

**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, 2023

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

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Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pompano Beach Police and Firefighters' Retirement System (the "System") which comprise of 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 accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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 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 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, 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 34-38 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 as a whole. The Schedules of Administrative and Investment Expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The 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.

Report on Summarized Comparative Information

We have previously audited the System's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 18, 2023. 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 17, 2024, on our consideration of the Pompano Beach Police and Firefighters' Retirement System 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 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 17, 2024

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, 2023 and 2022 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 188 active firefighters and 411 benefit recipients as of September 30, 2023.

Overview of Financial Statements

Financial Statements

The System presents financial statements as of and for the year ended September 30, 2023 with comparative totals for 2022. 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, 2023 or 2022.

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 2023

- Net position increased by \$3.1 million from \$232.3 million at September 30, 2022 to \$235.4 million at September 30, 2023, or 1.3%, primarily due to positive investment returns that exceeded the assumed rate of return.
- The gain on the time-weighted rate of return on investments was 9.26%, net of fees, on a market value basis. The dollar-weighted net return is shown in Note 3 and the Required Supplementary Information.
- At September 30, 2023, the System's fiduciary net position as a percent of the total pension liability was 53.81%, representing a decrease of 6.6% from the prior year. This is primarily due to new plan provisions from last year being reflected in the accounting numbers for the first time. Other lesser but meaningful contributors were the lowering of the investment assumption rate from 7.2% to 7.1% offset by the better than expected asset performance.
- 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, 2023 was calculated using a 7.10% assumed rate of investment return.
- The System received approximately \$2.0 million in member contributions, \$12.7 million in employer contributions and \$3.5 million in revenue from the State of Florida during 2023.
- At September 30, 2023, the net pension liability of the employer(s) was approximately \$202.1 million.

Fiscal Year 2022

- Net position decreased by \$53.7 million from \$286.0 million at September 30, 2021 to \$232.3 million at September 30, 2022, or -18.8%, primarily due to lower than expected investment returns as a result of volatile market conditions during the year.
- The loss on the time-weighted rate of return on investments was -15.99%, net of fees, on a market value basis, which prevented the System from achieving its assumed rate of investment return of 7.20%. The dollar-weighted net return is shown in Note 3 and the Required Supplementary Information.
- At September 30, 2022, the System's fiduciary net position as a percent of the total pension liability was 60.41%, representing a decrease of 17.33% from the prior year. This is primarily due to the challenging market environment. Other lesser but meaningful contributors were the lowering of the investment assumption rate from 7.3% to 7.2% and liability experience.
- 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, 2022 was calculated using a 7.20% assumed rate of investment return.
- The System received approximately \$2.2 million in member contributions, \$12.1 million in employer contributions and \$2.8 million in revenue from the State of Florida during 2022.
- At September 30, 2022, the net pension liability of the employer(s) was approximately \$152.6 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, 2023 AND 2022

	2023	2022	Increase (Decrease)	
			2023 to 2022	
			Amount	Percent
Assets other than investments	\$ 8,838,587	\$ 4,336,257	\$ 4,502,330	103.8%
Investments	<u>227,893,166</u>	<u>231,905,912</u>	<u>(4,012,746)</u>	-1.7%
Total Assets	236,731,753	236,242,169	489,584	0.2%
Liabilities	<u>1,327,287</u>	<u>3,940,956</u>	<u>2,613,669</u>	-66.3%
Net Position	<u>\$ 235,404,466</u>	<u>\$ 232,301,213</u>	<u>\$ 3,103,253</u>	1.3%

Net position restricted for pension benefits totaled \$235.4 million at September 30, 2023 compared to \$232.3 million at September 30, 2022. Current and other assets, reflecting cash, due from brokers, prepaid benefits, receivables, intangible right to use leased asset and property and equipment at September 30, 2023 were \$8.8 million, an increase of 103.8% primarily due to a significant due from broker recorded as of year-end. Investments totaled \$227.9 million, which is a decrease of \$4.01 million, or -1.7% from 2022. Investments decreased in spite of stronger market performance due to a significant increase in outflow of resources (benefits paid) due to the closure of the Firefighters' Share Plan and also the recording of a large due from broker which is not shown in the portfolio of the Plan as of September 30, 2023.

The largest portion of the System's assets is invested in equities. At September 30, 2023, the System held \$119.8 million in equities, \$27.8 million in fixed income securities, \$67.6 million in hedge fund of funds, private equity, core real estate, infrastructure and private credit funds, and \$12.7 million in money market funds. Total liabilities at September 30, 2023 were \$1.3 million, which included the amount due to brokers for pending trades of \$879,253, long-term liabilities of \$223,771 and accounts payable and accrued expenses of \$184,999 and the current portion of long-term liabilities of \$39,264.

