



**CITY OF BOCA RATON
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

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

CONTENTS

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Required Supplementary Information)	4-10
Financial Statements	
Statements of Fiduciary Net Position	11
Statements of Changes in Fiduciary Net Position	12
Notes to Financial Statements	13-29
Required Supplementary Information	
Schedule of Changes in City's Net Pension Liability and Related Ratios	30-31
Schedule of City Contributions	32
Schedule of Investment Returns	33
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 <i>Government Auditing Standards</i>	34-35

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 Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, and the related statements of changes in fiduciary net position for the years 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 respective financial position of the fiduciary net position of the Plan, as of September 30, 2023 and 2022, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Plan'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 Plan'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 Plan'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 city's net pension liability and related ratios, schedule of city contributions, and schedule of investment returns on pages 4-10 and 30-33 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 audits 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 21, 2024 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 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 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 21, 2024

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, 2023, 2022 and 2021. Readers are encouraged to consider the information presented in conjunction with the financial statements.

Financial Highlights

- The Plan net position was approximately \$59.8 million, an increase of approximately \$5.1 million (or 9.4%) from 2022. The 2022 Plan net position decreased approximately \$9.7 million (or 15.1%) from 2021.
- City contributions were approximately \$2.30 million. Contributions decreased approximately \$264 thousand (or 10.3%) from 2022. The 2022 contribution decreased approximately \$40 thousand (or 1.5%) from 2021. The amount of employer contributions varies from year to year based on an actuarially determined requirement.
- Employee contributions were approximately \$730 thousand, representing 11.9% of payroll. Contributions increased approximately \$97 thousand from 2022. The 2022 contributions decreased approximately \$66 thousand from 2021. 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 Plan reported net investment income of approximately \$5.7 million in 2023, an increase of approximately \$14.9 million when compared to the net investment loss of approximately \$9.1 million in 2022. This followed an decrease of approximately \$21.2 million when compared to the net investment income of approximately \$12.1 million in 2021.
- In 2023, total benefit payments and refunds of contributions decreased by approximately \$0.1 million (or 2.9%) as compared to an increase of \$0.5 million (16.4%) in 2022.

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	2023		2022		2021		2020	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Cash	\$ 341,988		\$ 427,701		\$ 257,562		\$ (85,713)	(20.0)%
Investments	59,443,393		54,236,679		64,132,921		5,206,714	9.6%
Total Assets	59,785,381		54,664,380		64,390,483		5,121,001	9.4%
Liabilities	--		--		--		--	--
Net Position Restricted for Pension Benefits	\$ 59,785,381		\$ 54,664,380		\$ 64,390,483		\$ 5,121,001	9.4%

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 2023 was approximately \$59.8 million compared to the net position reported in 2022 of approximately \$54.7 million, an increase of approximately \$5.1 million (or 9.4%). A comparison of the 2022 net position to the 2021 net position of approximately \$64.4 million indicates a net position decrease of approximately \$9.7 million (or 15.1 %). The increase observed in year 2023 was primarily due to overall net investment gains driven by the performance of the market. The decrease in year 2022 was primarily due to investment losses.

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

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.

