

To: Participating Employers with Defined Benefit Pension Plans or Other Postemployment Benefit Plans (OPEB) in the Florida Municipal Pension Trust Fund

From: The Administrator, Florida League of Cities, Inc.

Date: December 3, 2021

Subject: GASB Statement 72, Fair Value Measurement and Application

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement 72, *Fair Value Measurement and Application* (GASBS 72). GASBS 72 amends the definitions of both fair value and investments, provides guidance for determining a fair value measurement for assets and liabilities required to be reported at fair value, provides guidance for applying fair value to certain investments, and provides additional disclosure for all fair value measurements. GASBS 72 is effective for periods beginning after June 15, 2015.

The FMPTF is established as a trust whereby governmental entities with employee pension or OPEB 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 or OPEB assets with the FMPTF are included in the trust's Master Trust Fund. Employee pension plan or OPEB 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.

This memo provides information on investments in the Florida Municipal Investment Trust (FMIVT) for your governmental entity's reporting requirements relating to GASBS 72 as of September 30, 2021. Please refer to GASBS 72 for reporting and disclosure requirements in addition to those discussed in this memo.

The FMIVT, administered by the Florida League of Cities, Inc., is an interlocal governmental entity created under the laws of the State of Florida. The FMIVT is an Authorized Investment under Sec. 163.01 Florida Statutes. The FMIVT is a Local Government Investment Pool (LGIP) and is considered an external investment pool for GASB reporting purposes. Your government owns shares in one or more FMIVT portfolios. Your government's investment is the FMIVT portfolio shares, not the individual securities held within each FMIVT portfolio.

GASBS 72 requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. The new disclosures are in addition to the disclosures currently required by GASBS Statements No. 3, 31, 40, and 53 and should be organized by type of asset or liability instead of reporting entity segment.

GASBS 72 establishes a three-tier fair value hierarchy:

Level 1 Inputs – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3 Inputs – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.



Disclosure Information

To meet the objectives of GASBS 72, the following information has been prepared for each FMIVT fund or portfolio. Please refer to your FMIVT account statement for fair value (net asset value).

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. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

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 the fund are not publicly quoted. The 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 and litigation trusts for both U.S. and foreign companies and governments. Members should consider reporting shares of this fund as level 3, since the value is based on unobservable inputs.

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 was calculated 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. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

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. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

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 investment is determined based on the net asset value provided by the Funds, which was calculated in accordance with generally accepted accounting principles. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

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. Members should consider reporting these shares as level 3, since the value is based on unobservable inputs.

FMPTF members are responsible for ensuring their investments are properly valued and reported. In addition to considering the information contained in this memo, you should consult your entity's accountant, auditor or counsel.

Thank you for allowing the FMPTF to serve your pension administration needs. For questions, please contact Jeff Blomeley, Investment and Retirement Services Manager, 850-701-3614 or jblomeley@flcities.com.

