



**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator
City of Boca Raton Executive Employees' Retirement Plan

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Boca Raton Executive Employees' Retirement Plan (the Plan), which comprise the statements of fiduciary net position as of September 30, 2021 and 2020, and the related statements of changes in fiduciary net position for the years 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 audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the City of Boca Raton Executive Employees' Retirement Plan as of September 30, 2021 and 2020, and the respective changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in city's net pension liability and related ratios, city contributions and investment returns on pages 3 - 8 and 27 - 30 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is 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 Plan'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 Plan's internal control over financial reporting and compliance.

Marcum LLP

West Palm Beach, FL
March 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Boca Raton (the City) Executive Employees' Retirement Plan (the Plan) performance provides an overview of the financial activities and funding conditions for the years ended September 30, 2021, 2020 and 2019. Readers are encouraged to consider the information presented in conjunction with the financial statements.

Financial Highlights

- The Plan net position was approximately \$64.4 million, an increase of approximately \$12.1 million (or 23.1%) from 2020. The 2020 Plan net position increased approximately \$4.1 million (or 8.4%) from 2019.
- City contributions were approximately \$2.60 million. Contributions increased approximately \$366 thousand (or 16.4%) from 2020. The 2020 contribution increased approximately \$280 thousand (or 14.3%) from 2019. The amount of employer contributions vary from year to year based on an actuarially determined requirement.
- Employee contributions were approximately \$699 thousand, representing 12.6% of payroll. Contributions increased approximately \$101 thousand from 2020. The 2020 contributions decreased approximately \$36 thousand from 2019. Member contributions will vary from year to year and are dependent upon several factors such as salary levels and number of active members, including new entrants, members entering the Deferred Retirement Option Plan and transfers from other defined benefit plans.
- The equity and fixed income securities net investment income was approximately \$12.1 million in 2021, an increase of approximately \$8.7 million when compared to the net investment income of approximately \$3.4 million in 2020. This followed an increase of approximately \$0.9 million when compared to the net investment income of approximately \$2.6 million in 2019.
- In 2021, total benefit payments and refunds of contributions increased by approximately \$0.9 million (or 37.9%) as compared to an increase of \$0.2 million (8.9%) in 2020.

Overview of Financial Statements

Management's Discussion and Analysis serves as an introduction to the financial statements. The financial statements consist of the statements of fiduciary net position, the statements of changes in fiduciary net position, and the notes to the financial statements. The required supplementary information immediately following the financial statements presents schedules of historical trend information. The financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board.

The *Statement of Fiduciary Net Position* is a point in time snapshot of account balances at year-end. It reports the assets plus deferred outflows available for future payments to retirees and their

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

beneficiaries less any liabilities and deferred inflows that are owed as of the year end. The resulting net position restricted for pension benefits are available to meet on-going obligations.

The *Statement of Changes in Fiduciary Net Position* displays the effect of pension fund transactions that occurred during the year. The impact of those activities is shown as additions less deductions to the fiduciary net position. The trend of additions versus deductions to the Plan indicates the condition of the Plan's financial position over time.

The *Notes to the Financial Statements* are an integral part of the financial reports. The notes provide detailed discussions of key policies and activities, and additional background that is essential for a complete understanding of the information presented in the statements.

The *Required Supplementary Information* presents a schedule of changes in the City's net pension liability and related ratios, a schedule of City contributions, and a schedule of investment returns of the Plan along with a discussion of changes in actuarial assumptions and methods.

Financial Analysis

The following is a condensed comparative summary of fiduciary net position:

Assets	2021	2020	2019	2021		2020	
				Amount Change	% Change	Amount Change	% Change
Cash	\$ 257,562	\$ 261,452	\$ 241,152	\$ (3,890)	(1.5)%	\$ 20,300	8.4%
Investments	64,132,921	52,029,091	47,989,137	12,103,830	23.3%	4,039,954	8.4%
Other assets	--	--	--	--	--	--	--
Total Assets	<u>64,390,483</u>	<u>52,290,543</u>	<u>48,230,289</u>	<u>12,099,940</u>	23.1%	<u>4,060,254</u>	8.4%
Liabilities	--	--	--	--	--	--	--
Net Position Restricted for Pension Benefits	<u>\$ 64,390,483</u>	<u>\$ 52,290,543</u>	<u>\$ 48,230,289</u>	<u>\$ 12,099,940</u>	23.1%	<u>\$ 4,060,254</u>	8.4%

The net position of the Plan is principally comprised of investments and investment related accruals. The net position held in trust for pension benefits reported in the year 2021 was approximately \$64.4 million compared to the net position reported in 2020 of approximately \$52.3 million, an increase of approximately \$12.1 million (or 23.1%). A comparison of the 2020 net position to the 2019 net position of approximately \$48.2 million indicates a net position increase of approximately \$4.1 million (or 8.4 %). The increases in years 2021 and 2020 were primarily due to contributions and investment earnings exceeding benefits payments and expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis (continued)

The table below is a condensed comparative summary of the changes in fiduciary net position and reflects the activities of the Plan.