				2023		2022	
	2023	2022	2021	Amount Change	% Change	Amount Change	% Change
Additions							
City contributions	\$ 2,296,520	\$ 2,560,502	\$ 2,600,459	\$ (263,982)	(10.3)%	\$ (39,957)	(1.5)%
Employee contributions	729,911	632,861	698,790	97,050	15.3%	(65,929)	(9.4)%
Transfers from other plans	116,538	143,810	94,108	(27,272)	(19.0)%	49,702	52.8%
Net investment income (loss)	5,737,676	(9,123,735)	12,058,989	14,861,411	162.9%	(21,182,724)	(175.7)%
Total Additions (Reductions)	8,880,645	(5,786,562)	15,452,346	14,667,207	253.5%	(21,238,908)	(137.4)%
Deductions							
Benefit payments:							
Retirement	3,219,386	2,823,009	2,448,239	396,377	14.0%	374,770	15.3%
Deferred retirement option plan	-	933,916	761,753	(933,916)	(100.0)%	172,163	22.6%
Termination refunds	449,012	19,528	34,712	429,484	2199.3%	(15,184)	(43.7)%
Administrative expenses	91,246	163,088	107,702	(71,842)	(44.1)%	55,386	51.4%
Total Deductions	3,759,644	3,939,541	3,352,406	(179,897)	(4.6)%	587,135	17.5%
Change in Net Position	5,121,001	(9,726,103)	12,099,940	14,847,104	152.7%	(21,826,043)	(180.4)%
Net Position Restricted for Pension Benefits- Beginning of Year	54,664,380	64,390,483	52,290,543	(9,726,103)	(15.1)%	12,099,940	23.1%
Net Position Restricted for Pension Benefits- End of Year	\$ 59,785,381	\$ 54,664,380	\$ 64,390,483	\$ 5,121,001	9.4%	\$ (9,726,103)	(15.1)%

The changes in fiduciary net position reflect the following:

Additions to the Plan net position increased by approximately \$14.7 million from approximately a negative \$5.8 million during 2022 to approximately \$8.9 million during 2023. City contributions, as determined by the annual actuarial valuation, equaled approximately \$2.3 million which were approximately \$264 thousand (or 10.3%) lower than in 2022. Employee contributions equaled approximately \$730 thousand which were approximately \$97 thousand (or 15.3%) higher than in 2022. The increase in employee contributions was primarily due to a one-time years of services purchase by a plan participant. Net investment income equaled approximately \$5.7 million which was approximately \$14.9 million (or 162.9%) higher in 2023 than the losses observed in 2022 due to an increase in the fair value of investments during the period. The decrease in additions to the Plan net position of approximately \$21.2 million from 2021 to 2022 was primarily due to a decrease in the fair value of investments during the period.

Deductions to Plan net position decreased approximately \$0.2 million (or 4.6%) from approximately \$3.9 million during 2022 to approximately \$3.8 million in 2023. This decrease was primarily due to the absence of DROP withdrawals during the year and lower administrative expenses which combined, offset the increase in benefit payments and termination refunds in comparison to 2022. The increase in deductions to Plan net position of \$0.6 million from 2021 to 2022 was primarily due to increased benefit payments, DROP withdrawals and administrative expenses.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis (continued)

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>Target</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Equity						
Domestic large cap	30.0%	29.3%	27.4%	30.8%	40.9%	39.9%
Domestic small cap	16.0%	15.4%	15.1%	15.7%	12.6%	13.8%
International equity	24.0%	22.1%	19.9%	23.6%	18.9%	17.7%
Total Equity	<u>70.0%</u>	<u>66.8%</u>	<u>62.4%</u>	<u>70.1%</u>	<u>72.4%</u>	<u>68.5%</u>
Fixed income	20.0%	18.8%	19.6%	21.6%	18.5%	19.0%
Cash	0.0%	0.6%	0.8%	0.4%	0.5%	0.5%
Core Real Estate	10.0%	13.8%	17.2%	7.9%	8.6%	9.1%
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>

The percentage of total assets invested in each asset class was within the policy ranges and close to the target asset mix. While still within the policy range, the Core Real Estate asset class was slightly overweight at the end of fiscal year 2022. With the asset class allocation being slightly below the target at the end of fiscal year 2021, the Plan made a contribution to the Core Real Estate portfolio early in fiscal year 2022. As the fiscal year progressed, the Core Real Estate portfolio became the best performing asset class while all other portfolios reported investment losses. This caused the Core Real Estate asset class to become slightly overweight by the end of fiscal year 2022. The Plan made a redemption from the Core Real Estate portfolio in 2023, bringing the asset class total closer to the target 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
EXECUTIVE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Investment Activities (Continued)

Asset Allocation (Continued)

The investment policy was updated in fiscal year 2023 to ensure compliance with Section 112.662, Florida Statutes. Specifically, to ensure the investment policy reflects the requirement for the Administrator, investment managers, named fiduciary, or Master Trustees to only consider pecuniary factors when deciding whether to invest and when investing the assets of the Plan.