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, 2023 AND 2022

	2023	2022	Increase (Decrease)	
			2023 to 2022	
			Amount	Percent
Employer contributions	\$ 12,675,261	\$ 12,061,640	\$ 613,621	5.1%
Member contributions	2,028,099	2,210,960	(182,861)	-8.3%
State of Florida contributions	3,458,037	2,813,294	644,743	22.9%
Net investment income (loss)	<u>20,237,443</u>	<u>(45,874,582)</u>	<u>66,112,025</u>	144.1%
Total Additions (Reductions)	\$ <u>38,398,840</u>	\$ <u>(28,788,688)</u>	\$ <u>67,187,528</u>	233.4%

Contributions and net investment gain totaled \$38.4 million in 2023, an increase of \$67.2 million from 2022. Employer contributions increased \$613,621 in 2023 compared to 2022 as a result of higher-than-expected liabilities. Member contributions decreased by \$182,861 in 2023 compared to the previous year primarily due to benefit plan changes that accelerated retirements. The State of Florida premium tax revenue increased \$644,743 compared to 2022.

The System incurred a positive return on the fair value of its investments in 2023. Net investment gain of \$20.2 million was recognized in 2023, compared with net investment loss of \$45.9 million in 2022, an increase of 144.1%. The net appreciation in the fair value of investments was \$15.1 million for 2023 compared to a net depreciation of \$49.6 million in 2022. Interest, dividends, and other investment income generated income of \$5.1 million for 2023, which was the same level as the previous year.

Investment management fees decreased \$127,129 from 2022 as a result of slightly lower 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, 2023 AND 2022

	2023	2022	Increase (Decrease)	
			2023 to 2022	
			Amount	Percent
Benefit payments	\$ 34,324,574	\$ 24,146,027	\$ 10,178,547	42.2%
Refund of contributions	247,446	35,604	211,842	595.0%
Administrative expenses	<u>723,567</u>	<u>750,366</u>	<u>(26,799)</u>	-3.6%
Total Deductions	\$ <u>35,295,587</u>	\$ <u>24,931,997</u>	\$ <u>10,363,590</u>	41.6%

The largest expense was for benefits paid to retirees and beneficiaries. Benefit payments totaled approximately \$34.3 million for fiscal year 2023, an increase of \$10.2 million, or 42.2% from 2022, due to the termination of the firefighters' share plan and the distribution of outstanding account balances. There were four refunds of contributions to terminating members in 2023, compared to one the previous year. Administrative expense totaled \$723,567 for fiscal year 2023, a decrease of \$2,799, or 3.6%. Total administrative expense (not including investment management fees) was 0.31% of the System's net position.

Further analysis of benefit payments follows:

BENEFIT PAYMENTS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022	Increase (Decrease)	
			2023 to 2022	
			Amount	Percent
Normal retirement payments	\$ 19,015,574	\$ 18,480,007	\$ 535,567	2.9%
Disability pension payments	2,364,807	2,273,771	91,036	4.0%
Beneficiary payments	1,213,161	1,195,286	17,875	1.5%
Share plan payments	9,377,537	434,369	8,943,168	2058.9%
DROP account withdrawals	<u>2,353,495</u>	<u>1,762,594</u>	<u>590,901</u>	33.5%
Total Benefit Payments	<u>\$ 34,324,574</u>	<u>\$ 24,146,027</u>	<u>\$ 10,178,547</u>	42.2%

Funding

An actuarial valuation of the System's assets and benefit obligations is performed annually. The latest actuarial valuation dated October 1, 2022, showed the System had a ratio of actuarially determined pension asset-to-liabilities or funded ratio of 59.4%, down 9.9% from 69.3% on October 1, 2021. The funded ratio decreased as a result of the asset return being less than assumed on the October 1, 2022 valuation, the recognition of plan design changes, and the lowering of the assumed rate of return by 0.10%. At October 1, 2022, the System's actuarial accrued liability exceeded the actuarial value of assets by \$170.1 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 assumed rate of investment return as of September 30, 2023 was 7.1%.

