deferred outflows, and liabilities and deferred inflows, with the difference between them reported as net position restricted for pension benefits. This represents the value of net position held in trust to pay pension benefits. The System did not have any deferred outflows or inflows as of September 30, 2021 or 2020.

By contrast, the Statement of Changes in Fiduciary Net Position presents information showing how the System's net position changed, on a comparative basis, with additions (revenues) and deductions (expenses) for the year.

Notes to Financial Statements

The Notes to Financial Statements are an integral part of the financial statements and provide additional information and schedules that are essential for a full understanding of the financial statements. Among other things, information in the notes discloses the method used to value investments, a general description of the Plan, recent Plan amendments, contribution information and investment information.

Required Supplementary Information

Because of the long-term nature of a defined benefit plan, the System provides two required schedules of historical trends based on the actuarial valuations performed by the System's actuary and an analysis of investment returns by the System's investment advisor.

Other Supplementary Information

The other schedules provided are the Schedules of Administrative and Investment Expenses (supplementary information). The schedules provide a detail of the composition of such expenses.

Financial Highlights

Fiscal Year 2021

- Net position increased by \$33.4 million from \$252.6 million at September 30, 2020 to \$286.0 million at September 30, 2021, an increase of 13.2% primarily due to positive investment returns.
- The time-weighted rate of return on investments was 18.49%, net of fees, on a market value basis, which exceeded its assumed rate of investment return of 7.30%. The dollar-weighted net return is shown in Note 3 and the Required Supplementary Information.
- At September 30, 2021, the System's fiduciary net position as a percent of the total pension liability was 77.74%, representing an increase of 7.71% from the prior year.
- The assumed rate of investment return is on a schedule to be lowered from 7.5% to 7.0% in increments of 0.10% per year over the course of a five-year phase-in commencing on the October 1, 2018 actuarial valuation. The rate was maintained at 7.3% for one additional year in light of the unique Covid pandemic circumstances as explained by the City of Pompano Beach, and as recommended as reasonable by the actuary. Total Pension Liability at September 30, 2021 was calculated using a 7.30% assumed rate of investment return.
- The System received approximately \$2.2 million in member contributions, \$11.1 million in employer contributions and \$2.7 million in revenue from the State of Florida during 2021.
- At September 30, 2021, the net pension liability of the employer(s) was approximately \$82.0 million.

Fiscal Year 2020

- Net position increased by \$7.5 million from \$245.1 million at September 30, 2019 to \$252.6 million at September 30, 2020, an increase of 3.0% primarily due to positive investment returns.
- The time-weighted rate of return on investments was 7.18%, net of fees, on a market value basis, which exceeded its assumed rate of investment return of 7.30%. The dollar-weighted net return is shown in Note 3 and the Required Supplementary Information.
- At September 30, 2020, the System's fiduciary net position as a percent of the total pension liability was 70.03%, representing an increase of 0.3% from the prior year.
- The assumed rate of investment return will be lowered from 7.5% to 7.0% in increments of 0.10% per year over the course of a five-year phase-in commencing on the October 1, 2018 actuarial valuation. Total Pension Liability at September 30, 2020 was calculated using a 7.30% assumed rate of investment return.
- The System received approximately \$2.0 million in member contributions, \$11.0 million in employer contributions and \$2.7 million in revenue from the State of Florida during 2020.
- At September 30, 2020, the net pension liability of the employer(s) was approximately \$108.1 million.

Financial Analysis

Fiduciary Net Position

The System's funding objective is to accumulate sufficient assets over time to meet long-term benefit obligations. To accumulate the funds needed to pay pension benefits, the System relies on contributions to the plan and investment earnings.

SUMMARY OF FIDUCIARY NET POSITION AS OF SEPTEMBER 30, 2021 AND 2020

	2021	2020	Increase (Decrease)	
			Amount	Percent
Assets other than investments	\$ 2,635,485	\$ 2,708,152	\$ (72,667)	-2.7%
Investments	<u>287,668,801</u>	<u>250,147,957</u>	<u>37,520,844</u>	15.0%
Total Assets	290,304,286	252,856,109	37,448,177	14.8%
Liabilities	<u>4,282,388</u>	<u>260,022</u>	<u>(4,022,366)</u>	1546.9%
Net Position	<u>\$ 286,021,898</u>	<u>\$ 252,596,087</u>	<u>\$ 33,425,811</u>	13.2%

Net position restricted for pension benefits totaled \$286.0 million at September 30, 2021 compared to \$252.6 million at September 30, 2020. Current and other assets, reflecting cash, prepaid benefits, receivables, and property and equipment at September 30, 2021 were \$2.6 million, a decrease of -2.7%. Investments totaled \$287.7 million, which is an increase of \$37.5 million, or 15.0% from 2020. The investment increase is primarily due to stellar investment returns for the year.

The largest portion of the System's assets is invested in equities. At September 30, 2021, the System held \$148.9 million in equities, \$63.1 million in fixed income securities, \$65.8 million in hedge fund of funds, long/short credit, private equity, core real estate and infrastructure funds, and \$9.9 million in money market funds. Total liabilities at September 30, 2021 were \$4.3 million, which included the amount due to brokers for pending trades of \$4.0 million, and accounts payable and accrued expenses of \$275,733. On October 1, 2020, the System transitioned to a new custodian for the safekeeping of investment assets.

Revenues – Additions to Net Position Restricted for Pension Benefits

Additions to the Plan Net Position are used to finance current and future retirement benefits. The primary sources of revenue include contributions from active members, employers, premium tax revenue from the State of Florida and net investment income.

ADDITIONS TO NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020	Increase (Decrease)	
			2021 to 2020	
			Amount	Percent
Employer contributions	\$ 11,136,794	\$ 10,943,984	\$ 192,810	1.8%
Member contributions	2,176,133	1,995,263	180,870	9.1%
State of Florida contributions	2,737,886	2,750,611	(12,725)	-0.5%
Net investment income	<u>44,252,283</u>	<u>15,331,990</u>	<u>28,920,293</u>	188.6%
Total Additions	\$ <u>60,303,096</u>	\$ <u>31,021,848</u>	\$ <u>29,281,248</u>	94.4%

Contributions and net investment income totaled \$60.3 million in 2021, an increase of \$29.3 million from 2020. Employer contributions increased \$192,810 in 2021 compared to 2020 primarily due to certain key assumption changes. Member contributions increased by \$180,870 in 2021 compared to the previous year primarily due to new-hires and salary increases. The State of Florida premium tax revenue decreased \$12,725 compared to 2020.