Beginning in fiscal year 2022, Plan members who are in the DROP have the option to have their future monthly benefits from the Plan deposited in a self-directed DROP account for as long as they participate in the DROP. Members who elect to participate in the self-directed DROP may elect to transfer some or all of the funds accumulated in their DROP account to their self-directed DROP account. DROP funds held in a member's self-directed DROP account do not fall into any single asset class because it allows the member to invest in a variety of Florida Municipal Pension Trust Fund (FMPTF) mutual funds in addition to the Plan's primary investment funds. Consequently, funds held in the self-directed DROP account are excluded from the above asset allocation.

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

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						
Fund Return	<u>Annualized Return</u>					
Benchmark Return	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>3 Years</u>	<u>5 years</u>	<u>10 Years</u>
Equity						
<i>Domestic large cap diversified</i>	20.41%	-18.38%	34.19%	9.68%	9.03%	10.84%
Russell 1000	21.19%	-17.22%	30.96%	9.53%	9.63%	11.63%
<i>Domestic small cap to mid-cap</i>	14.93%	-10.00%	33.78%	11.43%	7.55%	11.26%
SMID Benchmark	11.28%	-21.11%	45.03%	8.39%	4.55%	7.90%
<i>International equity fund</i>	17.03%	-28.77%	22.16%	0.60%	2.52%	2.82%
MSCI ACWI Ex-US	21.02%	-24.79%	24.45%	4.24%	3.07%	3.83%
Fixed Income						
<i>Core bonds</i>	-0.06%	-12.19%	-2.21%	-4.97%	0.06%	0.76%
BloomBar US Aggregate A+	0.07%	-13.89%	-1.60%	-5.35%	-0.10%	0.90%
<i>Core plus bonds¹</i>	1.71%	-14.05%	4.47%	-2.97%	-0.88%	--
BloomBar Multiverse	2.69%	-20.35%	-0.45%	-6.62%	-1.48%	-0.28%
Core Real Estate						
<i>Core Real Estate²</i>	-7.42%	20.53%	12.23%	7.79%	6.15%	--
NFI ODCE Net	-12.88%	21.01%	13.66%	6.19%	4.73%	7.19%
Total Fund Return	10.16%	-13.98%	22.32%	5.05%	5.54%	6.97%
Total Fund Benchmark	11.96%	-15.19%	22.05%	5.04%	5.56%	7.33%

¹ Inception date of 4/1/2014

² Inception date of 4/1/2018

The Plan returned 10.16% for the year ended September 30, 2023, as compared to (13.98)% return for 2022 and 22.32% return for 2021, net of fees. The Plan's overall positive investment performance in 2023 was primarily due to the Equity portfolios which posted double digits returns in 2023, a sharp reversal from the double digits declines experienced in 2022. While the Equity portfolios contributed to the Plan's positive investment performance, the Fixed Income portfolios did not experience a similar performance, with returns in the low to negative single digits. Finally, the Core Real Estate portfolio, which had experienced strong performance in 2022, gave back some of those gains with negatives returns in 2023, to the detriment of the Plan's overall investment performance. The negative investment performance the Plan experienced in 2022 was in stark contrast with the 2021 performance where the Equity portfolios' performance yielded double digits returns, contributing to the Plan's strong positive performance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment Activities (Continued)

Investment Returns (continued)

Performance for the self-directed DROP account is not included in the above summary since there is no comparable benchmark. Members assume the full risk and responsibility for the investments they have selected and for monitoring the performance of these investments.

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, 2023 the ratio of 74.83% of fiduciary net position as percentage of the total pension liability, 73.27% as of September 30, 2022 and 85.53% as of September 30, 2021. The net pension liability as a percentage of covered payroll was 329.03% for 2023, 345.22% for 2022 and 190.21% for 2021.