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, Private Equity, Infrastructure and Private Credit 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, 2023

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2022)

	2023	2022
Assets		
Cash	\$ 77,235	\$ 34,399
Due from brokers	5,758,183	1,436,526
Receivables:		
Accrued interest and dividends	267,196	405,455
DROP loans	308,988	264,536
Other receivables	236,492	1,203
Total Receivables	<u>812,676</u>	<u>671,194</u>
Investments		
Money market funds	12,744,247	12,322,107
U. S. Government agency obligations	3,837,734	13,325,706
Mortgage backed securities	13,054,668	19,707,433
Municipal obligations	250,489	264,883
Corporate obligations	10,606,370	17,822,699
Equity securities	119,775,097	110,498,671
Hedge funds, private equity and credit, core real estate, infrastructure	67,624,561	57,964,413
Total Investments	<u>227,893,166</u>	<u>231,905,912</u>
Prepayments	1,931,394	1,878,996
Intangible right to use leased assets, net of amortization	252,409	294,477
Property and equipment, net of accumulated depreciation of \$0 and \$6,690, respectively	<u>6,690</u>	<u>20,665</u>
Total Assets	<u>236,731,753</u>	<u>236,242,169</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	184,999	209,298
Current portion of long-term liabilities	39,264	37,572
Due to brokers	879,253	3,431,051
Long-Term Liabilities		
Due in more than one year	<u>223,771</u>	<u>263,035</u>
Total Liabilities	<u>1,327,287</u>	<u>3,940,956</u>
Net Position Restricted for Pension Benefits	<u>\$ 235,404,466</u>	<u>\$ 232,301,213</u>

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, 2023

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

	2023	2022
Additions (Reductions) to Net Position		
Restricted for Pension Benefits		
Contributions:		
City of Pompano Beach	\$ 8,209,199	\$ 7,302,092
Broward Sheriff's Office	4,466,062	4,759,548
Members	2,028,099	2,210,960
State of Florida	3,458,037	2,813,294
Total Contributions	18,161,397	17,085,894
Investment Income (Loss)		
Net appreciation (depreciation) in fair value of investments	16,379,320	(49,634,577)
Interest and dividends	5,072,424	5,120,876
Miscellaneous investment income	40,237	20,786
	21,491,981	(44,492,915)
Less: investment expenses	(1,254,538)	(1,381,667)
Net Investment Income (Loss)	20,237,443	(45,874,582)
Total Additions (Reductions)	38,398,840	(28,788,688)
Deductions		
Benefit payments	34,324,574	24,146,027
Refund of participant contributions	247,446	35,604
Administrative expenses	723,567	750,366
Total Deductions	35,295,587	24,931,997
Net Increase (Decrease)	3,103,253	(53,720,685)
Net Position Restricted for Pension Benefits		
Beginning of year	232,301,213	286,021,898
End of year	\$ 235,404,466	\$ 232,301,213

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, 2023

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 (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. 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.

CAPITAL ASSETS

Capital assets, which include property and equipment are stated at cost and depreciated using the straight-line method over the estimated lives of the assets:

Building Improvements	15 years
Equipment	3 to 5 years

Intangible right of use lease assets are amortized on a straight-line basis over the shorter of its estimated useful life or the lease contract term.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM LIABILITIES

Lease-related liability amounts are recognized at the inception of the lease. The initial lease liability amounts are recorded at the present value of all of the lease payments. The lease liability is amortized over the lease term.

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, 2022, from which the information was derived.

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 System was established by ordinance of the City to account for the financial activities 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, Broward Sheriff’s Office (BSO) was contracted to provide policing services to the City. 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

The System provides retirement, death and disability benefits for its members. Benefit provisions are established and may be amended by the City, 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 2023-10, effective October 1, 2022, firefighters may retire with normal benefits at any age and accumulation of 20 years of credited service or age 47 and accumulation of 7 or more years of credited service. 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 3.0% to 4.0%. Police 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. Police members who have attained age 50 and have completed 10 years of service are also eligible for an early retirement benefit. Members may delay retirement between normal retirement with benefits that are computed in the same manner as normal retirement.

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. Effective October 1, 2024, firefighter retirees who were employed on or after October 1, 2022, will receive an automatic cost of living adjustment (COLA) of 3% after a one-year delay.

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 police officer members with 10 or more years of credited service, or firefighter members with 7 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%.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Pre-retirement death benefits for non-service-related deaths of police officer members with more than 10 years of credited service, or firefighter members with more than 7 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 police officer members with 5 to 10, or firefighter members with 5 to 7 years of credited service. Pre-retirement death benefits for non-service-related deaths of police officer members with 5 to 10 years, or firefighter members with 5 to 7 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.

A police officer member with less than 10 years of credited service, or a firefighter member with less than 7 years of credited service, who terminates employment is refunded his or her contributions, plus interest of 3%. A vested member 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, 2022, the date of the latest actuarial valuation:

Inactive plan members and beneficiaries currently receiving benefits	411
Inactive plan members entitled but not yet receiving benefits	6
Active plan members	<u>188</u>
Total Members	<u><u>605</u></u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

DROP PROGRAM

Any member who is eligible to receive a normal retirement pension 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 police officer 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, 2023 and 2022, there were 73 and 52, respectively, DROP participants at the end of each year.

