

**CITY OF BOYNTON BEACH  
GENERAL EMPLOYEES' PENSION PLAN  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022**

# CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN

## FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

### CONTENTS

	PAGE
Independent Auditor's Report	1
Basic Financial Statements:	
Statements of Fiduciary Net Position	4
Statements of Changes in Fiduciary Net Position	5
Notes to Financial Statements	6
Required Supplementary Information:	
Schedule of Changes in the City's Net Pension Liability	27
Schedule of Ratios	28
Schedule of Contributions	29
Notes to Schedule of Contributions	30
Calculation of the Single Discount Rate	31
Schedule of Investment Returns	32
Additional Information:	
Schedule of Investment and Administrative Expenses	33
Other Report:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on and Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	34

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
City of Boynton Beach General Employees' Pension Plan  
Boynton Beach, Florida

### Opinion

We have audited the financial statements of the City of Boynton Beach General Employees' Pension Plan (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2023, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, information regarding the fiduciary net position of the Plan as of September 30, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of the City of Boynton Beach General Employees' Pension Plan as of September 30, 2022, were audited by other auditors whose report dated February 27, 2023 expressed an unmodified opinion on those statements.

### 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 one year after the date that the financial statements are issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

### **Auditor's Responsibility**

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 auditor's 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.

### **Emphasis of Matter**

As discussed in Note 1, these financial statements present only the City of Boynton Beach General Employees' Pension Plan, a pension trust fund of the City of Boynton Beach, Florida (the "City") and are not intended to present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 27 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

The Plan has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

The additional information on page 33 is presented for the purpose of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February XX, 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, 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.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2023 AND 2022**

	2023	2022
<b>Assets:</b>		
Cash	\$ 589,438	\$ 403,534
Receivables:		
Interest	130,801	92,813
Broker-dealers	64,709	1,156,807
Plan member	83,085	-
Total receivables	278,595	1,249,620
Investments, at fair value:		
U.S. Government obligations	5,316,094	7,039,728
Corporate bonds	1,911,733	3,078,061
Mortgage backed securities	5,108,111	1,505,014
Equity securities	29,273,672	34,445,948
Equity and fixed incomemutual funds	78,635,356	82,658,138
Equity common trust funds	21,067,127	18,332,550
Real estate investment funds	52,333,134	44,510,863
Temporary investment funds	8,430,534	1,711,375
Total investments	202,075,761	193,281,677
Prepaid expenses	838,465	963,129
<b>Total Assets</b>	203,782,259	195,897,960
<b>Liabilities:</b>		
Accounts payable	287,950	341,801
Accounts payable, broker-dealers	56,362	609,705
<b>Total Liabilities</b>	344,312	951,506
<b>Net Position Restricted for Pensions</b>	\$ 203,437,947	\$ 194,946,454

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

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>Additions:</b>		
Contributions:		
Employer	\$ 5,510,304	\$ 7,134,561
Plan member	2,077,280	1,878,542
Total contributions	<u>7,587,584</u>	<u>9,013,103</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	10,160,507	(33,198,920)
Interest	4,968,870	4,139,296
Class action revenue	9,090	564
Other income	30,946	(4,574)
Total investment income (loss)	<u>15,169,413</u>	<u>(29,063,634)</u>
Less investment expenses	<u>912,428</u>	<u>943,107</u>
Net investment income (loss)	<u>14,256,985</u>	<u>(30,006,741)</u>
Total additions (deductions), net	<u>21,844,569</u>	<u>(20,993,638)</u>
<b>Deductions:</b>		
Benefits:		
Age and service, beneficiaries	11,921,018	10,919,575
DROP accounts	869,117	1,747,066
Refunds of contributions	391,140	412,986
Administrative expenses	171,801	153,564
Total deductions	<u>13,353,076</u>	<u>13,233,191</u>
<b>Net Increase (Decrease) in Net Position</b>	8,491,493	(34,226,829)
<b>Net Position Restricted for Pensions:</b>		
Beginning of year	<u>194,946,454</u>	<u>229,173,283</u>
End of year	<u><u>\$ 203,437,947</u></u>	<u><u>\$ 194,946,454</u></u>

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

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 1 - DESCRIPTION OF PLAN**

The following brief description of the City of Boynton Beach General Employees' Pension Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

A member may retire with normal benefits after the earlier of age 62 with 5 years of credited service, age 55 with 25 years of credited service, or 30 years of credited service regardless of age. Reduced early retirement benefits are available once a member reaches the earlier of age 55 and accumulates 10 years of credited service, or age 52 with 25 years of credited service. Average monthly earnings for purposes of calculating benefits is the average of salary during the highest 5 years within the last 10 years of employment producing the highest average. Salary includes base salary, overtime, longevity pay, and may include other types of pay. The amount of overtime included in this definition for each year on or after June 18, 2013, shall be limited to not more than 300 hours per year.