				2021		2020	
	2021	2020	2019	Amount Change	% Change	Amount Change	% Change
Additions							
City contributions	\$ 2,600,459	\$ 2,234,407	\$ 1,954,554	\$ 366,052	16.4%	\$ 279,853	14.3%
Employee contributions	698,790	598,017	634,450	100,773	16.9%	(36,433)	(5.7)%
Transfers from other plans	94,108	259,656	454,958	(165,548)	(63.8)%	(195,302)	(42.9)%
Net investment income	12,058,989	3,403,805	2,550,698	8,655,184	254.3%	853,107	33.4%
Total Additions	<u>15,452,346</u>	<u>6,495,885</u>	<u>5,594,660</u>	<u>8,956,461</u>	137.9%	<u>901,225</u>	16.1%
Deductions							
Benefit payments:							
Retirement	2,448,239	2,309,585	2,039,299	138,654	6.0%	270,286	13.3%
Deferred retirement option plan	761,753	-	-	761,753	-	-	-
Termination refunds	34,712	43,248	120,432	(8,536)	(19.7)%	(77,184)	(64.1)%
Administrative expenses	107,702	82,798	75,266	24,904	30.1%	7,532	10.0%
Total Deductions	<u>3,352,406</u>	<u>2,435,631</u>	<u>2,234,997</u>	<u>916,775</u>	37.6%	<u>200,634</u>	9.0%
Change in Net Position	12,099,940	4,060,254	3,359,663	8,039,686	198.0%	700,591	20.9%
Net Position Restricted for Pension Benefits-Beginning of Year	<u>52,290,543</u>	<u>48,230,289</u>	<u>44,870,626</u>	<u>4,060,254</u>	8.4%	3,359,663	7.5%
Net Position Restricted for Pension Benefits- End of Year	<u>\$ 64,390,483</u>	<u>\$ 52,290,543</u>	<u>\$ 48,230,289</u>	<u>\$ 12,099,940</u>	23.1%	<u>\$ 4,060,254</u>	8.4%

The changes in fiduciary net position reflect the following:

Additions to the Plan net position increased by approximately \$9.0 million from approximately \$6.5 million during 2020 to approximately \$15.5 million during 2021. City contributions, as determined by the annual actuarial valuation, equaled approximately \$2.6 million which were approximately \$366 thousand (or 16.4%) higher than in 2020. Employee contributions equaled approximately \$699 thousand which were approximately \$101 thousand (or 16.9%) higher than in 2020. The increase in employee contributions was primarily due to new members. Net investment income equaled approximately \$12.1 million which was approximately \$8.7 million (or 254.3%) greater in 2021 than in 2020 due to a higher net appreciation in the fair value of investments during the period. The increase in additions to the Plan net position of approximately \$0.9 million from 2019 to 2020 was primarily due to a lower net appreciation in the fair value of investments during the period.

Deductions to Plan net position increased approximately \$0.9 million (or 37.6%) from approximately \$2.4 million during 2020 to approximately \$3.4 million in 2021. This increase is primarily due to an increase in benefit payments and the 2021 DROP withdrawals. The increase in deductions to Plan net position of approximately \$0.2 million from 2019 to 2020 was primarily due to an increase in benefits payments.

CITY OF BOCA RATON
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment Activities

Investment income provides current and future financial stability. Therefore, the Board of Trustees (the Board) have a fiduciary responsibility to act prudently, when making Plan investment decisions.

The Board employs the services of an investment consultant to assist with informed investment decisions. The investment consultant reviews and periodically recommends changes to the Statement of Investment Policy and Objectives. Portfolio performance is reviewed quarterly by the Board and its investment consultant. Performance is evaluated for each individual money manager by investment type and for the total portfolio.

Asset Allocation

The table below indicates the asset allocation for the past five years. The table demonstrates the steps the Plan has taken to diversify its assets.

	<u>Policy</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
	Target	Actual	Actual	Actual	Actual	Actual
Equity						
Domestic large cap	30.0%	30.8%	40.9%	39.9%	38.0%	47.2%
Domestic small cap	16.0%	15.7%	12.6%	13.8%	13.2%	13.1%
International equity	24.0%	23.6%	18.9%	17.7%	17.3%	10.5%
Total Equity	<u>70.0%</u>	<u>70.1%</u>	<u>72.4%</u>	<u>71.4%</u>	<u>68.5%</u>	<u>70.8%</u>
Fixed income	20.0%	21.6%	18.5%	19.0%	22.0%	28.4%
Cash	0.0%	0.4%	0.5%	0.5%	0.4%	0.8%
Core Real Estate*	10.0%	7.9%	8.6%	9.1%	9.1%	0.0%
Total Asset Allocation	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

* New allocation for 2018

The percentage of total assets invested in each asset class was within the policy ranges and close to the target asset mix. Moderate changes in asset allocation occurred in 2018 primarily due to market conditions and reallocations into the Core Real Estate portfolio as approved by the investment policy amended March 22, 2018. The November 29, 2018 amendment to the policy did not affect the portfolio asset allocation. An amendment to the investment policy on March 25, 2021 provided for a change from two managers to a single manager for the Core Plus Fixed Income portfolio. The amendment to the investment policy also provided for a slight adjustment to the asset allocation within the Equities asset category.

**CITY OF BOCA RATON
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MANAGEMENT'S DISCUSSION AND ANALYSIS**

Investment Activities (Continued)

Investment Returns

The summary of investment returns reflects the past three year returns as well as the three-year, five-year and ten-year annualized rates of return for the years ending September 30th. The rates of return are time weighted, net of fees, and based on market rate of return.