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, 2023 AND 2022**

	2023	2022
Assets		
Cash	\$ 341,988	\$ 427,701
Investments		
FMIvT Core Plus Fixed Income Fund	5,129,824	5,078,945
FMIvT Broad Market High Quality Bond Fund	5,585,809	5,399,720
FMIvT Diversified Large Cap Portfolio	16,700,428	14,648,746
FMIvT Diversified Small to Mid Cap Portfolio	8,777,699	8,072,849
FMIvT International Equity Portfolio	12,596,569	10,639,053
FMIvT Core Real Estate	7,865,731	9,195,564
Self-Directed DROP Account	2,787,333	1,201,802
Total Investments	59,443,393	54,236,679
Total Assets	59,785,381	54,664,380
Total Liabilities	-	-
Net Position Restricted for Pension Benefits	\$ 59,785,381	\$ 54,664,380

<i>The accompanying notes are an integral part of these financial statements.</i>

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

**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Additions (Reductions)		
Contributions		
City	\$ 2,296,520	\$ 2,560,502
Employee	729,911	632,861
Transfer from other retirement plans	116,538	143,810
Total Contributions	<u>3,142,969</u>	<u>3,337,173</u>
Investment Income (Loss)		
Net appreciation (depreciation) in fair value of investments	5,717,897	(9,076,932)
Dividends	71,532	2,197
Less: Investment expense	<u>(51,753)</u>	<u>(49,000)</u>
Net Investment Income (Loss)	<u>5,737,676</u>	<u>(9,123,735)</u>
Total Additions (Reductions)	<u>8,880,645</u>	<u>(5,786,562)</u>
Deductions		
Benefit payments:		
Retirement	3,219,386	2,823,009
Deferred retirement option plan	-	933,916
Termination refunds	449,012	19,528
Administrative expenses	91,246	163,088
Total Deductions	<u>3,759,644</u>	<u>3,939,541</u>
Change in Net Position	5,121,001	(9,726,103)
Net Position Restricted for Pension Benefits		
Beginning of year	<u>54,664,380</u>	<u>64,390,483</u>
End of year	<u>\$ 59,785,381</u>	<u>\$ 54,664,380</u>

<i>The accompanying notes are an integral part of these financial statements.</i>

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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, 2023 and 2022, membership in the Plan consisted of:

	<u>2023</u>	<u>2022</u>
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	51	49
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	16	13
Active Plan Members	<u>46</u>	<u>46</u>
Total	<u><u>113</u></u>	<u><u>108</u></u>

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, 2023 AND 2022

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 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

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 of 55 or 58 for new members who join the Plan after September 30, 2010.

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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 1 – Plan Description and Contribution Information (continued)

Pension Benefits (continued)

Pre-retirement 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.

Instead of paying the benefit to the member, a DROP account is established, and the benefit is deposited in the account each month; these deposits continue to accumulate during the remainder of the member's employment. The maximum duration of participation in the DROP is eighty-four months. There is no taxation of benefits during the period of DROP participation. The decision to enter the DROP is irrevocable. Funds held in the DROP account may remain a commingled part of the pension plan's investments or, pursuant to section 12-179 of the Code of Ordinances, may be directed by a member to a self-directed DROP account and invested among select Florida Municipal Pension Trust Fund (FMPTF) mutual funds. DROP benefits will be paid upon a member's retirement from the City.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 1 – Plan Description and Contribution Information (continued)

Pension Benefits (continued)

Deferred Retirement Option Plan (continued)

There were no DROP distributions for the year ended September 30, 2023. For the year ended September 30, 2022, total DROP distributions of \$933,916 were reported as benefit payments in the accompanying statements of changes in fiduciary net position. At September 30, 2023, there were 7 DROP participants with a total balance of \$4,505,422 in the DROP account and \$2,787,333 in the self-directed DROP account. At September 30, 2022, there were 7 DROP participants with a total balance of \$3,264,151 in the DROP account and \$1,201,802 in the self-directed DROP account. 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, 2023, determined using the actuarial valuation dated October 1, 2021, were 37.58% of covered payroll. Employer contributions for the year ended September 30, 2022 determined using the actuarial valuation dated October 1, 2020, were 44.32% 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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.