At September 30, 2023 and 2022, the balance in the DROP account was \$15,333,076 and \$12,545,134, respectively. These amounts are included in the total investment balance presented on the accompanying Statement of Fiduciary Net Position.

DROP LOAN PROGRAM

The Plan allows participants to borrow from their DROP account. The loan limit is up to 50% of the 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, 2023, the balance of DROP loans outstanding was \$308,988.

SHARE PLANS

A Supplemental Retirement Benefit Plan (Share 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

SHARE PLANS (CONTINUED)

On September 30, 2022, the Share Plan for Firefighters established by Ordinance 2011-68 was terminated and repealed as a result of the City and the union's mutual agreement that all Chapter 175 premium tax revenues each year be used to offset City pension contributions. The members' Share Plan account balances became 100% vested and were distributed throughout the fiscal year. As of September 30, 2023, there remains a residual balance in the firefighters' Share Plan account of \$55,738. This amount is included in the total investment balance presented on the Statement of Fiduciary Net Position.

Effective October 1, 2022, a defined contribution component, the Firefighters' Share Plan was established as required by Florida Statute. No premium tax revenues will be allocated to the plan unless mutually agreed upon between the City and the union.

Effective February 28, 2017, a 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, 2023, the balance in the police officers' Share Plan account was \$367,516. This amount is included in the total investment balance presented on the accompanying 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 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

CONTRIBUTIONS (CONTINUED)

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, 2022 actuarial valuation, the cumulative balance of additional premium tax revenues reserved to provide Share Plan benefits to firefighter members (Chapter 175 funds) totaled \$610,436 and the final allocation to the members' Share Plan accounts occurred on September 30, 2023.

As of the October 1, 2022 actuarial valuation, the cumulative balance of additional premium tax revenues used to provide Share Plan benefits to police officer members (Chapter 185 funds) totaled \$252,770. Chapter 185 premium tax funds in excess of the minimum received in 2023 totaled \$705,637 of which \$352,819 was allocated to reduce the unfunded actuarial liability of the Plan and \$352,818 was allocated to the police officers' Share Plan accounts on September 30, 2023.

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, 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), private credit, and private real estate through institution vehicles or direct ownership.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

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

Authorized Investments	Effective August 19, 2023	
	Allowable Range %	Target %
Fixed income securities and cash	5% - 55%	25.0%
Equity securities	20% - 65%	55.0%
Real estate	5% - 25%	10.0%
FOHF	0% - 15%	5.0%
Infrastructure	0% - 15%	5.0%
Private equity	0% - 15%	0.0%
Private credit	0% - 15%	0.0%

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 Futures	0% - 10%	5.0%
Infrastructure	0% - 7.5%	5.0%
Private equity	0% - 7.5%	5.0%

RATE OF RETURN

For the year ended September 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.06%. 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, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

INTEREST RATE RISK

As of September 30, 2023, 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	\$ 3,837,734	\$ 105,377	\$ 1,621,130	\$ 393,964	\$ 1,717,263
Mortgage backed securities	7,704,616	--	62,376	141,917	7,500,323
Collateralized mortgage obligations	<u>5,350,052</u>	<u>--</u>	<u>1,699,730</u>	<u>68,959</u>	<u>3,581,363</u>
Total mortgage backed securities	<u>13,054,668</u>	<u>--</u>	<u>1,762,106</u>	<u>210,876</u>	<u>11,081,686</u>
Municipal obligations	250,489	--	77,473	81,694	91,322
Foreign obligations	734,923	--	173,390	399,689	161,844
Corporate obligations	<u>9,871,447</u>	<u>375,574</u>	<u>2,289,507</u>	<u>4,496,849</u>	<u>2,709,517</u>
Total corporate obligations	<u>10,606,370</u>	<u>375,574</u>	<u>2,462,897</u>	<u>4,896,538</u>	<u>2,871,361</u>
Totals	<u>\$ 27,749,261</u>	<u>\$ 480,951</u>	<u>\$ 5,923,606</u>	<u>\$ 5,583,072</u>	<u>\$ 15,761,632</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, 2023