SUMMARY OF INVESTMENT RETURNS NET OF FEES

Security Type <i>Fund Return</i>	2021	2020	2019	Annualized Return		
				3 Years	5 years	10 Years
Benchmark Return						
Equity						
<i>Domestic large cap diversified</i>	34.19%	11.21%	4.99%	16.17%	16.79%	16.10%
Russell 1000	30.96%	16.01%	3.87%	16.43%	17.11%	16.76%
<i>Domestic small cap to mid-cap</i>	33.78%	-3.97%	8.31%	11.64%	15.37%	16.99%
SMID Benchmark	45.03%	2.22%	-4.04%	12.47%	14.25%	15.27%
<i>International equity fund</i>	22.16%	12.79%	-1.38%	10.76%	10.43%	7.77%
MSCI ACWI Ex-US	24.45%	3.45%	-0.72%	8.52%	9.45%	7.97%
Fixed Income						
<i>Core bonds</i>	-2.21%	7.20%	9.00%	4.55%	2.37%	2.27%
BloomBar US Aggregate A+	-1.60%	6.92%	9.78%	4.92%	2.57%	2.68%
<i>Core plus bonds</i>	4.47%	0.09%	4.64%	3.05%	2.94%	--
BloomBar Multiverse	-0.45%	5.99%	7.54%	4.30%	2.17%	2.07%
Core Real Estate						
<i>Core Real Estate*</i>	12.23%	1.07%	6.48%	0.07	--	--
NFI ODCE Net	13.66%	0.51%	4.65%	6.13%	6.56%	8.92%
Total Fund Return	22.32%	7.08%	5.49%	11.38%	11.59%	10.98%
Total Fund Benchmark	22.05%	8.88%	3.88%	11.35%	11.35%	11.47%

* New allocation with inception date of 4/1/2018. Fiscal Q4 2018 return percentage presented.

The Plan returned 22.32% for the year ended September 30, 2021, as compared to 7.08% return for 2020 and 5.49% return for 2019, net of fees. During 2021 the Plan's performance was the result of strong returns in all equity markets. While the domestic large cap and international equity portfolios improved compared to 2019, the 2020 Plan's performance was impacted by the underperformance of the core plus bond and core real estate portfolios.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Economic Factors and Funding Status

The Plan's funding objectives are to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of contributions and the income from investments are essential for providing the reserves needed to finance future retirement benefit payments. The Plan's investment activities are a function of the underlying marketplace for the period measured, money manager performance, and the investment policy's asset allocation. Maintaining a diversified portfolio of investments is critical for an opportunity of positive returns. A retirement plan's funding is a long-term concept, where temporary fluctuations in the market are expected.

The schedule of changes in the City's net pension liability and related ratios provides information on the Plan's fiduciary net position as a percentage of total pension liability. The higher the ratio, the better funded the Plan is from an actuarial perspective. This schedule shows as of September 30, 2021 the ratio of 85.53% of fiduciary net position as percentage of the total pension liability and 72.96% as September 30, 2020. The net pension liability as a percentage of covered payroll was 190.21% for 2021 and 349.22% for 2020.

Management and its actuary believe that the Plan remains in sound financial position to meet its future obligations to the Plan participants and beneficiaries.

Requests For Information

This financial report is designed to provide the Board of Trustees, retired and active Plan participants with an overview of the Plan's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to:

Florida Municipal Pension Trust Fund
Florida League of Cities, Inc.
Post Office Box 1757
Tallahassee, FL 32302-1757
Direct Line (850) 701-3633
Fax (850) 222-3806

FINANCIAL STATEMENTS

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN**

**STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Cash	\$ 257,562	\$ 261,452
Investments		
FMIvT Core Plus Fixed Income Fund	6,439,048	4,967,602
FMIvT Broad Market High Quality Bond Fund	7,469,296	4,706,149
FMIvT Diversified Large Cap Portfolio	19,832,269	21,386,832
FMIvT Diversified Small to Mid Cap Portfolio	10,109,306	6,588,608
FMIvT International Equity Portfolio	15,196,154	9,882,913
FMIvT Core Real Estate	<u>5,086,848</u>	<u>4,496,987</u>
Total Investments	<u>64,132,921</u>	<u>52,029,091</u>
Total Assets	<u>64,390,483</u>	<u>52,290,543</u>
Total Liabilities	<u>-</u>	<u>-</u>
Net Position Restricted for Pension Benefits	<u>\$ 64,390,483</u>	<u>\$ 52,290,543</u>

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN**

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Additions		
Contributions		
City	\$ 2,600,459	\$ 2,234,407
Employee	698,790	598,017
Transfer from other retirement plans	94,108	259,656
Total Contributions	<u>3,393,357</u>	<u>3,092,080</u>
Investment Income		
Interest income	12,107,989	3,451,632
Investment expense	(49,000)	(47,827)
Net Investment Income	<u>12,058,989</u>	<u>3,403,805</u>
Total Additions	<u>15,452,346</u>	<u>6,495,885</u>
Deductions		
Benefit payments		
Retirement	2,448,239	2,309,585
Deferred retirement option plan	761,753	-
Termination refunds	34,712	43,248
Administrative expenses	107,702	82,798
Total Deductions	<u>3,352,406</u>	<u>2,435,631</u>
Change in Net Position	12,099,940	4,060,254
Net Position Restricted for Pension Benefits		
Beginning of year	<u>52,290,543</u>	<u>48,230,289</u>
End of year	<u>\$ 64,390,483</u>	<u>\$ 52,290,543</u>

NOTES TO FINANCIAL STATEMENTS

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 1 – Plan Description and Contribution Information

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

Plan Administration

The Executive Employees' Retirement Plan (the Plan) is a single-employer defined benefit plan covering the executive employees of the City of Boca Raton, administered by a five-member Board of Trustees comprised of two members appointed by the City Council, two members appointed by the city manager and shall be members of the plan and the city manager. The Plan was established by Ordinance 4745, adopted November 12, 2003, by City Council. The Plan is also governed by Chapter 112, Florida Statutes.

Plan Membership

As of September 30, 2021 and 2020, membership in the Plan consisted of:

	2021	2020
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	49	42
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	13	14
Active Plan Members	46	48
Total	108	104

Pension Benefits

The Plan provides for retirement, termination, disability and death benefits.