Participation in the Plan is required as a condition of employment. The Plan provides for pension, death and disability benefits. In addition, the Plan is a local law plan subject to provisions of Chapter 112 of the State of Florida Statutes.

The Plan is managed by a seven-member Board of Trustees comprised of the Mayor, the City Manager, two members appointed by the Commission of the City, and three members elected by/from the Plan membership, one of whom must be a member of a bargaining unit of the City and one of whom must not be a member of a bargaining unit of the City. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations.

At October 1, 2022 the Plan's membership consisted of:

Retirees, beneficiaries, and DROP	449
Terminated employees entitled to but not yet receiving benefits	66
Active members	<u>392</u>
Total	<u><u>907</u></u>
Current employees:	
Vested	183
Nonvested	<u>209</u>
Total	<u><u>392</u></u>

On October 1, 2022, the date of the most recent Plan actuarial valuation, there were 449 retirees and beneficiaries receiving benefits.



**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

Pension Benefits - Normal retirement benefits are 3.0% of the member's average monthly earnings times his or her credited service years up to a maximum of 75% of average monthly earnings. Early retirement benefits are the same as normal retirement benefits, reduced by 3.0% for each year by which early retirement precedes the normal retirement date.

DROP - Eligibility to participate in the DROP is based upon eligibility for normal service retirement in the plan. Participation in the DROP must be exercised within the first 30 years of employment. Participation in DROP ends at the earlier of termination of employment, 35 years of credited service or 5 years of participation.

Upon exercising the right to participate in the DROP, an employee's creditable service, accrued benefits and compensation calculation shall be frozen and shall utilize the average of the 5 highest of the 10 years immediately preceding participation in the DROP as the compensation basis. Accumulated, unused sick and vacation leave shall be included in the compensation calculation as provided for and limited by the definition of annual earnings; provided, however, that a minimum balance of 120 hours of sick leave and 120 hours of vacation leave shall be maintained by the employee and excluded from this calculation. The retained leave balance, including any additions, shall be distributed at the conclusion of DROP participation and separation from service.

All interest shall be credited to the employee's DROP account on the last day of the month in which the member separates from service. In the event that a member dies while in the DROP, interest shall be prorated to the last business day of the month preceding the death of the member.

Cost-of-Living Adjustments - The cost-of-living adjustment ("COLA") provides a 5% deferred COLA commencing 5 years after retirement and compounded with additional 5% increases every 3 years thereafter.

Disability Benefits - Disability benefits are calculated the same as a normal retirement pension based on average monthly earnings and credited service at the time of disability.

Death Benefits - Pre-retirement death benefits are paid to the member's beneficiary for life. For members with less than 5 years of contributing service at the date of death, the benefit is the return of the member's contributions, including interest at an annual rate of 5%. For members with 5 years or more of contributing service at the date of death, the benefit is equal to that payable at early or normal retirement age. If the member is eligible for normal retirement, the benefit is equal to his or her accrued benefit and is payable for life. The beneficiary of a member with 5 years or more of contributing service may also elect to receive an immediate lump-sum payment equal to the greater of the return of the member's contributions, including interest at an annual rate of 5%, or the lumpsum value of the accrued benefit payable at the earliest date that the member could have retired.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

*Death Benefits (Continued)*

Post retirement death benefits are payable to the participant's eligible widow. Benefits are equal to the total amount contributed by such employee to the pension fund, together with interest thereon at the rate of 3% per annum to January 1, 1977, and 5% per annum and is payable until the widow's death. If no eligible widow exists, unmarried children under the age of 18 receive equal shares of the widow's benefit.

If no eligible widow or children exist, the participant's dependent parents receive equal shares of the widow's benefit. If no eligible widow, children or dependent parents exist and the death occurs, a designated beneficiary receives benefits.

*Refund of Participant Contributions* - A participant who terminates employment and is ineligible for pension benefits is refunded his or her contribution without interest.

*Termination* - Termination benefits for unvested members are the return of the member's contributions. For members who are vested when they terminate, their vested accrued benefit is payable at the early or normal retirement date. Full vesting occurs at the completion of 5 years of credited service.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Accounting:*

Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

*Basis of Presentation:*

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, Financial Reporting for Defined Benefit Pension Plans and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Special Act and the amendments thereto.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Valuation of Investments:*

GASB statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Purchases and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation (depreciation) for the year is reflected in the statements of changes in fiduciary net position.

*Custody of Assets:*

Custodial and investment services are provided to the Plan under contract with a national trust company having trust powers. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Boynton Beach, Florida.

*Authorized Plan Investments:*

The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 112 of the Florida Statutes.