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, 2023 ranged between Aaa and Ba1 and below ratings. Positions rated below Ba1 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, 2023 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*	\$ 11,542,350	\$ --	\$ --	\$ --	\$ 11,542,350
Credit risk debt securities:					
Aaa	3,810,956	92,833	3,718,123	--	--
Aa1	--	--	--	--	--
Aa2	245,960	133,303	--	112,657	--
Aa3	169,391	82,199	--	87,192	--
A1	1,224,289	1,224,289	--	--	--
A2	470,904	470,904	--	--	--
A3	1,609,572	1,558,932	--	50,640	--
Ba1 and Below	6,911,857	6,911,857	--	--	--
Not Rated	1,763,982	132,053	1,631,929	--	--
Total credit risk debt securities	<u>16,206,911</u>	<u>10,606,370</u>	<u>5,350,052</u>	<u>250,489</u>	<u>--</u>
Total Fixed Income Securities	<u>\$ 27,749,261</u>	<u>\$ 10,606,370</u>	<u>\$ 5,350,052</u>	<u>\$ 250,489</u>	<u>\$ 11,542,350</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 15% of a given issuer and limits equity investments in any one company to 5% 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, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

CONCENTRATION OF CREDIT RISK (CONTINUED)

As of September 30, 2023, the Invesco Core Real Estate USA, LP investment was approximately 8.9% of the System's net position restricted for pension benefits and the Ironwood Institutional Ltd investments was approximately 6.9% 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

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.

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 infrastructure, private credit 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2023:

	9/30/2023	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	\$ 3,837,734	\$ 269,673	\$ 3,568,061	\$ -
Mortgage backed securities	13,054,668	-	13,054,668	-
Municipal obligations	250,489	-	250,489	-
Corporate obligations	10,606,370	-	10,606,370	-
Total debt securities	27,749,261	269,673	27,479,588	-
Equity securities				
Common stock	61,737,800	61,737,800	-	-
ADR's and Foreign Stock	38,242,524	24,441,414	13,801,110	-
Mutual fund equities	19,794,773	19,794,773	-	-
Total equity securities	119,775,097	105,973,987	13,801,110	-
Total Investments by fair value level	147,524,358	\$ 106,243,660	\$ 41,280,698	\$ -
Investments measured at the net asset value (NAV)				
Hedge FOF and Non-Traditional Fixed Income	26,665,042			
Real estate fund	20,857,169			
Infrastructure fund	11,729,939			
Private equity fund of funds	6,196,723			
Private credit fund	2,175,688			
Total investments measured at NAV	67,624,561			
Money market funds (exempt)	12,744,247			
Total investments	\$ 227,893,166			

POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	\$ 16,178,320	\$ -	Semi-Annual	95 Days
Core Real Estate Fund ²	20,857,169	-	Quarterly	45 Days
Private Equity Fund of Funds ³	2,904,150	1,725,000	N/A	N/A
Private Equity Fund of Funds ³	2,460,313	870,000	N/A	N/A
Private Equity Fund of Funds ⁴	354,253	144,569	N/A	N/A
Private Equity Fund of Funds ⁵	478,007	626,202	N/A	N/A
Global Listed Infrastructure Fund ⁶	11,729,939	-	N/A	N/A
Non-Traditional Fixed Income ⁷	10,486,722	-	Quarterly	90 Days
Private Credit Fund ⁸	2,175,688	4,900,754	N/A	N/A
Total investments measured at the NAV	<u>\$ 67,624,561</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 US.

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 *Global listed infrastructure fund.* The fund seeks to achieve total return through investments in the US and non-US equity securities issued by infrastructure companies. Investments may include utilities, pipelines, toll roads, airports, railroads, marine ports and telecommunication companies.

7 *Non-traditional fixed income fund.* The fund seeks to provide returns above the fixed-income benchmarks through security selection, modest leverage, and strict risk controls.

8 *Private credit fund.* The fund seeks absolute returns through opportunistic loans made to private companies that are senior and mezzanine in the capital stack.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023:

Total pension liability	\$ 437,490,906
Less: Plan fiduciary net position	<u>235,404,466</u>
Net Pension Liability	<u>\$ 202,086,440</u>
Plan fiduciary net position as a percent of the total pension liability	53.81%

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined using the following actuarial assumptions based on a valuation date of October 1, 2022:

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	7.1% 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

SIGNIFICANT ACTUARIAL ASSUMPTIONS (CONTINUED)

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.