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 assets 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 assets 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Note 3 – Deposits and Investments

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

Portfolio/Investments	2023				2022			
	Fair Value	Weighted Average Maturity	Credit Rating	Percent Distribution	Fair Value	Weighted Average Maturity	Credit Rating	Percent Distribution
Cash	\$ 341,988			0.57%	\$ 427,701			0.78%
FMIvT Investments:								
FMIvT Core Plus Fixed Income Fund	5,129,824	8.03 years	Not rated	8.58%	5,078,945	8.21 years	Not rated	9.29%
FMIvT Broad Market High Quality Bond Fund	5,585,809	6.90 years	AAf/S4 Fitch	9.34%	5,399,720	6.30 years	AAf/S4 Fitch	9.88%
FMIvT Diversified Large Cap Portfolio	16,700,428		Not rated	27.93%	14,648,746		Not rated	26.80%
FMIvT Diversified Small to Mid Cap Portfolio	8,777,699		Not rated	14.68%	8,072,849		Not rated	14.77%
FMIvT International Equity Portfolio	12,596,569		Not rated	21.07%	10,639,053		Not rated	19.46%
FMIvT Core Real Estate	<u>7,865,731</u>		Not rated	13.16%	<u>9,195,564</u>		Not rated	16.82%
Total FMIvT Investments	<u>56,656,060</u>			94.77%	<u>53,034,877</u>			97.02%
Self-Directed DROP Account	<u>2,787,333</u>			4.66%	<u>1,201,802</u>			2.01%
Total Investments	<u>\$ 59,443,393</u>			99.43%	<u>\$ 54,236,679</u>			99.03%
Total Cash and Investments	<u>\$ 59,785,381</u>			100.00%	<u>\$ 54,664,380</u>			99.81%

The 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. 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 – Deposits and Investments (continued)

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.

DROP participants have the option to have their future monthly benefits from the Plan deposited in a self-directed DROP account for as long as they participate in the DROP. Members who elect to participate in the self-directed DROP option may transfer all or a portion of their current Plan DROP balance to their self-directed DROP account within 30 days after submitting their self-directed DROP participation agreement. Funds held in a self-directed DROP account must be invested in select mutual funds which are part of the FMPTF mutual fund offerings. The FMPTF only serves as administrator of the self-directed DROP accounts. Self-directed DROP funds do not have to be invested in a manner consistent with the investment allocation set forth in the Plan's Investment Policy. The FMPTF is not responsible for investing and managing funds in a member's self-directed DROP brokerage account. Consequently, those funds are presented separately from the FMIVT investments in the above table.

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, 2023 AND 2022

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, 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)
Investment by fair value level	9/30/2023			
FMIvT Broad Market High Quality Bond Fund	\$ 5,585,809	\$ -	\$ 5,585,809	\$ -
FMIvT Diversified Large Cap Portfolio	16,700,428	-	16,700,428	-
FMIvT Diversified Small to Mid Cap Portfolio	8,777,699	-	8,777,699	-
FMIvT International Equity Portfolio	12,596,569	-	12,596,569	-
Self-Directed DROP Account	2,787,333	-	2,787,333	-
Total Investments by fair value level	<u>46,447,838</u>	<u>\$ -</u>	<u>\$ 46,447,838</u>	<u>\$ -</u>
Investment at the net asset value (NAV)*		Redemption Frequency	Redemption Notice Period	
FMIvT Core Plus Fixed Income Fund	5,129,824	Monthly	5 business days prior to valuation	
FMIvT Core Real Estate	<u>7,865,731</u>	Quarterly	5 business days prior to valuation	
Total investments measured at NAV	<u>12,995,555</u>			
Total investments	<u>\$ 59,443,393</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, 2023 AND 2022