Florida Statutes and the Plan's investment policy limit investments to money market deposit accounts provided by the Plan's custodian; obligations issued by the U.S. government; commercial paper with a maturity of 270 days or less that is rated A-1 by Standard & Poor's or P-1 by Moody's; Bankers' Acceptances issued by the largest 50 banks in the United States (in terms of total assets); corporate equity and fixed income securities; mutual funds; commingled funds; limited partnerships; real estate held in commingled funds; and absolute or real return investments held in commingled funds. Investments in companies identified as scrutinized companies by the Florida State Board of Administration are prohibited, with the exception of investments in scrutinized companies that are held within commingled funds (if the commingled fund sponsor does not offer a similar fund that does not hold investments in scrutinized companies). Investments in unhedged and/or leveraged derivatives are prohibited.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Actuarial Cost Method:*

The Plan has elected the Entry Age Normal for funding purposes. This method allocates the actuarial present value of each participant's projected benefit on a level basis over the participant's earnings from the date of entry into the Plan through the date of retirement.

*Reporting Entity:*

The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City.

The Plan is included in the City's Annual Comprehensive Financial Report (ACFR) for the years ended September 30, 2023 and 2022, which are separately issued documents. Anyone wishing further information about the City is referred to the City's ACFR.

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all City employees.

*Funding Policy:*

Contribution requirements are established and may be amended by the City. Contribution requirements are based on the benefit structure established by the City. Members are required to contribute 7.0% of their covered salary. The City is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions at actuarially determined rates.

A rehired member may buy back not more than 5 years of continuous past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus the interest that would have been earned had such funds been invested by the Plan during that time.

The City's funding policy is to make actuarially computed contributions to the Plan in amounts, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire.

*Administrative Costs:*

All administrative costs of the Plan are financed through investment earnings. The City contributes the remainder of the cost of administration of the Plan.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash:*

The Plan considers money market and demand account bank and broker-dealer deposits as cash. Temporary investments shown on the statements of fiduciary net position are composed of investments in short-term custodial proprietary money market funds.

*Federal Income Taxes:*

A favorable determination letter indicating the Plan is qualified and exempt from federal income taxes has not been requested from the Internal Revenue Service. The Plan's administrator and the Plan's tax counsel believe the Plan is currently designed and is being operated in compliance with the applicable requirements of the Internal Revenue Service Code and, therefore, the Plan continues to qualify under Section 401(a). Therefore, no provision for income taxes is included in the Plan's financial statements.

*Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Reclassification:*

Certain figures in the financial statements for the fiscal year ended September 30, 2022 have been reclassified to conform to the presentation used in the financial statements for the fiscal year ended September 30, 2023.

*Subsequent Events:*

Management has adopted the provisions set forth in GASB Statement No. 56 and FASB ASU No. 2010-09, Subsequent Events, and considered subsequent events through February XX, 2024, which is the date that the financial statements were available to be issued.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Deposits:*

The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be held at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

The custodian may periodically hold uninvested cash in its capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

*Investments:*

Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual funds and a commingled pooled trust fund.

Investments, except for money market funds and real estate common trust funds, are reported at fair value. Money market funds are reported at amortized cost and real estate common trust funds are reported at the net asset value (NAV). The NAV is based on the value of the underlying assets owned by these funds minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market.

The values of these alternative investments are not necessarily indicative of the amount that could be realized in a current transaction. The fair value may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

The alternative investment funds expose the Plan to certain risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have initial lock-up periods, as well as restrictions for liquidating positions in these funds, which make the investment non-current and non-marketable.

The investment managers are monitored by the Board of Trustees and an investment advisor.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Investments (Continued):*

Exchange traded funds held (commonly referred to as “ETF”) are funds that trade like other publicly traded securities and are designed to track an index. Similar to shares of an index mutual fund, each share of the Fund represents partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of a mutual fund, which can be bought and redeemed from the issuing fund by all shareholders at a price based on NAV, only authorized participants may purchase or redeem shares directly from the Fund at NAV. Also, unlike shares of a mutual fund, the shares of the Fund are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

The ETF invests in a particular segment of the securities market and seeks to track the performance of a securities index that generally is not representative of the market as a whole. The ETF is designed to be used as part of broader asset allocation strategies. Accordingly, an investment in such funds should not constitute a complete investment program.

The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No.53, *Accounting and Financial Reporting for Derivative Instruments* during the current Plan year.