Normal Retirement

Plan members are assigned to one of four divisions, each providing different levels of benefits depending on their division and entry into the Plan. Division 1 includes D1, D2 and D3 pay classifications; Division 2 includes D4 and higher D pay classifications; Division 3 includes DD pay classifications and Division 4 includes the City Manager and City Attorney, if they elect to participate in the Plan. Retirement benefits are calculated by multiplying the member's earnings averaged over five years (for Division 1 through Division 3) or two years (for Division 4) times the member's year of continuous service times a multiplier determined by their plan level subject to a maximum of 90%; 80% for those members hired after September 30, 2010.

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 1 – Plan Description and Contribution Information (continued)

Pension Benefits (continued)

Normal Retirement (continued)

For members hired on or before September 30, 2010 Division 1, Division 2, and Division 3 utilize multipliers of 3.05, 3.15 and 3.25 respectively. For members who retire or enter the DROP before January 26, 2021, Division 4 utilizes a multiplier of 4.55 for the first 10 years and 3.35 thereafter. For members who retire or enter the DROP on or after after January 26, 2021, Division 4 utilizes the same percentage multiplier as provided for Division 3 members, plus 0.1. After September 30, 2010 new members assigned to Division 1, Division 2, Division 3 and Division 4 utilize multipliers of 2.35, 2.45, 2.55 and 2.65 respectively.

Members are eligible to retire the earlier of reaching age 65 with at least 6 years of vesting service or reaching age 55 with at least 10 years of vesting service or for new members after September 30, 2010 age 58 with at least 10 years of vesting service. Monthly benefits are calculated as a percentage of average final compensation. A cost-of-living increase of 2% per year for Divisions 1, 2 and 3 and 3% per year for Division 4 in current monthly benefits commence on October 1st following 5 years after retirement.

Early Retirement

The Plan permits early retirement for all participants at the age of 50 and the completion of 10 years of vesting service or for new members after September 30, 2010 age 53 and the completion of 10 years of vesting service. Members qualify for early retirement benefits upon attaining age 50 with 10 years of continuous service or for new members after September 30, 2010 age 53 with 10 years of continuous service. If a participant terminates employment after having attained the early retirement date, they have the following two available options:

- The benefits can be deferred until the member's normal retirement date, in which case the benefit will be calculated the same as normal retirement, or
- The member may take a reduced benefit, which may start any time prior to the normal retirement date. The reduction factor is 5% for each year early retirement precedes the normal retirement age 55 or 58 for new members who join the Plan after September 30, 2010.

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EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 1 – Plan Description and Contribution Information (continued)

Pension Benefits (continued)

Disability Retirement

Active employees who become disabled receive 60% of the average final compensation as of the date of disability payable starting at age 65. Disability benefits are paid until the earlier of death or recovery from disability.

Preretirement Death Benefit

If an active employee dies, a member's beneficiary is entitled to an accrued benefit that varies with age, length of service and employee division. If an employee terminates his employment with the City and is not eligible for any other benefits under the Plan, the member is entitled to the following:

- With less than six years of continuous service, a refund of member contribution plus 5% interest.
- With six or more years of continuous service, the pension accrued to the date of termination, payable commencing at the member's normal retirement date.

Termination Refunds

If an employee terminates employment and is not eligible for any other benefits under the Plan, he is entitled to the following:

- With less than 6 years of continuous service, a refund of the member contribution is made plus 5% interest, or
- With 6 or more years of continuous service, the pension accrued to the date of termination, payable commencing at his or her normal retirement date or at the member's option, lump-sum refund of the member contribution is made plus 5% interest.

Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP) is available to active Plan members who are eligible for normal retirement. Upon electing to participate in the DROP, members are considered to have retired for purposes of the pension plan but continue to remain in active employment with the City. The member's normal retirement benefit is calculated as if the member had actually retired on the date of DROP participation, using continuous service and average monthly earnings as of that date.

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Note 1 – Plan Description and Contribution Information (continued)

Pension Benefits (continued)

Deferred Retirement Option Plan (continued)

Members who have reached normal retirement age may elect to participate in the DROP. They will remain active employees of the City, but will no longer contribute to the Plan. Their benefits will remain frozen and continue to accrue interest until they retire from the City, at which time DROP benefits will be paid. Maximum duration of participation is eighty-four months. At September 30, 2021, there were 10 DROP participants with a total balance of \$3,346,416. At September 30, 2020, there were 11 DROP participants with a total balance of \$2,811,203. These amounts are included in the total investment balance presented on the statements of fiduciary net position.

Cost-of-Living Adjustment

A cost-of-living increase of 2% per year for Divisions 1, 2 and 3 and 3% per year for Division 4 in current monthly benefits commence on October 1st following 5 years after retirement.

Contributions

Contributions required from members are at the rate of 11% of compensation. Employer contributions for the year ended September 30, 2021, determined using the actuarial valuation dated October 1, 2019, were 45.40% of covered payroll. Employer contributions for the year ended September 30, 2020 determined using the actuarial valuation dated October 1, 2018, were 40.27% of covered payroll. The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Contributions from members are recorded in the period the City makes payroll deductions from participants (members). City contribution requirements are actuarially determined and remitted annually on October 1. Benefit payments and refunds to members are recognized when due and payable in accordance with the terms of the Plan.

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 2 – Summary of Significant Accounting Policies (continued)

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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions in net position available for plan benefits. Actual results could differ from those estimates.

Deposits

The Plan's cash deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Therefore, all deposits are deemed as insured or collateralized.