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, 2022:

<u>Investment by fair value level</u>	<u>9/30/2022</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
FMIvT Broad Market High Quality Bond Fund	\$ 5,399,720	\$ -	\$ 5,399,720	\$ -
FMIvT Diversified Large Cap Portfolio	14,648,746	-	14,648,746	-
FMIvT Diversified Small to Mid Cap Portfolio	8,072,849	-	8,072,849	-
FMIvT International Equity Portfolio	10,639,053	-	10,639,053	-
Self-Directed DROP Account	1,201,802		1,201,802	
Total Investments by fair value level	<u>39,962,170</u>	<u>\$ -</u>	<u>\$ 39,962,170</u>	<u>\$ -</u>
Investment at the net asset value (NAV)*		<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	
FMIvT Core Plus Fixed Income Fund	5,078,945	Monthly	5 business days prior to valuation	
FMIvT Core Real Estate	9,195,564	Quarterly	5 business days prior to valuation	
Total investments measured at NAV	<u>14,274,509</u>			
Total investments	<u>\$ 54,236,679</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, 2023 AND 2022

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 Equity 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, 2023 AND 2022

Note 3 – Deposits and Investments (continued)

Fair Value Hierarchy (continued)

FMIvT Core Plus Fixed Income Fund

This fund invests in a single underlying fund, 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.

Self-Directed DROP Brokerage Account

Plan members opting for the self-directed DROP account must select their investment options from the FMPTF mutual fund offerings. The FMPTF aggregates the overall investment values into a total account fair value for reporting purposes. The value of self-directed DROP account investments is based on observable inputs (Level 2 inputs).

Investment Management

The City has contracted with the Florida Municipal Pension Trust Fund to administer the Executive Employees' Retirement Plan. Except for the self-directed DROP account funds, 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 – Deposits and Investments (continued)

Investment Policy

The Statement of Investment Policy, Objectives, and Guidelines (Policy), amended November 29, 2018, March 25, 2021, and June 8, 2023, 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>2023 Target</u>	<u>2022 Target</u>
Equities	70.00%	70.00%
Large Cap		
Diversified Large Cap Equity	30.00%	30.00%
Small Cap		
Diversified Small to Mid-Cap Equity	16.00%	16.00%
International		
International Equity	24.00%	24.00%
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%

The Policy allows for Participating Employees and Beneficiaries, to the extent permitted by their respective Plans, to invest in a variety of asset classes. Beginning in fiscal year 2022, Plan members participating in the DROP may transfer their DROP benefits into a self-directed DROP account where they can invest those funds in various FMPTF mutual funds rather than having the investment of those funds commingled with the Plan's investments. Those funds do not have to be invested following the above target allocation. Members assume the risks and responsibility for the investments they have selected for their self-directed DROP account funds.

Rate of Return

For the years ended September 30, 2023 and 2022, the annual money-weighted rate of return on Plan investments, net of plan investment expense, was 10.42% and (13.82)%, 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 – Deposits and Investments (continued)

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, 2023 and 2022 the portfolio met the credit rating limitations of the investment policy as presented in the preceding information.

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, 2023 and 2022, the Plan's investment portfolio was held with a third-party custodian.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Note 3 – Deposits and Investments (continued)

Security Investment Guidelines and Risk (continued)

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. Commercial paper and 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, 2023 and 2022, 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, 2023 AND 2022

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>2023</u>	<u>2022</u>
Total pension liability	\$ 79,892,380	\$ 74,608,087
Less: Plan fiduciary net position	<u>(59,785,381)</u>	<u>(54,664,380)</u>
Net pension liability	<u>\$ 20,106,999</u>	<u>\$ 19,943,707</u>
Plan fiduciary net position as a percentage of the City's total pension liability	74.83%	73.27%

Significant Actuarial Assumptions

The total pension liability for fiscal year 2023 was determined by an actuarial valuation as of October 1, 2022 updated to September 30, 2023. The total pension liability for fiscal year 2022 was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2022. The following actuarial assumptions applied to the measurement periods.