The System incurred a positive return on the fair value of its investments in 2021. Net investment income of \$44.3 million was recognized in 2021, compared with net investment income of \$15.3 million in 2020, an increase of 188.6%. The net appreciation in the fair value of investments was \$41.3 million for 2021 compared to a net appreciation of \$11.2 million in 2020. Interest, dividends and other investment income generated income of \$4.4 million for 2021, which was a -18.8% decrease from the previous year.

Investment management fees increased \$121,764 from 2020 as a result of higher asset values. Investment expenses are deducted from total investment income to determine the net investment income.

Expenses – Deductions from Net Position Restricted for Pension Benefits

The primary expenses for the System include benefit payments to retirees and beneficiaries plus cost-of-living adjustments, Deferred Retirement Option Plan (DROP) and Share Plan distributions. They also include refunds of contributions paid to members who terminated employment during the year and administrative expenses.

DEDUCTIONS FROM NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020	Increase (Decrease)	
			2021 to 2020	
			Amount	Percent
Benefit payments	\$ 26,166,071	\$ 22,940,690	\$ 3,225,381	14.1%
Refund of contributions	94,073	40,676	53,397	131.3%
Administrative expenses	<u>617,141</u>	<u>604,803</u>	<u>12,338</u>	2.0%
Total Deductions	\$ <u>26,877,285</u>	\$ <u>23,586,169</u>	\$ <u>3,291,116</u>	14.0%

The largest expense was for benefits paid to retirees and beneficiaries. Benefit payments totaled approximately \$26.2 million for fiscal year 2021, an increase of \$3.2 million, or 14.1% from 2020, due to more distributions from the DROP and Share Plan accounts of retired members than the previous year. There were seven refunds of contributions to terminating members in 2021, compared to three the previous year. Administrative expense totaled \$617,141 for fiscal year 2021, an increase of \$12,338, or 2.0%. Total administrative expense (not including investment management fees) was 0.22% of the System's net position.

Further analysis of benefit payments follows:

BENEFIT PAYMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	2021	2020	Increase (Decrease)	
			2021 to 2020	
			Amount	Percent
Normal retirement payments	\$ 18,113,477	\$ 17,767,845	\$ 345,632	1.9%
Disability pension payments	2,215,613	2,093,389	122,224	5.8%
Beneficiary payments	1,188,593	1,059,701	128,892	12.2%
Share plan payments	653,734	354,751	298,983	84.3%
DROP account withdrawals	<u>3,994,654</u>	<u>1,665,004</u>	<u>2,329,650</u>	139.9%
Total Benefit Payments	<u>\$ 26,166,071</u>	<u>\$ 22,940,690</u>	<u>\$ 3,225,381</u>	14.1%

Funding

An actuarial valuation of the System's assets and benefit obligations is performed annually. The latest actuarial valuation dated October 1, 2020, showed the System had a ratio of actuarially determined pension asset-to-liabilities or funded ratio of 68.0%, down -2.0% from 70.0% on October 1, 2019 due to a one-time correction to the actuarial treatment of share plan liability. The funded ratio has been trending upward after a significant reduction resulting from adoption of the Florida Retirement System's (FRS) mortality assumption on October 1, 2016, as required by Florida statute. At October 1, 2020, the System's actuarial accrued liability exceeded the actuarial value of assets by \$108.2 million.

Commencing on the October 1, 2018 actuarial valuation, the amortization period for unfunded liability on future assumption and plan change bases was shortened from 30 years to 20 years. This serves to eliminate negative amortization and reduce overall interest cost.

Investment Activity

The Board of Trustees approved a five-year plan to lower the assumed rate of investment return from 7.5% to 7.0% commencing on October 1, 2018. On the October 1, 2020 actuarial valuation, the rate was maintained for one additional year at 7.3% in light of the unique Covid pandemic circumstances as explained by the City of Pompano Beach. The rate will be lowered in 0.10% increments prospectively until the target is achieved.

The Board of Trustees oversees the System's investments, performance and investment managers. Long-term asset growth is essential to the System's current and continued financial stability; therefore, the Board of Trustees has the fiduciary responsibility to act with prudence when making investment decisions. The foundation of all investment decisions is a realistic investment policy statement. The System's investment policy is continually monitored and revised to match the goals and risk tolerance of the System and provide enhanced criteria for measuring the performance of the investment managers. The current investment policy utilizes traditional asset classes such as Large Capitalization Value, Large Capitalization Growth, Mid Capitalization Value, Small/Mid Capitalization Growth, International Value, International Growth, Fixed Income, as well as alternative asset classes including Public and Private Real Estate, Funds of Hedge Funds, Long/Short Credit, Private Equity and Infrastructure in an effort to enhance the expected return of the System's portfolio while reducing risk. Periodic rebalancing of the total portfolio to the targets is done to ensure diversification among the various asset classes, which is the key to reaching long-term goals. In addition, the Board constantly monitors the performance of all the managers and replaces those that have long-term underperformance (or other appropriate reasons as determined by the Board of Trustees) with managers believed to provide a better opportunity for the System to meet its investment objectives.

Requests for Information

This financial report is designed to provide Plan participants, employers and other interested parties a general overview of the System's finances and to show the System's accountability for the funding it receives. Questions concerning information in this report or requests for additional financial information should be addressed to the Pompano Beach Police and Firefighters' Retirement System, 50 NE 26th Ave, Suite 302, Pompano Beach, Florida 33062.