The Plan held the following fixed investments as of September 30, 2023 and 2022:

2023						
Investment Maturities (in years)						
Investment Type	Credit Rating	Amount	Less than 1	1 - 5	5 - 10	More than 10
Temporary investment funds	AAAm	\$ 8,430,534	\$ 8,430,534	\$ -	\$ -	\$ -
U.S. Government obligations	*	5,316,094			3,704,136	1,611,958
Corporate obligations	A-..BBB+	1,911,733			1,911,733	
Mortgage backed securities	*	5,108,111				5,108,111
Fixed income subtotal		\$ 20,766,472	\$ 8,430,534	\$ -	\$ 5,615,869	\$ 6,720,069

2022						
Investment Maturities (in years)						
Investment Type	Credit Rating	Amount	Less than 1	1 - 5	5 - 10	More than 10
Temporary investment funds	AAAm	1,711,375	\$ 1,711,375	\$ -	\$ -	\$ -
U.S. Government obligations	*	7,039,728	-	389,290	4,521,461	2,128,977
Corporate obligations	A-..BBB+	3,078,061	-	279,111	2,798,950	-
Mortgage backed securities	*	1,505,014	-	-	-	1,505,014
Fixed income subtotal		\$ 13,334,178	\$ 1,711,375	\$ 668,401	\$ 7,320,411	\$ 3,633,991

\* Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Foreign Tax Withholdings and Reclaims:*

Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statements of changes in fiduciary net position. Where treaties allow for a reclaim of taxes, the Fund will make a formal application for refund. Such reclaims are included as an addition to dividend income.

*Investment Asset Allocation:*

The Plan's adopted asset allocation policy as of September 30, 2023 is as follows:

<u>Asset Class</u>	<u>Target</u>	<u>Long term Expected real rate</u>
Large cap domestic equity	30%	4.1%
Small / mid cap domestic equity	15%	4.6%
International equity	10%	4.6%
Real estate	25%	3.5%
Fixed income	20%	1.0%
	<u>100%</u>	

*Long-Term Expected Rate of Return:*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.



**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Investment Asset Allocation (Continued):*

The Board will monitor the aggregate asset allocation of the portfolio and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, contributions and withdrawals from the portfolio will be executed proportionally based on the most current market values available and with reasonable notice provided to the investment managers. The Board does not intend to make short- term changes to the target allocation.

*Rate of Return:*

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the years ended September 30, 2023 and 2022, the annual money-weighted rate of return was approximately 7.1% and -12.8% respectively.

**NOTE 4 - NET INCREASE (DECREASE) IN REALIZED AND UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS**

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Realized appreciation (depreciation)	\$ 2,660,894	\$ (1,265,943)
Unrealized appreciation (depreciation)	<u>7,499,613</u>	<u>(31,932,977)</u>
	<u>\$ 10,160,507</u>	<u>\$ (33,198,920)</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2023 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 5 - INVESTMENTS**

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2023 and 2022 are summarized as follows:

Investments	2023		2022	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 6,016,335	\$ 5,316,094	\$ 7,039,728	\$ 7,039,728
Corporate obligations	25,237,070	1,911,733	3,078,061	3,078,061
Mortgage backed securities	5,493,084	5,108,111	1,505,014	1,505,014
Equity securities	21,272,326	29,273,672	34,445,948	34,445,948
Equity and fixed income mutual funds	46,783,413	78,635,356	82,658,138	82,658,138
Equity common trust funds	19,923,373	21,067,127	18,332,550	18,332,550
Real estate investment funds	44,240,390	52,333,134	44,510,863	44,510,863
Temporary investment funds	8,430,534	8,430,534	1,711,375	1,711,375
	<u>\$ 177,396,525</u>	<u>\$ 202,075,761</u>	<u>\$ 193,281,677</u>	<u>\$ 193,281,677</u>

**NOTE 6 - DESIGNATIONS**

Portions of the net position are designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP and Share plan accounts for the years ended September 30, 2023 and 2022 are presented below as determined in the most recent annual valuation available for the respective year:

	2023	2022
Designated for DROP accounts (fully funded)	\$ 22,696,572	\$ 19,238,258
Undesignated net position	180,741,375	175,708,196
Total net position restricted for pensions	<u>\$ 203,437,947</u>	<u>\$ 194,946,454</u>

**NOTE 7 - PLAN AMENDMENTS**

There were no amendments during the fiscal years ended September 30, 2023 and 2022.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 8 - ACTUARIAL ASSUMPTION CHANGES**

In determining the net pension liability as of September 30, 2023, the investment return assumption was lowered from 6.80% to 6.70%.

The actuarial valuation report as of October 1, 2021 used to determine the annual employer contribution for the year ended September 30, 2023 contained the following changes in actuarial assumptions:

The assumed investment return assumption was reduced by 0.10% from 6.90% per annum to 6.80% per annum, compounded annually and net of investment expenses. This assumption is scheduled to be reduced by 0.10% per year each year until a target of 6.50% is reached. Results include a 0.6% load on Normal Retirement liabilities and a 1.2% load on DROP balances to value additional liabilities resulting from a 7.0% guaranteed interest crediting rate in the DROP (with an assumed rate of return in the Plan of 6.8%).