Investments

Investments are held in the Florida Municipal Pension Trust Fund, administered by the Florida League of Cities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Plan has no items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Plan has no items that qualify for reporting in this category.

Tax Status

Management and tax counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 3 – Deposits and Investments

The following represents the fair value of deposits and investments at September 30th:

Portfolio/Investments	2021				2020			
	Fair Value	Weighted Average Maturity	Credit Rating	Percent Distribution	Fair Value	Weighted Average Maturity	Credit Rating	Percent Distribution
Cash	\$ 257,562			0.40%	\$ 261,452			0.50%
FMIvT Core Plus Fixed Income Fund	6,439,048	8.21 years	Not rated	10.00%	4,967,602	5.82 years	Not rated	9.50%
FMIvT Broad Market High Quality Bond Fund	7,469,296	6.30 years	AAf/S4 Fitch	11.60%	4,706,149	6.60 years	AAf/S4 Fitch	9.00%
FMIvT Diversified Large Cap Portfolio	19,832,269		Not rated	30.80%	21,386,832		Not rated	40.90%
FMIvT Diversified Small to Mid Cap Portfolio	10,109,306		Not rated	15.70%	6,588,608		Not rated	12.60%
FMIvT International Equity Portfolio	15,196,154		Not rated	23.60%	9,882,913		Not rated	18.90%
FMIvT Core Real Estate	5,086,848		Not rated	7.90%	4,496,987			8.60%
Total Investments	<u>64,132,921</u>			<u>99.60%</u>	<u>52,029,091</u>			<u>99.50%</u>
Total Cash and Investments	<u>\$ 64,390,483</u>			<u>100.00%</u>	<u>\$ 52,290,543</u>			<u>100.00%</u>

The Florida Municipal Pension Trust Fund (FMPTF) is established as a Trust whereby governmental entities with employee pension plans may elect to join the Trust (becoming a Participating Employer), and with the Trust providing the plans with administrative and investment services for the benefit of participating employers, participating employees, and beneficiaries. All employee pension plan assets with the FMPTF are included in the Trust's master trust fund. Employee pension plan assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of the participating employers, participating employees and beneficiaries.

The FMIvT was created under the laws of the State of Florida to provide eligible units of local government with an investment vehicle to pool their surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The Florida League of Cities serves as the administrator, investment manager and secretary-treasurer of the Trust.

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 3 – Deposits and Investments (continued)

Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements with the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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. The investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect unadjusted quoted prices in active markets for identical assets.

Level 2 – Investments reflect prices that are based on inputs that are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable inputs.

The categorization of investments within the hierarchy is based upon pricing transparency of the instrument and is not indicative of its quality.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 3 – Deposits and Investments (continued)

Fair Value Hierarchy (continued)

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

	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)
Investment by fair value level				
FMIvT Broad Market High Quality Bond Fund	\$ 7,469,296	\$ -	\$ 7,469,296	\$ -
FMIvT Diversified Large Cap Portfolio	19,832,269	-	19,832,269	-
FMIvT Diversified Small to Mid Cap Portfolio	10,109,306	-	10,109,306	-
FMIvT International Equity Portfolio	15,196,154	-	15,196,154	-
Total Investments by fair value level	<u>52,607,025</u>	<u>\$ -</u>	<u>\$ 52,607,025</u>	<u>\$ -</u>
Investment at the net asset value (NAV)*		Redemption Frequency	Redemption Notice Period	
FMIvT Core Plus Fixed Income Fund	6,439,048	Monthly	5 business days prior to valuation	
FMIvT Core Real Estate	5,086,848	Quarterly	5 business days prior to valuation	
Total investments measured at NAV	<u>11,525,896</u>			
Total investments	<u>\$ 64,132,921</u>			

* As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the Statement of Fiduciary Net Position.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 3 – Deposits and Investments (continued)

Fair Value Hierarchy (continued)

The following is a summary of the fair value hierarchy of the investments as of September 30, 2020:

Investment by fair value level	9/30/2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
FMIvT Broad Market High Quality Bond Fund	\$ 4,706,149	\$ -	\$ 4,706,149	\$ -
FMIvT Diversified Large Cap Portfolio	21,386,832	-	21,386,832	-
FMIvT Diversified Small to Mid Cap Portfolio	6,588,608	-	6,588,608	-
FMIvT International Equity Portfolio	9,882,913	-	9,882,913	-
Total Investments by fair value level	<u>42,564,502</u>	<u>\$ -</u>	<u>\$ 42,564,502</u>	<u>\$ -</u>
Investment at the net asset value (NAV)*		Redemption Frequency	Redemption Notice Period	
FMIvT Core Plus Fixed Income Fund	4,967,602	Monthly	5 business days prior to valuation	
FMIvT Core Real Estate	4,496,987	Quarterly	5 business days prior to valuation	
Total investments measured at NAV	<u>9,464,589</u>			
Total investments	<u>\$ 52,029,091</u>			

* As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the Statement of Fiduciary Net Position.

FMIvT Broad Market High Quality Bond Fund

This fund invests mainly in US government and agency securities, asset-backed securities and corporate bonds and notes. The underlying securities have observable Level 1 quoted pricing inputs or observable Level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. Value is based on market-corroborated data. (Level 2 inputs).

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 3 – Deposits and Investments (continued)

Fair Value Hierarchy (continued)

FMIvT Diversified Large Cap Equity Portfolio

This portfolio invests mainly in domestic stocks and in a single underlying fund, the Intech U.S. Broad Enhanced Plus Fund, LLC (Intech Fund), shares of which are not publicly quoted. The majority of the underlying securities have observable Level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). The value of the portfolio's shares of the Intech Fund investment is determined based on the net asset value provided by the Intech Fund, which is calculated based in accordance with generally accepted accounting principles. While most of the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Value is based on market-corroborated data. (Level 2 inputs).