FINANCIAL STATEMENTS

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

	2021	2020
Assets		
Cash	\$ 17,294	\$ 2,655
Due from brokers	175,950	--
Receivables:		
Accrued interest and dividends	348,763	473,092
DROP loans	168,062	290,085
Other receivables	10,867	--
Total Receivables	527,692	763,177
Investments		
Money market funds	9,897,570	10,597,766
U. S. Government agency obligations	19,491,958	13,549,867
Mortgage backed securities	18,485,075	17,869,310
Municipal obligations	333,011	335,098
Corporate obligations	24,839,661	24,634,711
Equity securities	148,848,169	125,033,111
Hedge funds, private equity, core real estate, infrastructure	65,773,357	58,128,094
Total Investments	287,668,801	250,147,957
Prepayments	1,837,217	1,807,427
Property and equipment, net of accumulated depreciation of \$291,487 and \$268,187, respectively	77,332	134,893
Total Assets	290,304,286	252,856,109
Liabilities		
Accounts payable and accrued expenses	275,733	260,022
Due to brokers	4,006,655	--
Total Liabilities	4,282,388	260,022
Net Position Restricted for Pension Benefits	\$ 286,021,898	\$ 252,596,087

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

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2021

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	2021	2020
Additions		
Contributions:		
City of Pompano Beach	\$ 6,385,694	\$ 6,019,899
Broward Sheriff's Office	4,751,100	4,924,085
Members	2,176,133	1,995,263
State of Florida	2,737,886	2,750,611
Total Contributions	16,050,813	15,689,858
Investment Income		
Net appreciation in fair value of investments	41,313,017	11,249,831
Interest and dividends	4,350,714	5,364,132
Miscellaneous investment income	59,041	66,752
	45,722,772	16,680,715
Less: investment expenses	(1,470,489)	(1,348,725)
Net Investment Income	44,252,283	15,331,990
Total Additions	60,303,096	31,021,848
Deductions		
Benefit payments	26,166,071	22,940,690
Refund of participant contributions	94,073	40,676
Administrative expenses	617,141	604,803
Total Deductions	26,877,285	23,586,169
Net Increase	33,425,811	7,435,679
Net Position Restricted for Pension Benefits		
Beginning of year	252,596,087	245,160,408
End of year	\$ 286,021,898	\$ 252,596,087

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

NOTES TO FINANCIAL STATEMENTS

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying financial statements of the Pompano Beach Police and Firefighters' Retirement System (the System or the Plan) are prepared using the accrual basis of accounting. Contributions from the Plan's members are recognized as revenue in the period in which the contributions are due. Contributions from the City of Pompano Beach (the City) and the Broward Sheriff's Office (BSO), as calculated by the System's actuary, are recognized as revenue when due and when the entities have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION

Investments are reported at fair value except for the money market funds which are reported at amortized cost. 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 at the measurement date. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Interest and dividends are recorded as earned. Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. For more detail regarding the methods used to measure the fair value of investments refer to the fair value hierarchy in Note 3.

USE OF ESTIMATES

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

COMPARATIVE INFORMATION

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended September 30, 2020, from which the information was derived.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

PLAN DESCRIPTION

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

The Pompano Beach Police and Firefighters' Retirement System was established by ordinance of the City of Pompano Beach to account for the financial activity of the System. The System is administered by a nine-member Board of Trustees comprised of three members appointed by the City Commission, three members elected by/from the Firefighter members, and three members elected by/from the Police members. The System is included as a pension trust fund in the City's financial statements.

The System is a defined benefit pension plan that covers all of the City's employees that are full-time sworn police officers and firefighters. In August 1999, the City contracted with the Broward Sheriff's Office whereby BSO would provide policing services in Pompano Beach. As a result, all of the City's police officers are employed by BSO. Participating police officers were given the option to either remain in the System or switch to BSO's retirement plan and the System was closed to new police officers.

The System provides retirement, death and disability benefits for its members. Benefit provisions are established and may be amended by the City of Pompano Beach, in conjunction with the members' collective bargaining units. A member may retire with normal benefits after reaching age 47 and accumulating 20 or more years of credited service or age 55 and accumulating 10 or more years of credited service. Pursuant to Ordinance 2014-61, firefighters hired on or after May 27, 2014, may retire with normal benefits after reaching age 50 and accumulating 20 or more years of credited service or age 55 and accumulating 10 or more years of credited service. Pursuant to Ordinance 2008-54, a police officer with 25 years of credited service may elect to purchase unreduced normal retirement benefits regardless of age. Normal retirement benefits are stipulated in Section 34.055 of the City's Code of Ordinances and are contingent upon a member's employment classification, separation date, length of service and average monthly earnings. In general, normal retirement benefits are the member's average monthly earnings times the number of years of service multiplied by a factor ranging from 2.0% to 4.0%. Members with 20 or more years of service may receive an early retirement benefit at age 47 or an immediate benefit at a reduced amount. Members who have attained age 50 and have completed 10 years of service are also eligible for an early retirement benefit.

Each October 1st, an automatic cost of living adjustment (COLA) of 2% is provided to those retirees who have been retired at least 5 years. An additional increase of up to 1% may be paid to those same retirees under certain circumstances.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

A member attaining age 47 with 20 or more years of credited service is eligible for delayed retirement. These benefits begin upon application and are computed in the same manner as the normal retirement benefit.

Disability benefits for service-related disabilities are paid to the member for at least 10 years or until recovery. Benefits are calculated as 75% of the member's final earnings in effect at the date the benefit is approved.

Disability benefits for non-service-related disabilities for members with 10 or more years of credited service are paid to a member for at least 10 years or until recovery. Benefits are calculated as 3% of the member's average monthly earnings times the number of credited service years, up to a maximum of 60% of the member's salary, plus 2% of average monthly earnings times the number of credited service years in excess of 25 years.

Pre-retirement death benefits for service-related deaths are payable to the member's surviving spouse until death or remarriage (for life if the member was killed in the line of duty). Benefits are calculated as a \$5,000 lump sum payment plus 75% of the member's final earnings. In addition, eligible children each receive 7.5% of the member's final earnings. If no eligible surviving spouse exists, eligible children each receive 15% of the member's final earnings not to exceed 50%.

Pre-retirement death benefits for non-service-related deaths of members with more than 10 years of credited service are payable to a designated beneficiary. The designated beneficiary may elect to receive a return of the member's contribution plus interest or an accrued benefit payable at normal retirement or early retirement. In addition, the designated beneficiary may elect the pre-retirement death benefit for non-service-related deaths of members with 5 to 10 years of credited service. Pre-retirement death benefits for non-service-related deaths of members with 5 to 10 years of credited service are paid to the member's surviving spouse for life. Benefits are computed as a \$5,000 lump sum plus 65% of the member's accrued benefits at the date of death, subject to a minimum of 20% of the member's average monthly salary. In addition, eligible children each receive 7.5% of the member's final earnings. If no eligible surviving spouse exists, eligible children each receive 15% of the member's final earnings. The pre-retirement death benefit for members with 1 to 5 years of credited service is a \$5,000 lump sum payment to the member's designated beneficiary.