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, 2023 are summarized in the following table:

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)

<u>Asset Class</u>	Target Allocation	Long-Term Expected Real Rate of Return
US Large Cap Equity	25.0%	4.9%
US Small/Mid Cap Equity	10.0%	5.3%
International Equity	15.0%	5.3%
Emerging Markets Equity	5.0%	6.1%
US Direct Real Estate	10.0%	3.8%
Absolute Return	5.0%	3.7%
Global Infrastructure	5.0%	4.6%
Preferreds/Convertibles	0.0%	3.0%
Private Equity	0.0%	7.7%
Private Debt	0.0%	5.8%
US High Yield	0.0%	4.1%
US Fixed Income	20.0%	2.3%
US Cash & Equivalents	<u>5.0%</u>	0.8%
 Total	 <u><u>100.0%</u></u>	

Long-term expected rate of return is 7.10%.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.10%. 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, 2023

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 7.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Net Pension Liability	\$ 253,903,391	\$ 202,086,440	\$ 159,458,439

NOTE 6 – PLAN AMENDMENTS

During the year ended September 30, 2023, the City Code of Ordinances providing for the creation and operation of the System was amended as follows:

Ordinance Nos. 2023-10, 2023-11, 2023-12, Adopted 11/18/2022

These ordinances amend various sections to change vesting, normal retirement date, early retirement date, normal retirement benefit, cost-of-living allowance adjustments and cost and payment for prior forfeited service purchase.

Ordinance No. 2023-19, Adopted 12/13/2022

This ordinance amends sections to change the firefighter DROP eligibility date and the treatment of Chapter 175 premium share monies as it relates to the firefighters’ share plan.

Ordinance No. 2023-31, Adopted 1/24/2023

This ordinance provides clarification to Ordinance 2023-10 for the treatment of Chapter 175 premium share monies as it relates to the firefighters’ share plan.

Ordinance No. 2023-32, Adopted 1/24/2023

This ordinance amendment provides for an additional expert examination when a conflict of opinion arises between two experts in disabilities cases.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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 \$13,768 for the year ended September 30, 2023. Amendments to the DCP must be authorized by the Board of Trustees of the Plan.

The City adopted ordinance 2023-41 on March 14, 2023, permitting the Board's management support employees to enter the Pompano Beach General Employees' Retirement System defined benefit pension plan (DBP). The employees were effectively transferred on April 16, 2023, and the 401(a) DCP was terminated effective July 29, 2023.

Total employer contributions into the DBP are established through annual actuarial valuation.

NOTE 8 – LEASES

Prior to fiscal year 2022, the System, as a lessee, had an existing lease agreement for the rental of their office space and had renewed the office lease through September 2029. As of October 1, 2021, the remaining term of the lease was 96 months. An initial lease liability was recorded in the amount of \$336,545. As of September 30, 2023, the value of the lease liability is \$263,035. During fiscal year 2023, the System was required to make monthly lease payments of \$3,409 with a 3% increase commencing at the beginning of each new fiscal year thereafter. The lease has an interest rate of 1.19%. The office space estimated useful life was 8 years as of the contract period. The value of the right to use asset as of September 30, 2023 of \$252,409 with accumulated amortization of \$42,068 is included Note 9 – Capital Assets, under leased office space (intangible asset).

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 8 – LEASES (CONTINUED)

The future lease payments under lease agreements are as follows:

Fiscal Year	Lease		
	Principal	Interest	Total
2024	39,264	2,875	42,139
2025	41,015	2,397	43,412
2026	42,824	1,897	44,721
2027	44,694	1,376	46,070
2028	46,624	833	47,457
2029	48,614	265	48,879
Totals	\$263,035	\$9,643	\$272,678

CHANGES TO LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities reported in the System's financial statements for the fiscal year ended September 30, 2023:

Type	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Lease	\$300,607	\$--	\$37,572	\$263,035	\$39,264

NOTE 9 – CAPITAL ASSETS

Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets being depreciated/amortized				
Building improvements	\$ 51,286	\$ -	\$ -	\$ 51,286
Equipment	297,866	--	--	297,866
Leased office space (intangible asset)	336,545	--	--	336,545
Total capital assets being depreciated/amortized	685,697	--	--	685,697
Less: Accumulated depreciation for				
Building improvements	49,576	1,710	--	51,286
Equipment	278,911	12,265	--	291,176
Less: Accumulated amortization for				
Leased office space	42,068	42,068	--	84,136
Total depreciation and amortization	370,555	56,043	--	426,598
Net capital assets being depreciated and amortized	315,142	(56,043)	--	259,099
Total, net of accumulated depreciation and amortization	\$ 315,142	\$ (56,043)	\$ --	\$ 259,099

The depreciation expense and amortization expense for year ended September 30, 2023 was \$13,975 and \$42,068, respectively.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

NOTE 10 – SUBSEQUENT EVENTS

During the year, the Plan entered into investment management agreements with two private credit funds where investments were not called for funding until subsequent to September 30, 2023. Each contractual obligation is \$7 million.