	<u>2023</u>	<u>2022</u>
Inflation	2.75%	2.75%
Salary Increases	Varies%	Varies%
Investment Rate of Return	7.00%	7.05%

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, 2023 AND 2022

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, 2023 and September 30, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	2023 Long-Term Expected Real Rate of Return	2022 Long-Term Expected Real Rate of Return
Core Bonds	2.5%	2.5%
Core Plus	2.8%	2.8%
U.S. Large Cap Equity	7.1%	7.1%
U.S. Small Cap Equity	8.6%	8.5%
International Equity	8.2%	8.2%
Core Real Estate	6.5%	6.6%

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent for 2023 and 7.05 percent for 2022. 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, 2023 AND 2022

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 7.00 percent in 2023 and 7.05 percent in 2022, 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:

	2023		
	1% Decrease (6.00)%	Current Discount Rate (7.00%)	1% Increase (8.00)%
Net Pension Liability	\$ 29,224,429	\$ 20,106,999	\$ 12,555,347
	2022		
	1% Decrease (6.05)%	Current Discount Rate (7.05%)	1% Increase (8.05)%
Net Pension Liability	\$ 28,536,334	\$ 19,943,707	\$ 12,821,170

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,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability					
Service cost	\$ 1,126,253	\$ 1,165,162	\$ 1,004,178	\$ 979,825	\$ 1,027,733
Interest	5,209,960	5,331,239	5,080,148	4,523,118	4,012,692
Changes of Benefit Terms	--	--	--	3,756,497	--
Differences between expected and actual experience	2,204,903	(2,942,073)	777,025	1,966,158	4,304,119
Changes of assumptions	411,575	(455,633)	--	212,007	--
Benefit payments, including refunds of member contributions	(3,668,398)	(3,776,453)	(3,244,704)	(2,352,833)	(2,159,731)
Net Change in Total Pension Liability	<u>5,284,293</u>	<u>(677,758)</u>	<u>3,616,647</u>	<u>9,084,772</u>	<u>7,184,813</u>
Total Pension Liability - Beginning	<u>74,608,087</u>	<u>75,285,845</u>	<u>71,669,198</u>	<u>62,584,426</u>	<u>55,399,613</u>
Total Pension Liability - Ending (a)	<u>79,892,380</u>	<u>74,608,087</u>	<u>75,285,845</u>	<u>71,669,198</u>	<u>62,584,426</u>
Plan Fiduciary Net Position					
Contributions - employer	2,296,520	2,560,502	2,600,459	2,234,407	1,954,554
Contributions - member	729,911	632,861	698,790	598,017	1,089,408
Transfer from other pension plans	116,538	143,810	94,108	259,656	--
Net investment income (loss)	5,737,676	(9,123,735)	12,058,989	3,403,805	2,550,698
Benefit payments, including refunds of member contributions	(3,668,398)	(3,776,453)	(3,244,704)	(2,352,833)	(2,159,731)
Administrative expense	(91,246)	(163,088)	(107,702)	(82,798)	(75,266)
Net Change in Plan Fiduciary Net Position	<u>5,121,001</u>	<u>(9,726,103)</u>	<u>12,099,940</u>	<u>4,060,254</u>	<u>3,359,663</u>
Plan Fiduciary Net Position - Beginning	<u>54,664,380</u>	<u>64,390,483</u>	<u>52,290,543</u>	<u>48,230,289</u>	<u>44,870,626</u>
Plan Fiduciary Net Position - Ending (b)	<u>59,785,381</u>	<u>54,664,380</u>	<u>64,390,483</u>	<u>52,290,543</u>	<u>48,230,289</u>
Net Pension Liability Ending (a) - (b)	<u>\$ 20,106,999</u>	<u>\$ 19,943,707</u>	<u>\$ 10,895,362</u>	<u>\$ 19,378,655</u>	<u>\$ 14,354,137</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.83%	73.27%	85.53%	72.96%	77.06%
Covered Payroll	\$ 6,111,060	\$ 5,777,148	\$ 5,728,084	\$ 5,549,081	\$ 5,593,482
Net Pension Liability as a Percentage of Covered Payroll	329.03%	345.22%	190.21%	349.22%	256.62%