Post retirement death benefits are payable to the member's beneficiary in accordance with the terms of the payment method selected.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

A member with less than 10 years of credited service who terminates employment is refunded his or her contributions, plus interest of 3%. A member with 10 or more years who terminates employment may receive his or her accrued benefit payable at normal retirement date or early retirement date or a refund of contributions plus 3% interest.

Membership consisted of the following as of October 1, 2020, the date of the latest actuarial valuation:

Inactive plan members and beneficiaries currently receiving benefits	408
Inactive plan members entitled but not yet receiving benefits	5
Active plan members	<u>181</u>
Total Members	<u><u>594</u></u>

DROP PROGRAM

Any member who is eligible to receive a normal retirement pension, prior to attaining 25 years of service, may elect to participate in a deferred retirement option program (DROP) while continuing his or her active employment as a police officer or firefighter. The maximum DROP participation period is five years for police officers and eight years for firefighters. A member with 25 years of credited service who is not yet eligible for normal retirement may elect to participate in the DROP upon reaching normal retirement. Upon participation in the DROP, the member becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension Plan. Normal retirement payments that would have been payable to the member are accumulated and invested in the DROP program to be distributed to the member upon his or her termination of employment.

At September 30, 2021 and 2020, there were 54 and 47, respectively, DROP participants at the end of each year.

At September 30, 2021 and 2020, the balance in the DROP account was \$14,711,011 and \$15,058,744, respectively. These amounts are included in the total investment balance presented on the statement of fiduciary net position.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

DROP LOAN PROGRAM

The Plan allows participants to borrow from their DROP account. The loan limit is up to 50% of participant's account balance, subject to a minimum of \$5,000 and a maximum of \$50,000. The interest rate charged is the “prime rate” in effect on the day of loan application; repayment schedule and maturity date are not to exceed five years. On September 30, 2021, the balance of DROP loans outstanding was \$168,062.

SHARE PLANS

A Supplemental Retirement Benefit Plan was established for firefighter members who were employed on October 1, 2010. Firefighters who were actively employed on that date were given a share, based on completed months of service, of the existing Chapter 175 reserves. Annually thereafter, Chapter 175 contributions exceeding \$821,230 are also allocated to members who are employed at the end of each fiscal year. In addition, earnings are posted to the Share Plan accounts each January 1. Firefighters become vested in their accounts at the rate of 50% after 10 years of service, 75% after 15 years of service and 100% after 20 years of service. As of September 30, 2021, the balance in the firefighters’ Share Plan account was \$6,976,861. This amount is included in the total investment balance presented on the statement of fiduciary net position.

Effective February 28, 2017, a Supplemental Retirement Benefit Plan (Share Plan) for police officer members was established in accordance with Chapter 185, Florida statutes. Under this Plan, a portion of monies received from the Chapter 185 contributions is set aside to provide special benefits to eligible police officer members. Annually, Chapter 185 contributions exceeding \$876,088 are allocated 50% to a police Share Plan and 50% to reduce the unfunded actuarial liability of the Plan. In accordance with a policy adopted on July 10, 2018, police officer members who were vested with a minimum of ten years of service as of February 28, 2017 were each given a share. The Share Plan funds are allocated to all eligible police members at the end of each fiscal year and distributed to retired police officers annually on December 1. Share Plan funds are held in an account with posted earnings for the remaining active police members until retirement pay status is attained. As of September 30, 2021, the balance in the police officers’ Share Plan account was \$227,678. This amount is included in the total investment balance presented on the statement of fiduciary net position.

CONTRIBUTIONS

Police officers are required to contribute 8.6% and firefighters 11.6% of their annual covered salary. Pursuant to Chapters 175 and 185 of the Florida Statutes, a premium tax on certain

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS (CONTINUED)

property and casualty insurance contracts written on Pompano Beach properties is collected by the State and is remitted to the System. The City and BSO are required to contribute the remaining amounts necessary to fund the benefits through periodic contributions at actuarially determined rates. Administrative costs are funded through investment earnings.

In accordance with Florida Statutes, and in the absence of mutual consent, additional premium tax revenues in excess of a base amount are reserved 50%, to fund minimum benefits or benefits in excess of minimums, and 50% to fund a Share Plan. As of the October 1, 2020 actuarial valuation, the cumulative balance of additional premium tax revenues reserved to provide Share Plan benefits to firefighter members (Chapter 175 funds) totaled \$500,967 and was allocated to the members' Share Plan accounts on January 1, 2021. As of the October 1, 2020 actuarial valuation, the cumulative balance of additional premium tax revenues used to provide Share Plan benefits to police officer members (Chapter 185 funds) totaled \$276,172. Chapter 185 premium tax funds in excess of the minimum received in 2021 totaled \$423,306 of which \$211,653 was allocated to reduce the unfunded actuarial liability of the Plan and \$211,653 was allocated to the police officers' Share Plan accounts on September 30, 2021.

NOTE 3 – INVESTMENTS

Investment authorization – The System's investment practices are governed by Chapters 175 (Firefighter Pensions), 185 (Municipal Police Pensions), 280 (Florida Security for Public Deposits Act) and 112 (Local Retirement Plan Investment Policies), Florida Statutes, City Code of Ordinances and the System's adopted investment policy. In addition to complying with System policy, the System applies the "Prudent Person Rule" when executing investment strategies. Investments are made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income derived.

Types of investments – Florida Statutes and Plan policy authorize the Board of Trustees to invest in marketable debt securities issued or guaranteed by either the United States Government or its agencies, domestic corporations (including industrial and utilities), Israeli bonds, asset backed and commercial mortgage-backed securities, domestic banks and other financial institutions, exchange traded funds, equity securities listed on the New York,

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

American and principal regional and foreign (for foreign securities) exchanges, over the counter securities for which there is an active market maker regulated by National Association of Securities Dealers, American Depository Receipts, and real estate investment trusts (REIT) listed on the New York, American, and principal regional and foreign exchanges, Funds of Hedge Funds (FOHF), and private real estate through institution vehicles or direct ownership.