The actuarial valuation report as of October 1, 2020 used to determine the annual employer contribution for the year ended September 30, 2022 contain the following changes in actuarial assumptions:

In compliance with Florida Statutes Chapter 112.63(1)(f) which mandates the use of the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS), the mortality tables and improvement scales were changed to reflect the updated mortality assumptions adopted by FRS after a 2019 experience study and used in the July 1, 2019 and July 1, 2020 FRS Actuarial Valuations.

Based on the Assumption Study and Experience Review for the Seven Years Ended September 30, 2019, dated November 18, 2020, the following assumption changes were adopted:

- Change in the assumed rates of salary increases reflecting somewhat lower overall observed salary increases, on average, than expected over the seven-year period ending September 30, 2019;
- Change in the assumed rates of retirement reflecting higher observed early retirement experience than expected, higher observed normal retirement experience than expected prior to age 62, and lower observed normal retirement experience than expected on and after age 62 over the seven-year period ending September 30, 2019; and,
- Change in the assumed rates of separation from active membership (withdrawal) reflecting generally higher observed separation experience than expected over the seven-year period ending September 30, 2019.

Lastly, the assumed investment return assumption was reduced by 0.18% from 7.08% per annum to 6.90% per annum, compounded annually and net of investment expenses. Results include a 0.3% load on Normal Retirement liabilities and a 0.7% load on DROP balances to value additional liabilities resulting from a 7.0% guaranteed interest crediting rate in the DROP (with an assumed rate of return in the Plan of 6.9%).

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 8 - ACTUARIAL ASSUMPTION CHANGES (Continued)**

The net effect of all of the above assumption changes was to cause a decrease in the required employer contribution of 1.30% of covered payroll, or \$344,253.

**NOTE 9 - ACTUARIAL METHOD CHANGES**

The actuarial valuation report as of October 1, 2021 used to determine the annual employer contribution for the year ended September 30, 2023 contained the following changes in actuarial methods:

The official method for amortizing the unfunded actuarial accrued liability (UAAL) was changed from a level percentage of pay method to a level dollar method, although this change had no net impact on the required employer contribution this year because the payroll growth assumption was limited to 0.0% under Florida Statutes (based on the actual 10-year average payroll growth rate) last year. In addition, the amortization period for assumption change bases created on October 1, 2021 and later has been reduced from 30 years to 20 years.

The above changes caused an increase in the required employer contribution of 1.14% of covered payroll, or \$297,010.

As adopted by the Pension Board on May 23, 2022, all amortization bases as of October 1, 2021 have been combined and offset (i.e., a “fresh start”) in accordance with Internal Revenue Code Section 412(b)(4). The combined base is being amortized as a level dollar amount over the next 4 years, which is the equivalent remaining period (rounded down) for the outstanding positive (charge) amortization bases. This method change caused a decrease in the required employer contribution of 5.17% of covered payroll, or \$1,346,964. Thus, the net effect of all assumption and method changes is a decrease in the required employer contribution of 4.03% of covered payroll, or \$1,049,954.

There were no actuarial method changes during the fiscal year ended September 30, 2022.

**NOTE 10 - MORTGAGE-BACKED SECURITIES**

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 11 - PLAN TERMINATION**

Although it has not expressed an intention to do so, the City may terminate the Plan in accordance with the provisions of the Special Act governing the Plan and the provisions of Florida Statutes §175.361. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each employee in the Plan at such termination date would be non-forfeitable.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. The portion of these contributions which are refundable to participants who may terminate with less than 5 years of service has not been determined.

**NOTE 13 - RISK AND UNCERTAINTIES**

The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

*Interest Rate Risk:*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of the Barclays Capital Aggregate Bond Index benchmark.

*Credit Risk:*

Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law, the Plan's investment guidelines limit its fixed income investments to an average quality rating of "A" or equivalent as rated by Moody's or by Standard & Poor's bond rating services at the time of purchase. The Plan's investment policy states that all rated corporate fixed income securities rated below "BBB" shall not exceed 20% of the entire fixed income portfolio.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 13 - RISK AND UNCERTAINTIES (Continued)**

*Custodial Credit Risk:*

Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third-party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be 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. Investments in mutual funds and investment in partnerships are considered unclassified pursuant to the custodial risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

*Foreign Markets Risk:*

Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

*Investing in Real Estate:*

The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE**

*Fair Value Hierarchy*

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

**Level 1** inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

**Level 2** inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

**Level 3** inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)**

*Fair Value Hierarchy Continued*

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2023 and 2022:

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Pricing and Reference Data, LLC and Bloomberg, LP to value securities based on the securities' relationship to benchmark quoted prices.
- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's opening. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.



