

**CITY OF PALM BEACH GARDENS
POLICE OFFICERS' PENSION FUND**

**A PENSION TRUST FUND OF THE
CITY OF PALM BEACH GARDENS, FLORIDA**

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

As of and for the Years Ended September 30, 2022 and 2021

And Reports of Independent Auditor

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-3

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) 4-8

BASIC FINANCIAL STATEMENTS

 Statements of Fiduciary Net Position 9

 Statements of Changes in Fiduciary Net Position 10

 Notes to Financial Statements..... 11-20

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios 21

 Schedule of Contributions..... 22

 Schedule of Money-Weighted Rate of Return 23

 Notes to Required Supplementary Information 24

OTHER SUPPLEMENTARY INFORMATION

 Schedules of Administrative and Investment Expenses..... 25

OTHER REPORT

 Report of Independent Auditor 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* 26-27

Report of Independent Auditor

To the Board of Trustees
City of Palm Beach Gardens Police Officers' Pension Fund
Palm Beach Gardens, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund"), a pension trust fund of the City of Palm Beach Gardens, Florida, as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of September 30, 2022 and 2021, and the changes in 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 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 Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Fund's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Fund'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, which raise substantial doubt about the Fund'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 and other required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The other supplementary information as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 other supplementary 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 March 30, 2023, on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Orlando, Florida
March 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

SEPTEMBER 30, 2022 AND 2021

As management of the City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund"), we offer readers of the Fund's financial statements this narrative overview of the financial activities of the Fund for the years ended September 30, 2022 and 2021. This narrative is intended to supplement the Fund's financial statements, and we encourage readers to consider the information presented here in conjunction with these statements, which begin on page 9.

Overview of the financial statements

The following discussion and analysis are intended to serve as an introduction to the Fund's basic financial statements. The basic financial statements section includes:

- Statements of fiduciary net position
- Statements of changes in fiduciary net position
- Notes to the financial statements

The statements of fiduciary net position are a point-in-time snapshot of account balances at fiscal year-end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the statement date. The resulting net position value (assets – liabilities = net position) represents the value of assets, net of liabilities, restricted for pension benefits.

The statements of changes in fiduciary net position display the effect of pension fund transactions that occurred during the fiscal years, where additions – deductions = net increase in net position. This net increase in net position reflects the change in the net asset value of the statement of fiduciary net position from the prior year to the current year. Both statements are prepared in accordance with Governmental Accounting Standards Board pronouncements.

The notes to the financial statements are an integral part of the financial statements and provide additional information that is essential to the comprehensive understanding of the data provided in the financial statements. These notes describe the accounting and administrative policies under which the Fund operates and provide additional levels of detail for select financial statement items (see notes to the financial statements on pages 11 to 20 of this report).

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the ongoing plan perspective. Therefore, in addition to the financial statements explained above, this financial report includes required supplementary information with historical trend information. The required supplementary information section includes:

- Schedule of changes in net pension liability (asset) and related ratios
- Schedule of contributions
- Schedule of money-weighted rate of return
- Notes to required supplementary information

The schedule of changes in net pension liability (asset) and related ratios (page 21) includes information about the sources of changes to the net pension liability (asset) and to the changes in fiduciary net position. It also provides information regarding the fiduciary net position as a percentage of covered employee payroll and the net pension liability (asset) as a percentage of covered payroll.

The schedule of contributions (page 22) presents information regarding the value of total annual contributions to be paid by the City of Palm Beach Gardens, Florida (the "City") and the actual performance of the City in meeting this contribution.

The schedule of money-weighted rate of return (page 23) provides information regarding the Fund's rate of return.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

SEPTEMBER 30, 2022 AND 2021

The notes to the required supplementary information (page 24) provide background information and explanatory detail to aid in understanding the required supplementary information schedules.

Financial highlights

- The assets of the Fund exceeded its liabilities at the close of the fiscal years ended September 30, 2022 and 2021, with \$111,825,514 and \$127,508,035 in net position restricted for pension benefits, respectively.
- Net position decreased by (\$15,682,521) or (12.3%) during 2022, primarily due to investment losses and participant benefit payments in excess of contributions.
- Net position increased by \$22,998,476 or 22.0% during 2021, primarily due to contributions and investment income.
- For the year ended September 30, 2022, Fund net position was 83.6% of the total pension liability of \$133,840,084. Net pension liability was \$22,014,570, which was 221.6% of covered payroll.
- For the year ended September 30, 2021, Fund net position was 100.5% of the total pension liability of \$126,859,259. Net pension asset was (\$648,776), which was (6.8)% of covered payroll.
- Additions to fiduciary net position for the year ended September 30, 2022 were (\$8,449,242), which include member, employer and state of Florida ("State") contributions of \$6,126,934 and net loss from investment activities totaling (\$14,576,176).
- Additions to fiduciary net position for the year ended September 30, 2021 were \$29,465,024, which include member, employer and state of Florida ("State") contributions of \$5,747,879 and net income from investment activities totaling \$23,717,145.
- Deductions from fiduciary net position totaled to \$7,233,279 in 2022, a \$766,731 increase from 2021. Most of the increase relates to increased number of participant benefit payments made in 2022.
- Deductions from fiduciary net position totaled to \$6,466,548 in 2021, a \$274,678 increase from 2020. Most of the increase relates to increased number of participant benefit payments made in 2021.

**CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

SEPTEMBER 30, 2022 AND 2021

Analysis of financial activities

The Fund's funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of City, police officer, and State contributions, and the income from investments provide the reserves needed to finance future retirement benefits.

Contributions from the City to the Fund are made at levels determined by the Fund's actuary. Accordingly, contributions fluctuate with levels of compensation. Net position restricted for pension benefits decreased by (\$15,682,521) in 2022, compared to an increase of \$22,998,476 in 2021.

Fiduciary Net Position (Table 1)							
As of September 30, 2022, 2021, and 2020							
	2022	2021	2020	Increase (Decrease)		Increase (Decrease)	
				2021 to 2022		2020 to 2021	
				\$	%	\$	%
Current and other assets	\$ 1,012,132	\$ 1,049,410	\$ 2,796,452	\$ (37,278)	(3.6%)	\$ (1,747,042)	(62.5%)
Investments	110,869,024	127,648,461	102,769,511	(16,779,437)	(13.1%)	24,878,950	24.2%
Total assets	111,881,156	128,697,871	105,565,963	(16,816,715)	(13.1%)	23,131,908	21.9%
Total liabilities	55,642	1,189,836	1,056,404	(1,134,194)	(95.3%)	133,432	12.6%
Net position	\$ 111,825,514	\$ 127,508,035	\$ 104,509,559	\$ (15,682,521)	(12.3%)	\$ 22,998,476	22.0%

As previously noted, net position viewed over time may serve as a useful indication of the Fund's financial position (see Table 1, above). At the close of fiscal year 2022, the assets of the Fund exceeded its liabilities by \$111,825,514 in fiduciary net position restricted for pension benefits. The fiduciary net position is available to meet the Fund's ongoing obligation to fund participants and their beneficiaries.

Net position

The Fund's net position is established from City, police officer, and State contributions, and the accumulation of investment income, net of investment expenses, and administrative expenses, refunds, and benefit payments.

Additions to Fund net position

As previously stated, net position needed to finance retirement benefits are accumulated through the collection of City, police officer, and State contributions and through investment earnings (net of investment expenses). The additions totaled (\$8,449,242) for the year ended September 30, 2022. This was \$37,914,266 less than the prior year, primarily due to investment losses.

As the years roll forward and total assets and liabilities grow, investment return will continue to play an important role in funding future retirement benefits. Therefore, investment return over the long term is critical to the funding status of the retirement Fund.

**CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

SEPTEMBER 30, 2022 AND 2021

Additions to Fund net position (continued)

The Fund's investment portfolio experienced a money-weighted rate of return of approximately (11.3%) and 23.0%, respectively, during the years ended September 30, 2022 and 2021. It is important to remember a retirement plan's funding is based on a long-time horizon, where temporary ups and downs in the market are expected. The more critical factor is the Fund be able to meet an expected annual return on investments of 6.2% and 6.3%, respectively, during the years ended September 30, 2022 and 2021.

Additions to Net Position (Table 2)							
As of September 30, 2022, 2021, and 2020							
	2022	2021	2020	Increase (Decrease)		Increase (Decrease)	
				2021 to 2022		2020 to 2021	
				\$	%	\$	%
Employer contributions	\$ 4,416,118	\$ 4,119,614	\$ 3,685,878	\$ 296,504	7.2%	\$ 433,736	11.8%
Police officers contributions	854,303	882,102	755,910	(27,799)	(3.2%)	126,192	16.7%
State of Florida contributions	856,513	746,163	743,073	110,350	14.8%	3,090	0.4%
Net investment income (loss)	(14,576,176)	23,717,145	7,131,158	(38,293,321)	(161.5%)	16,585,987	232.6%
Total additions	\$ (8,449,242)	\$ 29,465,024	\$ 12,316,019	\$ (37,914,266)	(128.7%)	\$ 17,149,005	139.2%

Deductions from Fund net position

The Fund was created to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refunds of contributions to employees who terminate employment, and the cost of administering the Fund.