The Plan's investment policy establishes asset classes and stipulates the following maximum portfolio percentages:

Authorized Investments	Effective April 15, 2021	
	Allowable Range %	Target %
Fixed income securities	17.5% - 30%	22.5%
Equity securities	45% - 65%	55.0%
Real estate	0% - 10%	7.5%
FOHF and Managed Future:	0% - 10%	5.0%
Infrastructure	0% - 7.5%	5.0%
Private equity	0% - 7.5%	5.0%

Authorized Investments	Effective July 16, 2020 - April 14, 2021	
	Allowable Range %	Target %
Fixed income securities	17.5% - 30%	22.5%
Equity securities	40% - 60%	50.0%
Real estate	0% - 10%	7.5%
Funds of hedge funds	0% - 10%	10.0%
Master limited partnerships	0% - 7.5%	5.0%
Private equity	0% - 7.5%	5.0%

RATE OF RETURN

For the year ended September 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.08%. The money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK

As of September 30, 2021, the System had the following investments subject to interest rate risk in its portfolio:

	Remaining Maturity				
	Fair Value	Less Than 1 Year	1 - 5 Years	6-10 Years	Greater Than 10 Years
U.S. government agency obligations	\$ 19,491,958	\$ 867,401	\$ 13,336,232	\$ 276,644	\$ 5,011,681
Mortgage backed securities	12,688,043	--	12,268	465,914	12,209,861
Collateralized mortgage obligations	<u>5,797,032</u>	<u>--</u>	<u>1,283,428</u>	<u>1,574,153</u>	<u>2,939,451</u>
Total mortgage backed securities	<u>18,485,075</u>	<u>--</u>	<u>1,295,696</u>	<u>2,040,067</u>	<u>15,149,312</u>
Municipal obligations	333,011	--	10,412	94,153	228,446
Foreign obligations	57,317	--	--	57,317	--
Corporate obligations	<u>24,782,344</u>	<u>279,985</u>	<u>9,192,814</u>	<u>8,589,217</u>	<u>6,720,328</u>
Total corporate obligations	<u>24,839,661</u>	<u>279,985</u>	<u>9,192,814</u>	<u>8,646,534</u>	<u>6,720,328</u>
Totals	<u>\$ 63,149,705</u>	<u>\$ 1,147,386</u>	<u>\$ 23,835,154</u>	<u>\$ 11,057,398</u>	<u>\$ 27,109,767</u>

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

CREDIT RISK

This is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The System's investment policy requires all fixed income investments to hold a credit rating in one of the four highest classifications by a major rating service. Commercial paper, if used, must be of only the highest quality (rating of A-1 or P-1).

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

Investments in fixed income securities with a rating of Baa3 are limited to 15% of the fixed income portfolio. The fixed income investments credit ratings for the year ended September 30, 2021 ranged between Aaa and Baa3 and below ratings. Positions rated below Baa3 by Moody's may hold a BBB equivalent rating by S&P or Fitch. All of the fixed income investments for the year ended September 30, 2021 met the ratings requirements of the investment policy or an approved exception thereto.

Credit Rating by Moody's Rating	Fair Value	Corporate	CMO	Municipal	U.S. Government
U.S. Government guaranteed*	\$ 32,180,001	\$ --	\$ --	\$ --	\$ 32,180,001
Credit risk debt securities:					
Aaa	2,884,911	743,458	2,141,453	--	--
Aa1	420,876	285,767	119,206	15,903	--
Aa2	858,042	458,387	255,456	144,199	--
Aa3	633,746	525,238	--	108,508	--
A1	2,988,833	2,988,833	--	--	--
A2	3,657,848	3,657,848	--	--	--
A3	4,423,529	4,359,128	--	64,401	--
Ba1 and Below	11,466,361	11,466,361	--	--	--
Not Rated	3,635,558	354,641	3,280,917	--	--
Total credit risk debt securities	<u>30,969,704</u>	<u>24,839,661</u>	<u>5,797,032</u>	<u>333,011</u>	<u>--</u>
Total Fixed Income Securities	<u>\$ 63,149,705</u>	<u>\$ 24,839,661</u>	<u>\$ 5,797,032</u>	<u>\$ 333,011</u>	<u>\$ 32,180,001</u>

*Obligations are backed by the full faith and credit of the U.S. Government.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. Investments in any one issuer that represent 5% or more of Plan net position require disclosure, excluding investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds. The System utilizes limitations on securities of a single issuer to manage this risk. The System's investment policy limits investments in the fixed income portion of the portfolio to 10% of a given issuer and limits equity investments in any one company to 15% of the equity portion of each portfolio manager (at market value).

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

As of September 30, 2021, the Invesco Core Real Estate USA, LP investment was approximately 7.1% of the System's net position restricted for pension benefits and the Ironwood Institutional Ltd investments was approximately 5.4% of the System's net position restricted for pension benefits.

CUSTODIAL CREDIT RISK

This is the risk that in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The System has third-party custodial arrangements with financial institutions to accept securities on a delivery versus payment basis for direct purchase agreements. All securities purchased by the System are designated as an asset of the System in the System's name and are held in safekeeping by the System's custodial bank or a third-party custodial institution.

RISKS AND UNCERTAINTIES

The System 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. The System, through its investment advisor, monitors the System's investment and the risks associated therewith on a regular basis, which the System believes minimizes these risks.

System contributions are made and the net pension liability of the Employer is reported based on certain assumptions pertaining to investment returns, interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

FAIR VALUE HIERARCHY

The Plan categorizes its fair value measurements with the fair value hierarchy 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.

Level 1 – Investments' fair values based on prices quoted in active markets for identical assets.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Level 2 – Investments' fair values based on 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 – Investments' fair values based upon unobservable inputs.

The following is a description of the fair value techniques for the Plan's investments:

Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian.

Money market funds are reported at amortized cost.

Equity securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates (Level 1). This includes common stock, American Depository Receipts, foreign stock, mutual fund equities and REITs.

Debt securities are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity (Level 2). This includes U.S. Treasury bonds and notes, inflation-indexed bonds, U.S. federal agencies, mortgage backed and collateralized securities, municipal bonds, mutual bond funds and corporate obligations, foreign bonds and notes, and private placements.

The Plan has investments in alternative asset classes including funds of hedge funds, private equity fund of funds and a core real estate fund which hold a variety of investment vehicles that do not have readily available market quotations. These investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies which include pricing models, discounted cash flow models and similar techniques.