**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)**

*Fair Value Hierarchy (Continued):*

Investments by fair value level	Level 1	Level 2	Level 3	2023
U.S. government obligations	\$ -	\$ 5,316,094	\$ -	\$ 5,316,094
Corporate obligations	-	1,911,733	-	1,911,733
Mortgage backed securities	-	5,108,111	-	5,108,111
Equity securities	29,273,672	-	-	29,273,672
Equity and fixed income mutual funds	78,635,356	-	-	78,635,356
Equity common trust funds	-	21,067,127	-	21,067,127
Temporary investment funds	8,430,534	-	-	8,430,534
Total investments by fair value level	<u>\$ 107,909,028</u>	<u>\$ 33,403,065</u>	<u>\$ -</u>	<u>141,312,093</u>

*Investments Measured at Net Asset Value (NAV):*

Real estate investment funds 52,333,134

Total investments at September 30, 2023 \$ 202,075,761

Investments by fair value level	Level 1	Level 2	Level 3	2022
U.S. government obligations	\$ -	\$ 7,039,728	\$ -	\$ 7,039,728
Corporate obligations	-	3,078,061	-	3,078,061
Mortgage backed securities	-	1,505,014	-	1,505,014
Equity securities	34,445,948	-	-	34,445,948
Equity and fixed income mutual funds	82,658,138	-	-	82,658,138
Equity common trust funds	-	18,332,550	-	18,332,550
Temporary investment funds	1,711,375	-	-	1,711,375
Total investments by fair value level	<u>\$ 117,104,086</u>	<u>\$ 29,955,353</u>	<u>\$ -</u>	<u>147,059,439</u>

*Investments Measured at Net Asset Value (NAV):*

Real estate investment funds 44,510,863

Total investments at September 30, 2022 \$ 193,281,677

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)**

*Fair Value Hierarchy (Continued):*

<u>Investments measured at NAV</u>	<u>2023 Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate investment funds:				
Affiliated Housing Impact Fund	\$ 2,578,690	\$ -	Quarterly	60 days
Cohen & Steers Opportunities TE Fund	1,821,305	-	Quarterly	60 days
J.P. Morgan Strategic Property Fund	21,304,835	-	Quarterly	60 days
J.P. Morgan Special Situation Property Fund	14,725,842	-	Quarterly	60 days
Pennant Park Credit Opportunities Fund	1,554,064	-	Quarterly	60 days
Serenitas Credit Gamma Fund	10,348,398	-	Quarterly	60 days
Total real estate investment funds at NAV	<u>\$ 52,333,134</u>	<u>-</u>		

<u>Investments measured at NAV</u>	<u>2022 Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real estate investment funds:				
Affiliated Housing Impact Fund	\$ -	\$ -	Quarterly	60 days
Cohen & Steers Opportunities TE Fund	1,581,231	-	Quarterly	60 days
J.P. Morgan Strategic Property Fund	24,485,233	-	Quarterly	60 days
J.P. Morgan Special Situation Property Fund	18,444,399	-	Quarterly	60 days
Pennant Park Credit Opportunities Fund	-	-	Quarterly	60 days
Serenitas Credit Gamma Fund	-	-	Quarterly	60 days
Total real estate investment funds at NAV	<u>\$ 44,510,863</u>	<u>-</u>		

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)**

*Fair Value Hierarchy (Continued):*

The real estate investment funds are open end, commingled private real estate portfolios. These REIT-based funds are structured as limited partnerships. Their primary focus is to invest in well-based income producing properties within major U.S. markets. The values of the investments in these funds have been determined using the NAV per unit of the Plan's ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 60 days in advance and may be paid in one or more installments.

**NOTE 15 - NET PENSION LIABILITY OF THE CITY**

The components of the net pension liability of the City of Boynton Beach (the "City") as of September 30, 2023 were as follow:

Total Pension Liability	\$ 235,246,966
Plan Fiduciary Net Position	<u>(203,437,947)</u>
City's Net Pension Liability	<u>\$ 31,809,019</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.26%

The net pension liability is measured as the total pension liability, less the amount of the Plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2023 AND 2022**

**NOTE 15 - NET PENSION LIABILITY OF THE CITY (Continued)**

*Measurement of the Net Pension Liability:*

A single discount rate of 6.70% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.70%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the differences between actuarially determined contribution rates and the member rate. Based on these 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 total pension liability.