Effective October 1, 2024, firefighter retirees who were employed on or after October 1, 2022, will receive an automatic cost of living adjustment (COLA) of 3% after a one-year delay.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

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

September 30,	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost	\$ 5,551,463	\$ 5,302,505	\$ 4,955,805	\$ 4,762,331	\$ 4,367,560
Interest	26,899,487	26,404,237	25,732,847	25,509,361	25,340,433
Changes of benefit terms	57,120,424	--	--	--	--
Differences between expected and actual experience	(6,614,762)	5,674,870	4,441,742	10,857,184	(3,449,843)
Changes of assumptions	3,767,774	3,648,376	(1,059,072)	(8,917,944)	--
Benefit payments, including refunds of member contributions	<u>(34,572,020)</u>	<u>(24,181,631)</u>	<u>(26,260,144)</u>	<u>(22,981,366)</u>	<u>(25,758,878)</u>
Net Change in Total Pension Liability	52,152,366	16,848,357	7,811,178	9,229,566	499,272
Total Pension Liability - Beginning	<u>385,338,540</u>	<u>368,490,183</u>	<u>360,679,005</u>	<u>351,449,439</u>	<u>350,950,167</u>
Total Pension Liability - Ending (a)	<u>\$ 437,490,906</u>	<u>\$ 385,338,540</u>	<u>\$ 368,490,183</u>	<u>\$ 360,679,005</u>	<u>\$ 351,449,439</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 12,675,261	\$ 12,061,640	\$ 11,136,794	\$ 10,943,984	\$ 11,050,554
Contributions - member	2,028,099	2,210,960	2,176,133	1,995,263	1,857,469
Contributions - nonemployer contributing member	3,458,037	2,813,294	2,737,886	2,750,611	2,559,937
Net investment income (loss)	20,197,206	(45,410,998)	44,638,537	15,361,708	9,533,689
Benefit payments, including refunds of member contributions	(34,572,020)	(24,181,631)	(26,260,144)	(22,981,366)	(25,758,878)
Administrative expenses	(723,567)	(750,366)	(617,141)	(604,803)	(623,074)
Other	<u>(444,133)</u>	<u>(424,509)</u>	<u>59,041</u>	<u>66,752</u>	<u>92,615</u>
Net Change in Plan Fiduciary Net Position	2,618,883	(53,681,610)	33,871,106	7,532,149	(1,287,688)
Plan Fiduciary Net Position - Beginning	<u>232,785,583</u>	<u>286,467,193</u>	<u>252,596,087</u>	<u>245,063,938</u>	<u>246,351,626</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 235,404,466</u>	<u>\$ 232,785,583</u>	<u>\$ 286,467,193</u>	<u>\$ 252,596,087</u>	<u>\$ 245,063,938</u>
Net Pension Liability - Ending (a) - (b)	\$ 202,086,440	\$ 152,552,957	\$ 82,022,990	\$ 108,082,918	\$ 106,385,501
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.81%	60.41%	77.74%	70.03%	69.73%
Covered Payroll	\$ 19,022,396	\$ 18,466,842	\$ 16,818,135	\$ 16,107,844	\$ 14,705,355
Net Pension Liability as Percentage of Covered Payroll	1062.36%	826.09%	487.71%	671.00%	723.45%

(1) Plan fiduciary net position noted above does not include investment adjustments in the amount of \$445,295 at 9/30/2021 and \$484,370 at 9/30/2022 recorded by the Plan and included in the Statement of Fiduciary 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.