FMIvT Diversified Small to Mid Cap Equity Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable Level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Value is based on market-corroborated data. (Level 2 inputs).

FMIvT International Equity Portfolio

This portfolio invests in two underlying funds, the Ninety One International Dynamic equity Fund, LLC (Ninety One Fund), and the Wells Capital Management Emerging Market Large/Mid Cap Fund, LLC (Wells Fund), shares of which are not publicly quoted. Both funds invest in stocks sold on U.S. and international exchanges, all of which have observable Level 1 quoted pricing inputs. The value of the shares of the Ninety One Fund and the Wells Fund investments is determined based on the net asset value provided by funds, which was calculated in accordance with generally accepted accounting principles. Value is based on market-corroborated data. (Level 2 inputs)

FMIvT Core Real Estate Fund

This portfolio invests in a single underlying fund, the Morgan Stanley Prime Property Fund (Morgan Stanley Fund), shares of which are not publicly quoted. The Morgan Stanley Fund invests in core real estate in the U.S. The value of the Morgan Stanley Fund investments was determined based on quarterly real estate appraisals, which were calculated in accordance with generally accepted accounting principles. Value is based on unobservable inputs (Level 3 inputs). This fund is reported at NAV as a practical expedient. There are no unfunded commitment requirements.

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 3 – Deposits and Investments (continued)

Fair Value Hierarchy (continued)

FMIvT Core Plus Fixed Income Fund

This fund, through March 25, 2021, invested in two underlying funds, the Franklin Templeton Global Multi-Sector Plus Fund, LP and the Pioneer Institutional Multi-Sector Fixed Income Portfolio, LLC. After March 25, 2021 the fund only invests in the Amundi Institutional Multi-Sector Fixed Income Portfolio, LLC. Shares of this fund are not publicly quoted. This underlying fund invests in a variety of financial instruments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts, credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments. Value is based on unobservable inputs (Level 3 inputs). This fund is reported at NAV as a practical expedient. There are no unfunded commitment requirements.

Investment Management

The City has contracted with the Florida Municipal Pension Trust Fund (FMPTF) to administer the Executive Employees' Retirement Plan. The FMPTF invests pension assets in the Florida Municipal Investment Trust (the Trust), an interlocal government entity created under the laws of the State of Florida as an investment vehicle for those participating governments. The Trust invests funds into one or more investment portfolios under the supervision of investment managers. The portfolio does not distribute income or capital gains to its members. All income earned and capital gains realized are retained by the portfolio and reinvested.

Investment Policy

The Statement of Investment Policy, Objectives, and Guidelines (Policy), amended November 29, 2018 and March 25, 2021, is reviewed periodically by the Board and administered by the FMPTF. Compliance with the policy is required by the investment managers and is monitored by investment consultants from FMPTF. To accomplish the objectives of the Trust, this policy identifies various authorized investment instruments, issuer diversification, maturity constraints, investment ratings and liquidity parameters. The asset mix and permitted investments established in the policy are as follows:

	<u>2021 Target</u>	<u>2020 Target</u>
Equities	70.00%	70.00%
Large Cap		
Diversified Large Cap Equity	30.00%	39.00%
Small Cap		
Diversified Small to Mid-Cap Equity	16.00%	13.00%
International		
International Equity	24.00%	18.00%
Fixed Income (Incl. Cash)		
Core Bonds, Broad Market High Quality Fund	10.00%	10.00%
Core Plus Bonds, Core Plus Fixed Income Fund	10.00%	10.00%
Core Real Estate Portfolio	10.00%	10.00%

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 3 – Deposits and Investments (continued)

Rate of Return

For the years ended September 30, 2021 and 2020, the annual money-weighted rate of return on Plan investments, net of plan investment expense, was 22.64% and 6.98%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

Security Investment Guidelines and Risk

The Plan is potentially exposed to various types of investment risk including credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Prohibited fixed income investments include tax exempt securities, private mortgages and private label residential mortgage-backed securities. The following is a detailed discussion of these investment risks and related guidelines:

Credit Risk

The Plan allows investments in Commercial Paper with A1/P1 or a comparable rating as provided by two of the top nationally recognized statistical rating organizations; and for which the corporation's long-term debt, if any, is rated at least A1/A+ by a nationally recognized statistical rating organization or, if backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated at least AA (or comparable rating) by at least two of the nationally recognized statistical rating agencies publishing ratings for financial institutions. The Plan also allows investments in Banker's Acceptances issued within the U.S. by institutions with a long-term debt rating of at least AA or short-term debt rating of P1 (or comparable rating) as provided by one nationally recognized statistical rating organization.

Non-negotiable Certificates of Deposit must be rated at least A1/P1 (or comparable rating) and a long-term rating of at least A (or comparable rating) as provided by two of the top nationally recognized rating agencies. Guaranteed Investment Contracts must be rated in the highest category by AM Best Rating System or a comparable nationally recognized statistical rating organization. All investments held in the portfolio meet these requirements.

At September 30, 2021 and 2020 the portfolio met the credit rating limitations of the investment policy as presented in the preceding information.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 3 – Deposits and Investments (continued)

Security Investment Guidelines and Risk (continued)

Custodial Credit Risk

The Plan's investment policy requires that all securities, with the exception of certificates of deposit, be held with a third-party custodian. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a “delivery vs. payment” basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of September 30, 2021 and 2020, the Plan's investment portfolio was held with a third-party custodian.