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

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 1,033,954	\$ 999,642	\$ 887,093	\$ 830,044	\$ 807,122
Interest	3,759,183	3,607,804	3,302,491	3,130,704	2,970,466
Changes of Benefit Terms	--	--	--	--	--
Differences between expected and actual experience	1,258,361	1,970,552	1,605,801	(145,142)	327,025
Changes of assumptions	461,746	--	--	--	1,055,238
Benefit payments, including refunds of member contributions	<u>(3,860,948)</u>	<u>(1,870,177)</u>	<u>(1,804,008)</u>	<u>(1,360,326)</u>	<u>(1,088,489)</u>
Net Change in Total Pension Liability	<u>2,652,296</u>	<u>4,707,821</u>	<u>3,991,377</u>	<u>2,455,280</u>	<u>4,071,362</u>
Total Pension Liability - Beginning	<u>52,747,317</u>	<u>48,039,496</u>	<u>44,048,119</u>	<u>41,592,839</u>	<u>37,521,477</u>
Total Pension Liability - Ending (a)	<u>55,399,613</u>	<u>52,747,317</u>	<u>48,039,496</u>	<u>44,048,119</u>	<u>41,592,839</u>
Plan Fiduciary Net Position					
Contributions - employer	1,850,134	1,525,219	1,482,115	1,457,248	1,458,974
Contributions - member	885,015	639,876	762,047	635,026	717,085
Transfer from other pension plans	409,132	314,525	108,675	21,680	--
Net investment income (loss)	3,770,512	5,423,879	2,820,390	85,342	2,784,339
Benefit payments, including refunds of member contributions	<u>(3,860,948)</u>	<u>(1,870,177)</u>	<u>(1,804,008)</u>	<u>(1,360,326)</u>	<u>(1,088,489)</u>
Administrative expense	<u>(46,064)</u>	<u>(31,744)</u>	<u>(30,005)</u>	<u>(27,327)</u>	<u>(38,294)</u>
Net Change in Plan Fiduciary Net Position	<u>3,007,781</u>	<u>6,001,578</u>	<u>3,339,214</u>	<u>811,643</u>	<u>3,833,615</u>
Plan Fiduciary Net Position - Beginning	<u>41,862,845</u>	<u>35,861,267</u>	<u>32,522,053</u>	<u>31,710,410</u>	<u>27,876,795</u>
Plan Fiduciary Net Position - Ending (b)	<u>44,870,626</u>	<u>41,862,845</u>	<u>35,861,267</u>	<u>32,522,053</u>	<u>31,710,410</u>
Net Pension Liability Ending (a) - (b)	<u>\$ 10,528,987</u>	<u>\$ 10,884,472</u>	<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	80.99%	79.36%	74.65%	73.83%	76.24%
Covered Payroll	\$ 5,361,342	\$ 5,748,308	\$ 5,359,816	\$ 4,748,431	\$ 4,463,155
Net Pension Liability as a Percentage of Covered Payroll	196.39%	189.35%	227.21%	242.73%	221.42%

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

**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)
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%
2022	2,560,502	2,560,502	-	5,777,148	44.32%
2023	2,296,520	2,296,520	-	6,111,060	37.58%

Notes to Schedule

Valuation date: October 1, 2022

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	7.00%

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%
2022	-13.82%
2023	10.42%

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 (*Government Auditing Standards*), the financial statements of the City of Boca Raton Executive Employees' Retirement Plan (the "Plan"), 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 March 21, 2024.

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

Report on 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 21, 2024