(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,	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 4,342,954	\$ 4,117,315	\$ 3,703,207	\$ 3,645,948	\$ 3,645,948
Interest	25,088,027	24,421,412	21,977,143	21,555,235	21,340,649
Changes of benefit terms	--	--	--	(6,900)	--
Differences between expected and actual experience	742,156	3,702,653	(983,846)	2,419,307	(1,213,699)
Changes of assumptions	3,537,718	--	29,606,755	--	--
Benefit payments, including refunds of member contributions	<u>(25,849,524)</u>	<u>(21,308,109)</u>	<u>(22,946,120)</u>	<u>(21,144,686)</u>	<u>(20,678,837)</u>
Net Change in Total Pension Liability	7,861,331	10,933,271	31,357,139	6,468,904	3,094,061
Total Pension Liability - Beginning	<u>343,088,836</u>	<u>332,155,565</u>	<u>300,798,426</u>	<u>294,329,522</u>	<u>291,235,461</u>
Total Pension Liability - Ending (a)	<u>\$ 350,950,167</u>	<u>\$ 343,088,836</u>	<u>\$ 332,155,565</u>	<u>\$ 300,798,426</u>	<u>\$ 294,329,522</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 10,775,021	\$ 8,142,644	\$ 8,154,934	\$ 8,129,211	\$ 9,722,948
Contributions - member	1,708,166	1,632,948	1,492,330	1,453,342	1,422,685
Contributions - nonemployer contributing member	2,501,946	2,336,040	2,273,774	2,255,095	2,219,537
Net investment income (loss)	19,886,454	23,717,202	16,233,979	(3,955,004)	22,149,737
Benefit payments, including refunds of member contributions	(25,849,524)	(21,308,109)	(22,946,120)	(21,144,686)	(20,678,837)
Administrative expenses	(626,768)	(530,291)	(604,460)	(563,224)	(581,767)
Other	<u>18,569</u>	<u>75,815</u>	<u>10,775</u>	<u>43,955</u>	<u>17,738</u>
Net Change in Plan Fiduciary Net Position	8,413,864	14,066,249	4,615,212	(13,781,311)	14,272,041
Plan Fiduciary Net Position - Beginning	<u>237,937,762</u>	<u>223,871,513</u>	<u>219,256,301</u>	<u>233,037,612</u>	<u>218,765,571</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 246,351,626</u>	<u>\$ 237,937,762</u>	<u>\$ 223,871,513</u>	<u>\$ 219,256,301</u>	<u>\$ 233,037,612</u>
Net Pension Liability - Ending (a) - (b)	\$ 104,598,541	\$ 105,151,074	\$ 108,284,052	\$ 81,542,125	\$ 61,291,910
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.20%	69.35%	67.40%	72.89%	79.18%
Covered Payroll	\$ 14,353,623	\$ 13,527,197	\$ 13,061,612	\$ 13,065,752	\$ 12,948,557
Net Pension Liability as Percentage of Covered Payroll	728.73%	777.33%	829.03%	624.09%	473.35%

This schedule is presented as required by accounting principles generally accepted in the United States of America.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITY CONTRIBUTIONS

September 30,	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 12,675,261	\$ 12,061,640	\$ 11,136,794	\$ 10,943,984	\$ 11,050,554
Contributions in relation to the actuarially determined contribution	<u>12,675,261</u>	<u>12,061,640</u>	<u>11,136,794</u>	<u>10,943,984</u>	<u>11,050,554</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll	\$ 19,022,396	\$ 18,466,842	\$ 16,818,135	\$ 16,107,844	\$ 14,705,355
Contributions as a percentage of covered payroll	66.63%	65.32%	66.22%	67.94%	75.15%
September 30,	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 10,775,021	\$ 8,142,644	\$ 8,154,934	\$ 8,129,211	\$ 9,722,948
Contributions in relation to the actuarially determined contribution	<u>10,775,021</u>	<u>8,142,644</u>	<u>8,154,934</u>	<u>8,129,211</u>	<u>9,722,948</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered payroll	\$ 14,353,623	\$ 13,527,197	\$ 13,061,612	\$ 13,065,752	\$ 12,948,557
Contributions as a percentage of covered payroll	75.07%	60.19%	62.43%	62.22%	75.09%

See Notes to Schedule

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, 2021

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	7.2% 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,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	9.06%	-16.26%	18.08%	6.47%	4.02%
September 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.66%	10.90%	7.68%	-1.48%	10.03%

This schedule is presented as required by accounting principles generally accepted in the United States of America

SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

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

	2023	2022
Administrative Expenses		
Salaries	\$ 263,832	\$ 245,815
Insurance	91,995	106,933
Legal fees	84,000	84,000
Actuarial fees	57,767	38,587
Computer support fees	45,418	34,322
Amortization expense (office lease)	42,068	42,068
Accounting and payroll fees	26,927	26,042
Payroll taxes	20,314	19,051
Educational	18,665	23,296
Depreciation	13,975	59,718
Employee benefits	13,768	24,590
Miscellaneous	15,702	8,438
DROP administration fees	10,124	10,000
Telephone and internet	5,441	5,437
Memberships and publications	3,895	3,389
Interest expense	3,332	3,770
Office equipment	2,879	4,691
Postage	2,071	1,890
Office supplies	684	1,020
Repairs and maintenance	484	1,931
Physical examinations	226	5,321
Death audits	--	57
	<u>\$ 723,567</u>	<u>\$ 750,366</u>
Total Administrative Expenses		
Investment Expenses		
Investment advisory fees	\$ 1,182,703	\$ 1,248,742
Custodial fees	60,581	65,532
Performance measurement	11,254	67,393
	<u>\$ 1,254,538</u>	<u>\$ 1,381,667</u>
Total Investment Expenses		

See independent auditors' report.

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 (*Government Auditing Standards*), the financial statements of the Pompano Beach Police and Firefighters' Retirement System (the System), as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 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 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 17, 2024