Below is a table providing the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease 5.70%	Current Single Discount Rate Assumption 6.70%	1% Increase 7.70%
City's net pension liability	\$ 58,748,076	\$ 31,809,019	\$ 10,934,511

**REQUIRED SUPPLEMENTAL SCHEDULES**

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY**  
**LAST TEN FISCAL YEARS**

	2023	2022	2021	2020
<b>Total pension liability</b>				
Service cost	\$ 4,050,362	\$ 3,826,048	\$ 4,091,360	\$ 3,594,993
Interest on the total pension liability	15,374,660	14,922,024	14,926,445	14,494,818
Benefit changes	-	-	-	-
Difference between expected and actual experience of the total pension liability	(2,137,078)	1,624,038	(301,927)	244,463
Assumption changes	2,474,774	2,340,599	(474,328)	1,947,549
Benefit payments	(12,790,135)	(12,666,641)	(11,689,646)	(11,459,963)
Refunds	(391,140)	(412,986)	(369,098)	(199,848)
Other (contributions toward elective benefits)	27,313	30,150	28,660	28,902
Net change in total pension liability	6,608,756	9,663,232	6,211,466	8,650,914
Total pension liability, beginning	228,638,210	218,974,978	212,763,512	204,112,598
Total pension liability, ending (a)	<u>\$ 235,246,966</u>	<u>\$ 228,638,210</u>	<u>\$ 218,974,978</u>	<u>\$ 212,763,512</u>
<b>Plan fiduciary net position</b>				
Employer and state contributions	5,510,304	7,134,561	\$ 7,468,676	\$ 7,289,319
Employee contributions	2,077,280	1,878,542	1,789,284	1,687,097
Pension plan net investment income (loss)	14,256,985	(30,006,741)	38,062,305	12,885,168
Benefit payments	(12,790,135)	(12,666,641)	(11,689,646)	(11,459,963)
Refunds	(391,140)	(412,986)	(369,098)	(199,848)
Pension plan administrative expense	(171,801)	(153,564)	(161,047)	(147,348)
Net change in plan fiduciary net position	8,491,493	(34,226,829)	35,100,474	10,054,425
Plan fiduciary net position - beginning	194,946,454	229,173,283	194,072,809	184,018,384
Adjustment				
Plan fiduciary net position - ending (b)	<u>\$ 203,437,947</u>	<u>\$ 194,946,454</u>	<u>\$ 229,173,283</u>	<u>\$ 194,072,809</u>
Net pension liability (asset) (a) - (b)	<u>\$ 31,809,019</u>	<u>\$ 33,691,756</u>	<u>\$ (10,198,305)</u>	<u>\$ 18,690,703</u>

2019	2018	2017	2016	2015	2014
\$ 3,461,314	\$ 3,435,186	\$ 3,115,194	\$ 2,990,326	\$ 2,954,646	\$ 2,968,214
14,109,905	13,626,918	12,836,669	12,699,614	11,691,291	11,192,833
-	-	-	-	5,680,646	-
(276,923)	484,186	2,006,523	(4,891,541)	1,191,720	(13,973)
2,245,392	1,800,889	4,538,235	-	-	-
(10,299,754)	(9,810,800)	(9,609,277)	(8,304,937)	(7,593,403)	(7,796,109)
(261,878)	(158,309)	(139,840)	(211,319)	(191,378)	(198,139)
28,664	30,897	34,453	36,826	40,842	44,092
9,006,720	9,408,967	12,781,957	2,318,969	13,774,364	6,196,918
195,105,878	185,696,911	172,914,954	170,595,985	156,821,621	150,624,703
<u>\$ 204,112,598</u>	<u>\$ 195,105,878</u>	<u>\$ 185,696,911</u>	<u>\$ 172,914,954</u>	<u>\$ 170,595,985</u>	<u>\$ 156,821,621</u>
\$ 7,320,463	\$ 7,110,298	\$ 6,951,693	\$ 7,615,053	\$ 7,273,068	\$ 6,780,773
1,564,653	1,532,846	1,520,068	1,450,369	1,439,239	1,492,985
6,115,140	15,250,355	17,730,273	16,354,236	1,605,790	11,833,483
(10,299,754)	(9,810,800)	(9,609,277)	(8,304,937)	(7,593,403)	(7,796,109)
(261,878)	(158,309)	(139,840)	(211,319)	(191,378)	(198,139)
(141,005)	(137,738)	(144,179)	(141,114)	(142,577)	(135,227)
4,297,619	13,786,652	16,308,738	16,762,288	2,390,739	11,977,766
179,720,765	165,934,113	149,625,375	132,863,087	130,472,348	118,494,582
<u>\$ 184,018,384</u>	<u>\$ 179,720,765</u>	<u>\$ 165,934,113</u>	<u>\$ 149,625,375</u>	<u>\$ 132,863,087</u>	<u>\$ 130,472,348</u>
<u>\$ 20,094,214</u>	<u>\$ 15,385,113</u>	<u>\$ 19,762,798</u>	<u>\$ 23,289,579</u>	<u>\$ 37,732,898</u>	<u>\$ 26,349,273</u>