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2021:

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

	9/30/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities				
US government agency obligations	\$ 19,491,958	\$ 1,188,059	\$ 18,303,899	\$ --
Mortgage backed securities	18,485,075	--	18,485,075	--
Municipal obligations	333,011	--	333,011	--
Corporate obligations	<u>24,839,661</u>	--	<u>24,839,661</u>	--
Total debt securities	<u>63,149,705</u>	<u>1,188,059</u>	<u>61,961,646</u>	--
Equity securities				
Common stock	91,152,114	91,152,114	--	--
ADR's and Foreign Stock	51,713,050	28,496,701	23,216,349	--
Mutual fund equities	4,959,172	4,959,172	--	--
Preferred stock	<u>1,023,833</u>	<u>1,023,833</u>	--	--
Total equity securities	<u>148,848,169</u>	<u>125,631,820</u>	<u>23,216,349</u>	--
Total Investments by fair value level	<u>211,997,874</u>	<u>\$ 126,819,879</u>	<u>\$ 85,177,995</u>	<u>\$ --</u>
Investments Measured at the Net Asset Value (NAV)				
Fund of hedge funds and Managed Futures	18,711,190			
Real estate fund	20,273,948			
Infrastructure fund	14,179,207			
Private equity fund of funds	<u>12,609,012</u>			
Total investments measured at NAV	<u>65,773,357</u>			
Money market funds (exempt)	<u>9,897,570</u>			
Total investments	<u>\$ 287,668,801</u>			

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (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.

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fund of Hedge Funds - Multi Strategy ¹	\$ 15,402,830	\$ --	Semi-Annual	95 Days
Core Real Estate Fund ²	20,273,948	--	Quarterly	45 Days
Private Equity Fund of Funds ³	3,899,930	1,725,000	N/A	N/A
Private Equity Fund of Funds ³	3,685,401	870,000	N/A	N/A
Private Equity Fund of Funds ⁴	838,062	146,421	N/A	N/A
Private Equity Fund of Funds ⁵	778,258	758,838	N/A	N/A
Liquid Alternative - Multi Strategy ⁶	3,407,361	--	N/A	N/A
Liquid Alternative - Global Long/Short Credit	3,308,360	--	N/A	N/A
Global Listed Infrastructure Fund ⁷	<u>14,179,207</u>	--	N/A	N/A
Total investments measured at the NAV	<u>\$ 65,773,357</u>			

- 1 *Multi-strategy fund of hedge fund.* Aims to pursue varying strategies in order to diversify risks and reduce volatility. This fund is a diversified portfolio of relative value, equity market neutral and low net equity, event driven and distressed and credit securities.
- 2 *Core real estate fund.* This fund is an open-end core real estate fund with a diversified portfolio of income producing institutional properties throughout the U.S.
- 3 *Private equity fund of funds.* These two funds are globally diversified private equity programs that invest in large, mid and small-cap buyouts, venture and growth capital, and special situations.
- 4 *Private equity fund of funds.* This fund seeks to find undervalued opportunities in a differentiated platform of private equity, real estate, credit, hedge fund solutions and secondary solutions.
- 5 *Private equity fund of funds.* The fund seeks to acquire and structure private equity portfolios of private equity partnerships and underlying portfolio companies across leveraged buyout, credit, distressed, growth capital, real assets and venture capital strategies.
- 6 *Liquid Alternative – Multi Strategy and Global Long/Short Credit Funds.* The multi-strategy fund is a multi-manager vehicle that seeks to provide a lower risk profile than traditional stock and bond markets by investing in hedged strategies including equity hedged, event driven, relative value, managed futures and global macro. The global long/short credit fund combines directional allocations to investment grade and high yield corporate bonds, bank loans, structured credit with tactical long/short strategies and may include smaller allocations to sovereign bonds, asset-backed securities and equities.
- 7 *Global Listed Infrastructure Fund.* The Fund seeks to achieve total return through investments in the U.S. and non-U.S. equity securities issued by infrastructure companies. Investments may include utilities, pipelines, toll roads, airports, railroads, marine ports and telecommunication companies.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – TAX STATUS

The Plan complies with the Required Amendments List for Qualified Plans published annually by the Internal Revenue Service which sets forth mandatory and discretionary amendments. The Plan Administrator and tax counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

NOTE 5 – NET PENSION LIABILITY OF THE EMPLOYER

The components of the net pension liability at September 30, 2021:

Total pension liability	\$ 368,490,183
Plan fiduciary net position*	<u>286,467,193</u>
Net Pension Liability	<u>\$ 82,022,990</u>
Plan fiduciary net position as a percent of the total pension liability	77.74%

(*) *Plan fiduciary net position noted above does not include investment adjustments in the amount of \$445,295 recorded by the Plan and included in the Statement of Net Position subsequent to the production of the actuarial GASB Nos. 67-68 Report.*

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 5 – NET PENSION LIABILITY OF THE EMPLOYER (CONTINUED)

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined using the following actuarial assumptions based on a valuation date of 10/1/2020:

Actuarial Cost Method	Individual Entry Age Normal Cost Method. All new bases are to be amortized over 20 years from the date established using a level dollar for police and a level percentage of pay amortization, with a 2.75% payroll growth assumption, for firefighters.
Asset Valuation Method	20% (5-year) Phase-In Method with a 20% asset corridor.
Interest Rate	7.3% compounded annually, net of investment expenses. Nyhart's professional judgment is that the rate is reasonable and has no significant bias.
Annual Pay Increases	2.0% compounded annually for inflation plus a seniority/merit scale using representative rates 0.99% to 9.03%, updated based on a study of experience for the plan during 2012-2018, completed August 2019.
Expense and/or Contingency Loading	One year term cost method; average of prior two years' expenses.
Mortality Rate Pre-Retirement	Pub-2010 Generational using scale MP-2018, Females, Headcount Weighted Safety Employee Female Table, set forward 1 year; Males, Headcount Weighted Safety Below Median Employee Male Table, set forward 1 year.
Mortality Rate Post-Retirement	Pub-2010 Generational using scale MP-2018, Females, Headcount Weighted Safety Healthy Retiree Female Table, set forward 1 year; Males, Headcount Weighted Safety Below Median Health Retiree Male Table, set forward 1 year.
Mortality Rate Disability	Pub-2010, Females, 80% Headcount Weighted General Disabled Retiree Female Table/20% Headcount Weighted Safety Disabled Retiree Female Table; Males, 80% Headcount Weighted General Disabled Retiree Male Table/20% Headcount Weighted Safety Disabled Retiree Male Table.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 5 – NET PENSION LIABILITY OF THE EMPLOYER (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on 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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity securities	55.0%	6.4%
Fixed income securities	22.5%	1.5%
Real estate	7.5%	4.7%
Hedge funds and private equity	10.0%	4.5%
Infrastructure	5.0%	3.6%
Short-term investments	0.0%	1.3%
Cash	0.0%	0.9%
Total	100.0%	