Concentration of Credit Risk

The Plan allows no more than \$5 million in certificates of deposit with any one depository at one time. Corporate fixed income securities are limited to no more than 3% of any one corporation at the time of purchase. No more than \$10 million in investment agreements may be entered into with any one financial institution. Government Accounting Standards Board (GASB) Statement No. 40 requires disclosures when the percent is 5% or more of fiduciary net position in any one issuer. The Plan's investments percentage distribution is presented in the fair value of deposits and investments table at the beginning of this note.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Plan has a maximum maturity at purchase of 180 days with a total average maturity, at any point in time, for all repurchase agreements held of not greater than 60 days. Bankers' Acceptances maximum maturity shall not exceed 270 days from the time of purchase. Non-negotiable certificates of deposit shall not exceed 2 years. As of September 30, 2021 and 2020, no investments held in the portfolio exceeded these limits.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

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

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Note 4 - Transfers To/From Other Plans

Members have status changes during their employment with the City. Certain status changes require a change in membership in the pension plan. A transfer therefore occurs to/from the General Employees' Pension Plan or the Police and Firefighters' Retirement System to the Executive Employees Retirement Plan. Further, members may elect an irrevocable transfer to a defined contribution plan.

The amount transferred as a result of the change in status or election is the actuarial value of their accrued benefit. Amounts transferred to other plans are presented on the statement of changes in fiduciary net position as deductions. Amounts transferred from other plans are presented as contributions.

Note 5 –Net Pension Liability of the City

The components of the City's net pension liability on September 30th were as follows:

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 75,285,845	\$ 71,669,198
Plan fiduciary net position	<u>(64,390,483)</u>	<u>(52,290,543)</u>
Net pension liability	<u>\$ 10,895,362</u>	<u>\$ 19,378,655</u>
Plan fiduciary net position as a percentage of the City's total pension liability	85.53%	72.96%

Significant Actuarial Assumptions

The total pension liability for fiscal year 2021 was determined by an actuarial valuation as of October 1, 2020 updated to September 30, 2021. The total pension liability for fiscal year 2020 was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020. The following actuarial assumptions applied to the measurement periods.

	<u>2021</u>	<u>2020</u>
Inflation	2.75%	2.75%
Salary Increases	Varies%	Varies%
Investment Rate of Return	7.15%	7.25%

Mortality is assumed to follow the Florida Retirement System (FRS) Mortality Table.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 5 –Net Pension Liability of the City (continued)

Long-term Expected Rate of Return

The long-term expected rates of return on classes of pension plan investments were developed by the investment consultant Asset Consulting Group (ACG) using Monte Carlo Simulations to analyze a range of possible outcomes and assist in making educated investment decisions. The output of the Monte Carlo Simulation is based on ACG's capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. The long-term expected rate of return was calculated by weighting the expected future real rates of return of each asset class 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 and September 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Long-term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>2021 Long-Term Expected Real Rate of Return</u>	<u>2020 Long-Term Expected Real Rate of Return</u>
Core Bonds	2.6%	3.7%
Core Plus	2.9%	4.1%
U.S. Large Cap Equity	7.2%	6.8%
U.S. Small Cap Equity	8.4%	8.3%
International Equity	8.2%	8.9%
Core Real Estate	6.7%	7.3%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent for 2021 and 7.25 percent for 2020. 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 sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the City's total pension liability.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Note 5 –Net Pension Liability of the City (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rates of 7.15 percent in 2021 and 7.25 percent in 2020, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for each year:

	2021		
	1% Decrease <u>(6.15)%</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15)%</u>
Net Pension Liability	\$ 19,950,590	\$ 10,895,362	\$ 3,421,543
	2020		
	1% Decrease <u>(6.25)%</u>	Current Discount <u>Rate (7.25%)</u>	1% Increase <u>(8.25)%</u>
Net Pension Liability	\$ 37,700,283	\$ 19,378,655	\$ 6,215,945

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN CITY'S NET PENSION LIABILITY
AND RELATED RATIOS

September 30,	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	\$ 1,004,178	\$ 979,825	\$ 1,027,733	\$ 1,033,954	\$ 999,642
Interest	5,080,148	4,523,118	4,012,692	3,759,183	3,607,804
Changes of Benefit Terms		3,756,497			
Differences between expected and actual experience	777,025	1,966,158	4,304,119	1,258,361	1,970,552
Changes of assumptions		212,007	--	461,746	--
Benefit payments, including refunds of member contributions	<u>(3,244,704)</u>	<u>(2,352,833)</u>	<u>(2,159,731)</u>	<u>(3,860,948)</u>	<u>(1,870,177)</u>
Net Change in Total Pension Liability	<u>3,616,647</u>	<u>9,084,772</u>	<u>7,184,813</u>	<u>2,652,296</u>	<u>4,707,821</u>
Total Pension Liability - Beginning	<u>71,669,198</u>	<u>62,584,426</u>	<u>55,399,613</u>	<u>52,747,317</u>	<u>48,039,496</u>
Total Pension Liability - Ending (a)	<u>75,285,845</u>	<u>71,669,198</u>	<u>62,584,426</u>	<u>55,399,613</u>	<u>52,747,317</u>
Plan Fiduciary Net Position					
Contributions - employer	2,600,459	2,234,407	1,954,554	1,850,134	1,525,219
Contributions - member	698,790	598,017	1,089,408	885,015	639,876
Transfer from other pension plans	94,108	259,656		409,132	314,525
Net investment income	12,058,989	3,403,805	2,550,698	3,770,512	5,423,879
Benefit payments, including refunds of member contributions	<u>(3,244,704)</u>	<u>(2,352,833)</u>	<u>(2,159,731)</u>	<u>(3,860,948)</u>	<u>(1,870,177)</u>
Administrative expense	<u>(107,702)</u>	<u>(82,798)</u>	<u>(75,266)</u>	<u>(46,064)</u>	<u>(31,744)</u>
Net Change in Plan Fiduciary Net Position	<u>12,099,940</u>	<u>4,060,254</u>	<u>3,359,663</u>	<u>3,007,781</u>	<u>6,001,578</u>
Plan Fiduciary Net Position - Beginning	<u>52,290,543</u>	<u>48,230,289</u>	<u>44,870,626</u>	<u>41,862,845</u>	<u>35,861,267</u>
Plan Fiduciary Net Position - Ending (b)	<u>64,390,483</u>	<u>52,290,543</u>	<u>48,230,289</u>	<u>44,870,626</u>	<u>41,862,845</u>
Net Pension Liability Ending (a) - (b)	<u>\$ 10,895,362</u>	<u>\$ 19,378,655</u>	<u>\$ 14,354,137</u>	<u>\$ 10,528,987</u>	<u>\$ 10,884,472</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.53%	72.96%	77.06%	80.99%	79.36%
Covered Payroll	\$ 5,728,084	\$ 5,549,081	\$ 5,593,482	\$ 5,361,342	\$ 5,748,308
Net Pension Liability as a Percentage of Covered Payroll	190.21%	349.22%	256.62%	196.39%	189.35%