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF RATIOS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		Covered Payroll #	Net Pension Liability as a Percentage of Covered Payroll
2014	83.20%	\$	20,698,471	127.30%
2015	77.88%		19,977,100	188.88%
2016	86.53%		20,193,471	115.33%
2017	89.36%		21,223,071	93.12%
2018	92.11%		21,456,414	71.70%
2019	90.16%		21,942,700	91.58%
2020	91.22%		23,688,500	78.90%
2021	104.66%		25,151,771	-40.55%
2022	85.26%		26,405,600	127.59%
2023	86.48%		29,285,243	108.62%

**Notes to Schedule:**

# Covered Payroll was calculated based on actual member contributions for the fiscal year (not including contributions towards elective benefits) divided by the employee contribution rate.



**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll #	Actual Contribution as a Percentage of Covered Payroll
2014	\$ 6,780,773	\$ 6,780,773	\$ -	\$ 20,698,471	32.76%
2015	7,273,067	7,273,068	(1)	19,977,100	36.41%
2016	7,608,338	7,615,053	(6,715)	20,193,471	37.71%
2017	6,951,693	6,951,693	-	21,223,071	32.76%
2018	7,110,298	7,110,298	-	21,456,414	33.14%
2019	7,320,463	7,320,463	-	21,942,700	33.36%
2020	7,289,319	7,289,319	-	23,688,500	30.77%
2021	7,468,676	7,468,676	-	25,151,771	29.69%
2022	7,134,561	7,134,561	-	26,405,600	27.02%
2023	5,510,304	5,510,304	-	29,285,243	18.82%

# Covered Payroll was calculated based on actual member contributions for the fiscal year (not including contributions towards elective benefits) divided by the employee contribution rate.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**NOTES TO SCHEDULE OF CONTRIBUTIONS**  
**SEPTEMBER 30, 2023**

Valuation Date: October 1, 2021

Notes Actuarially determined contribution rates are calculated as of October 1, which is 2 years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, closed
Remaining Amortization Period	4 years
Asset Valuation Method	5 year smoothed market
Inflation	2.5%
Salary Increase	3.25% to 8.10%, including inflation
Investment Rate of Return	6.80%
Retirement Age	Age and experience-based table of rates that are specific to the type of eligibility condition.

Mortality PUB-2010 Headcount Weighted General Below Median Employee and Healthy Retiree Mortality Table, with separate rates for males and females and mortality improvements projected to all future years after using 2010 Scale MP-2018.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN  
CALCULATION OF THE SINGLE DISCOUNT RATE  
SEPTEMBER 30, 2023**

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to the obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which fiduciary net position projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on the Bond Buyer 20-Bond Index of general obligation bonds, with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the September 30, 2023 valuation of the Total Pension Liability, the expected rate of return on pension plan investments is 6.70% and the resulting single discount rate is 6.70%.

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Annual Money-Weighted Rate of Return Net of Investment Expense
2014	10.20%
2015	0.80%
2016	12.60%
2017	12.50%
2018	9.70%
2019	3.80%
2020	7.30%
2021	19.90%
2022	-12.80%
2023	7.14%

## **ADDITIONAL INFORMATION**

**CITY OF BOYNTON BEACH GENERAL EMPLOYEES' PENSION PLAN**  
**SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES**  
**YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023		2022	
	Expenses		Expenses	
	Investment *	Administrative	Investment *	Administrative
Actuary fees	\$ -	\$ 31,828	\$ -	\$ 26,420
Administrator fees	-	64,789	-	63,033
Audit fees	-	18,300	-	16,950
Administrative expense	-	8,784	-	8,321
Education and dues	-	-	-	750
Insurance	-	9,242	-	9,095
Investment expense	912,428	-	943,107	-
Legal fees	-	33,947	-	16,970
Seminar and travel expense	-	4,911	-	12,025
Total investment and administrative expenses	<u>\$ 912,428</u>	<u>\$ 171,801</u>	<u>\$ 943,107</u>	<u>\$ 153,564</u>
Percentage of Plan net position	<u>0.45%</u>	<u>0.08%</u>	<u>0.48%</u>	<u>0.08%</u>

\* Does not include management fees withheld from investment fund revenues.

DRAFT

OTHER REPORT

**INDEPENDENT AUDITOR'S 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  
City of Boynton Beach General Employees' Pension Plan  
Boynton Beach, Florida

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 Boynton Beach General Employees' Pension Plan (the "Plan"), a pension trust fund of the City of Boynton Beach, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated February XX, 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 have not been identified.



Board of Trustees  
City of Boynton Beach General Employees' Pension Plan  
Boynton Beach, Florida

## **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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tampa, Florida  
February XX, 2024