Long-term expected rate of return is 7.30%.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.30%. 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 contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 5 – NET PENSION LIABILITY OF THE EMPLOYER (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability, calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate:

	1% Decrease 6.30%	Current Discount Rate 7.30%	1% Increase 8.30%
Net Pension Liability	<u>\$ 120,553,741</u>	<u>\$ 82,022,990</u>	<u>\$ 49,769,238</u>

NOTE 6 – PLAN AMENDMENTS

During the year ended September 30, 2021, the City Code of Ordinances providing for the creation and operation of the System was amended as follows:

Ordinance No. 2021-80

This ordinance amends Section 34.053 to establish a one-time early retirement incentive for eligible firefighter members based upon length of service and attained age.

NOTE 7 – DEFINED CONTRIBUTION PLAN

The Plan, as a single-employer, contributed to the Pompano Beach Police/Fire Retirement Plan which is a defined contribution plan (DCP) created in accordance with Internal Revenue Code Section 401(a). The Plan is administered by a third-party administrator. The DCP is available to all full-time employees of the Plan. The Plan contributes 10% of the participant earnings and employees participating in the DCP are required to contribute 10% of their earnings, excluding bonuses.

Total employer contributions into the DCP were \$24,374 for the year ended September 30, 2021. Amendments to the DCP must be authorized by the Board of Trustees of the Plan.

REQUIRED SUPPLEMENTARY INFORMATION

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
EMPLOYER NET PENSION LIABILITY AND RELATED RATIOS**

September 30,	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	\$ 4,955,805	\$ 4,762,331	\$ 4,367,560	\$ 4,342,954	\$ 4,117,315
Interest	25,732,847	25,509,361	25,340,433	25,088,027	24,421,412
Changes of benefit terms	--	--	--	--	--
Differences between expected and actual experience	4,441,742	10,857,184	(3,449,843)	742,156	3,702,653
Changes of assumptions	(1,059,072)	(8,917,944)	--	3,537,718	--
Benefit payments, including refunds of member contributions	<u>(26,260,144)</u>	<u>(22,981,366)</u>	<u>(25,758,878)</u>	<u>(25,849,524)</u>	<u>(21,308,109)</u>
Net Change in Total Pension Liability	7,811,178	9,229,566	499,272	7,861,331	10,933,271
Total Pension Liability - Beginning	<u>360,679,005</u>	<u>351,449,439</u>	<u>350,950,167</u>	<u>343,088,836</u>	<u>332,155,565</u>
Total Pension Liability - Ending (a)	<u>\$368,490,183</u>	<u>\$360,679,005</u>	<u>\$351,449,439</u>	<u>\$350,950,167</u>	<u>\$343,088,836</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 11,136,794	\$ 10,943,984	\$ 11,050,554	\$ 10,775,021	\$ 8,142,644
Contributions - member	2,176,133	1,995,263	1,857,469	1,708,166	1,632,948
Contributions - nonemployer contributing member	2,737,886	2,750,611	2,559,937	2,501,946	2,336,040
Net investment income (loss)	44,638,537	15,361,708	9,533,689	19,886,454	23,717,202
Benefit payments, including refunds of member contributions	(26,260,144)	(22,981,366)	(25,758,878)	(25,849,524)	(21,308,109)
Administrative expenses	(617,141)	(604,803)	(623,074)	(626,768)	(530,291)
Other	<u>59,041</u>	<u>66,752</u>	<u>92,615</u>	<u>18,569</u>	<u>75,815</u>
Net Change in Plan Fiduciary Net Position	33,871,106	7,532,149	(1,287,688)	8,413,864	14,066,249
Plan Fiduciary Net Position - Beginning	<u>252,596,087</u>	<u>245,063,938</u>	<u>246,351,626</u>	<u>237,937,762</u>	<u>223,871,513</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$286,467,193⁽¹⁾</u>	<u>\$252,596,087</u>	<u>\$245,063,938</u>	<u>\$246,351,626</u>	<u>\$237,937,762</u>
Net Pension Liability - Ending (a) - (b)	\$ 82,022,990	\$ 108,082,918	\$ 106,385,501	\$ 104,598,541	\$ 105,151,074
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.74%	70.03%	69.73%	70.20%	69.35%
Covered Payroll	\$ 16,818,135	\$ 16,107,844	\$ 14,705,355	\$ 14,353,623	\$ 13,527,197
Net Pension Liability as Percentage of Covered Payroll	487.71%	671.00%	723.45%	728.73%	777.33%

(1) Plan fiduciary net position noted above does not include investment adjustments in the amount of \$445,295 recorded by the Plan and included in the Statement of Net Position subsequent to the production of the actuarial GASB Nos. 67-68 Report.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

(Continued)

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN THE
EMPLOYER NET PENSION LIABILITY AND RELATED RATIOS (CONTINUED)**