(Continued)

CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN CITY'S NET PENSION LIABILITY
AND RELATED RATIOS (CONTINUED)

September 30,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 887,093	\$ 830,044	\$ 807,122
Interest	3,302,491	3,130,704	2,970,466
Changes of Benefit Terms			
Differences between expected and actual experience	1,605,801	(145,142)	327,025
Changes of assumptions	--	--	1,055,238
Benefit payments, including refunds of member contributions	<u>(1,804,008)</u>	<u>(1,360,326)</u>	<u>(1,088,489)</u>
Net Change in Total Pension Liability	<u>3,991,377</u>	<u>2,455,280</u>	<u>4,071,362</u>
Total Pension Liability - Beginning	<u>44,048,119</u>	<u>41,592,839</u>	<u>37,521,477</u>
Total Pension Liability - Ending (a)	<u>48,039,496</u>	<u>44,048,119</u>	<u>41,592,839</u>
Plan Fiduciary Net Position			
Contributions - employer	1,482,115	1,457,248	1,458,974
Contributions - member	762,047	635,026	717,085
Transfer from other pension plans	108,675	21,680	--
Net investment income	2,820,390	85,342	2,784,339
Benefit payments, including refunds of member contributions	<u>(1,804,008)</u>	<u>(1,360,326)</u>	<u>(1,088,489)</u>
Administrative expense	<u>(30,005)</u>	<u>(27,327)</u>	<u>(38,294)</u>
Net Change in Plan Fiduciary Net Position	<u>3,339,214</u>	<u>811,643</u>	<u>3,833,615</u>
Plan Fiduciary Net Position - Beginning	<u>32,522,053</u>	<u>31,710,410</u>	<u>27,876,795</u>
Plan Fiduciary Net Position - Ending (b)	<u>35,861,267</u>	<u>32,522,053</u>	<u>31,710,410</u>
Net Pension Liability Ending (a) - (b)	<u>\$ 12,178,229</u>	<u>\$ 11,526,066</u>	<u>\$ 9,882,429</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.65%	73.83%	76.24%
Covered Payroll	\$ 5,359,816	\$ 4,748,431	\$ 4,463,155
Net Pension Liability as a Percentage of Covered Payroll	227.21%	242.73%	221.42%

Note to Schedule:

This schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as available.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS**

Fiscal Year	(1) Actuarially Determined Contribution	(2) Contribution in relation to the actuarially determined contribution	(3) Contribution excess/ (deficiency) (2)-(1)	(4) Covered payroll	(5) Contributions as a percentage of covered payroll (2)/(4)
2012	\$ 1,111,897	\$ 1,098,407	\$ (13,490)	\$ 4,376,313	25.10%
2013	1,350,306	1,367,748	17,442	4,418,964	30.95%
2014	1,458,974	1,458,974	-	4,463,155	32.69%
2015	1,457,248	1,457,248	-	4,748,431	30.69%
2016	1,482,115	1,482,115	-	5,359,816	27.65%
2017	1,525,219	1,525,219	-	5,748,308	26.53%
2018	1,850,134	1,850,134	-	5,361,342	34.51%
2019	1,954,554	1,954,554	-	5,593,482	34.94%
2020	2,234,407	2,234,407	-	5,549,081	40.27%
2021	2,600,459	2,600,459	-	5,728,084	45.40%

Notes to Schedule

Valuation date: October 1, 2019

Actuarially determined contribution rates are calculated as of October 1, one year prior to the beginning of the year in which contributions are reported.

Significant methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	5-year smoothing
Salary increases	Varies
Inflation	2.75%
Investment rate of return	7.15%

Mortality is assumed to follow the Florida Retirement System (FRS) Mortality Table.

**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS**

September 30,	Annual money-weighted rate of return, net of investment expense
2014	7.60%
2015	0.30%
2016	8.55%
2017	14.91%
2018	9.07%
2019	5.61%
2020	6.98%
2021	22.64%

Note to Schedule:

This schedule should present information for the last ten years. However, until ten years of information can be compiled, information will be presented for as many years as available.

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 Plan Administrator
City of Boca Raton Executive Employees' Retirement Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Boca Raton Executive Employees' Retirement Plan (the Plan), 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 March 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 Plan'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 Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

West Palm Beach, FL
March 29, 2022