September 30,	2016	2015	2014
Total Pension Liability			
Service cost	\$ 3,703,207	\$ 3,645,948	\$ 3,645,948
Interest	21,977,143	21,555,235	21,340,649
Changes of benefit terms	--	(6,900)	--
Differences between expected and actual experience	(983,846)	2,419,307	(1,213,699)
Changes of assumptions	29,606,755	--	--
Benefit payments, including refunds of member contributions	<u>(22,946,120)</u>	<u>(21,144,686)</u>	<u>(20,678,837)</u>
Net Change in Total Pension Liability	31,357,139	6,468,904	3,094,061
Total Pension Liability - Beginning	<u>300,798,426</u>	<u>294,329,522</u>	<u>291,235,461</u>
Total Pension Liability - Ending (a)	<u>\$332,155,565</u>	<u>\$300,798,426</u>	<u>\$294,329,522</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 8,154,934	\$ 8,129,211	\$ 9,722,948
Contributions - member	1,492,330	1,453,342	1,422,685
Contributions - nonemployer contributing member	2,273,774	2,255,095	2,219,537
Net investment income (loss)	16,233,979	(3,955,004)	22,149,737
Benefit payments, including refunds of member contributions	(22,946,120)	(21,144,686)	(20,678,837)
Administrative expenses	(604,460)	(563,224)	(581,767)
Other	<u>10,775</u>	<u>43,955</u>	<u>17,738</u>
Net Change in Plan Fiduciary Net Position	4,615,212	(13,781,311)	14,272,041
Plan Fiduciary Net Position - Beginning	<u>219,256,301</u>	<u>233,037,612</u>	<u>218,765,571</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$223,871,513</u>	<u>\$219,256,301</u>	<u>\$233,037,612</u>
Net Pension Liability - Ending (a) - (b)	\$108,284,052	\$ 81,542,125	\$ 61,291,910
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.40%	72.89%	79.18%
Covered Payroll	\$ 13,061,612	\$ 13,065,752	\$ 12,948,557
Net Pension Liability as Percentage of Covered Payroll	829.03%	624.09%	473.35%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITY CONTRIBUTIONS

September 30,	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 11,136,794	\$ 10,943,984	\$ 11,050,554	\$ 10,775,021	\$ 8,142,644
Contributions in relation to the actuarially determined contribution	<u>11,136,794</u>	<u>10,943,984</u>	<u>11,050,554</u>	<u>10,775,021</u>	<u>8,142,644</u>
Contribution deficiency (excess)	\$ <u> --</u>				
Covered payroll	\$ 16,818,135	\$ 16,107,844	\$ 14,705,355	\$ 14,353,623	\$ 13,527,197
Contributions as a percentage of covered payroll	66.22%	67.94%	75.15%	75.07%	60.19%
September 30,	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 8,154,934	\$ 8,129,211	\$ 9,722,948	\$ 8,121,441	\$ 5,527,605
Contributions in relation to the actuarially determined contribution	<u>8,154,934</u>	<u>8,129,211</u>	<u>9,722,948</u>	<u>8,121,441</u>	<u>5,527,605</u>
Contribution deficiency (excess)	\$ <u> --</u>				
Covered payroll	\$ 13,061,612	\$ 13,065,752	\$ 12,948,557	\$ 13,137,295	\$ 14,432,987
Contributions as a percentage of covered payroll	62.43%	62.22%	75.09%	61.82%	38.30%

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO THE SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITY CONTRIBUTIONS

Valuation Date: October 1, 2019

Actuarially determined contribution rates for the year ended September 30, are calculated as of October 1, two years prior to the end of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost Method	Individual Entry Age Normal Cost Method; all new bases are to be amortized over 20 years from the date established using a level dollar amortization for police and a level percentage of pay amortization, with a 2.75% payroll growth assumption, for firefighters.
Asset Valuation Method	20% Phase-In Method: Actuarial value of assets is equal to expected value phase in the difference between the expected investment earnings and actual investment earnings at the rate of 20% per year. The result cannot be greater than 120% of market value or less than 80% of market value.
Interest Rates	7.3% compounded annually, net of investment expenses. Nyhart's professional judgment is that the rate is reasonable and has no significant bias.
Annual Pay Increases	2.0% compounded annually for inflation plus a seniority/merit scale with representative rates from 0.99% to 9.03%.
Expense and/or Contingency Loading	One year term cost method; average of prior two years' expenses.
Mortality Rate Pre-Retirement	Pub-2010 Generational using scale MP-2018, Females, Headcount Weighted Safety Employee Female Table, set forward 1 year; Males, Headcount Weighted Safety Below Median Employee Male Table, set forward 1 year.
Mortality Rate Post-Retirement	Pub-2010 Generational using scale MP-2018, Females, Headcount Weighted Safety Healthy Retiree Female Table, set forward 1 year; Males, Headcount Weighted Safety Below Median Health Retiree Male Table, set forward 1 year.
Mortality Rate Disability	Pub-2010 Generational using scale MP-2018, Females, 80% Headcount Weighted General Disabled Retiree Female Table/20% Headcount Weighted Safety Disabled Retiree Female Table; Males, 80% Headcount Weighted General Disabled Retiree Male Table/20% Headcount Weighted Safety Disabled Retiree Male Table.

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

September 30, Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	18.08%	6.47% *	4.02%	8.66%	10.90%
September 30, Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>2016</u>	<u>2015</u>	<u>2014</u>		
	7.68%	-1.48%	10.03%		

* This amount reflects a correction of -1.22% due to a reporting error. This correction did not have any material impact to the Plan.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

SUPPLEMENTARY INFORMATION

**POMPANO BEACH POLICE AND FIREFIGHTERS'
RETIREMENT SYSTEM**

SUPPLEMENTARY INFORMATION

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	2021	2020
Administrative Expenses		
Salaries	\$ 234,136	\$ 222,992
Legal fees	84,000	88,000
Depreciation	59,060	59,142
Insurance	54,681	45,964
Office lease	38,646	37,523
Actuarial fees	28,950	25,820
Accounting and payroll fees	24,938	25,765
Employee benefits	23,414	22,299
Payroll taxes	18,146	17,282
DROP administration fees	9,000	6,000
Computer support fees	8,949	14,779
Educational	8,091	13,604
Office equipment	5,594	3,810
Telephone and internet	4,523	3,648
Memberships and publications	3,494	3,263
Miscellaneous	3,482	2,409
Physical examinations	3,360	7,069
Repairs and maintenance	1,509	1,884
Postage	1,482	1,306
Office supplies	1,286	1,844
Death audits	400	400
Total Administrative Expenses	\$ 617,141	\$ 604,803
Investment Expenses		
Investment advisory fees	\$ 1,334,031	\$ 1,214,778
Custodial fees	70,775	68,947
Performance measurement	65,683	65,000
Total Investment Expenses	\$ 1,470,489	\$ 1,348,725

REPORTING SECTION

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

To the Board of Trustees and Executive Director
Pompano Beach Police and Firefighters' 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 Pompano Beach Police and Firefighters' Retirement System (the System), as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the financial statement. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Fort Lauderdale, FL
January 19, 2022