Deductions from Net Position (Table 3)							
As of September 30, 2022, 2021, and 2020							
	2022	2021	2020	Increase (Decrease)		Increase (Decrease)	
				2021 to 2022		2020 to 2021	
				\$	%	\$	%
Participant benefit payments	\$ 7,042,743	\$ 6,279,976	\$ 5,982,441	\$ 762,767	12.1%	\$ 297,535	5.0%
Refunds of participant contributions	31,153	32,533	61,754	(1,380)	(4.2%)	(29,221)	(47.3%)
Administrative expenses	159,383	154,039	147,675	5,344	3.5%	6,364	4.3%
Total deductions	\$ 7,233,279	\$ 6,466,548	\$ 6,191,870	\$ 766,731	11.9%	\$ 274,678	4.4%

**CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

SEPTEMBER 30, 2022 AND 2021

Deductions from Fund net position (continued)

Benefit Payments (Table 4)							
As of September 30, 2022, 2021, and 2020							
	2022	2021	2020	Increase (Decrease)		Increase (Decrease)	
				2021 to 2022		2020 to 2021	
				\$	%	\$	%
Normal retirement payments	\$ 5,242,017	\$ 5,031,615	\$ 4,786,126	\$ 210,402	4.2%	\$ 245,489	5.1%
Disability pension payments	281,526	272,822	272,822	8,704.00	3.2%	-	0.0%
Share account distributions	33,724	-	-	33,724.00	100.0%	-	0.0%
DROP account withdrawals	1,485,476	975,539	923,493	509,937	52.3%	52,046	5.6%
Total benefit payments	\$ 7,042,743	\$ 6,279,976	\$ 5,982,441	\$ 762,767	12.1%	\$ 297,535	5.0%

The deductions of Fund net position of \$7,233,279 and additions to Fund net position of (\$8,449,242) resulted in an overall decrease of (\$15,682,521) in net position restricted for pension benefits for the year ended September 30, 2022. The deductions of Fund net position of \$6,466,548 and additions to Fund net position of \$29,465,024 resulted in an overall increase of \$22,998,476 in net position restricted for pension benefits for the year ended September 30, 2021.

Fiduciary responsibilities

The Board of Trustees is the fiduciary of the Fund. Fiduciaries are charged with the responsibility of assuring the assets of the Fund are used exclusively for the benefit of fund participants and their beneficiaries and defraying reasonable expenses of administering the Fund.

Requests for information

This financial report is designed to provide the Board of Trustees, our membership, taxpayers, and investment managers with an overview of the Fund's finances and accountability for the money received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Palm Beach Gardens Police Officers' Pension Fund
c/o Resource Centers LLC
4360 Northlake Boulevard, Suite 206
Palm Beach Gardens, FL 33410

BASIC FINANCIAL STATEMENTS

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 535,344	\$ 451,906
Receivables:		
City of Palm Beach Gardens	-	83,887
Interest and dividends	105,881	120,646
Pending trades receivable	-	42,437
Total Receivables	<u>105,881</u>	<u>246,970</u>
Prepaid expenses	<u>370,907</u>	<u>350,534</u>
Current and other assets	<u>1,012,132</u>	<u>1,049,410</u>
Investments:		
Money market funds	833,057	2,886,967
Fixed Income:		
Corporate obligations	4,816,959	8,726,175
U.S. government obligations	3,301,437	2,032,685
Mortgage/asset backed securities	4,022,436	5,536,926
Municipal obligations	1,308,173	2,209,427
Collateralized mortgage obligations	12,112,260	12,186,276
Certificates of deposit	507,210	290,068
Treasury bills	1,383,213	1,599,886
Equity Securities:		
Domestic equities	9,707,595	13,353,967
Foreign equities	263,592	360,548
Pooled equity trust funds	51,368,654	66,939,990
Global infrastructure fund	5,388,176	-
Commingled real estate funds	<u>15,856,262</u>	<u>11,525,546</u>
Total Investments	<u>110,869,024</u>	<u>127,648,461</u>
Total Assets	<u>111,881,156</u>	<u>128,697,871</u>
LIABILITIES		
Accounts payable	55,642	78,074
Pending trades payable	-	1,111,762
Total Liabilities	<u>55,642</u>	<u>1,189,836</u>
Net Position Restricted for Pension Benefits	<u>\$ 111,825,514</u>	<u>\$ 127,508,035</u>

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

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Additions:		
Contributions:		
City of Palm Beach Gardens	\$ 4,416,118	\$ 4,119,614
State of Florida	856,513	746,163
Police officers	854,303	882,102
Total Contributions	<u>6,126,934</u>	<u>5,747,879</u>
Investment (Loss) Income:		
Net (depreciation) appreciation in fair value of investments (realized and unrealized)	(15,410,803)	22,920,678
Interest and dividends	1,221,156	1,151,552
Other income	7,540	205
	<u>(14,182,107)</u>	<u>24,072,435</u>
Less investment expenses	394,069	355,290
Net Investment (Loss) Income	<u>(14,576,176)</u>	<u>23,717,145</u>
Total Additions	<u>(8,449,242)</u>	<u>29,465,024</u>
Deductions:		
Participant benefit payments	7,042,743	6,279,976
Refunds of participant contributions	31,153	32,533
Administrative expenses	159,383	154,039
Total Deductions	<u>7,233,279</u>	<u>6,466,548</u>
Net (decrease) increase in net position restricted for pension benefits	(15,682,521)	22,998,476
Net position restricted for pension benefits, beginning of year	<u>127,508,035</u>	<u>104,509,559</u>
Net position restricted for pension benefits, end of year	<u>\$ 111,825,514</u>	<u>\$ 127,508,035</u>

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

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 1—Summary of significant accounting policies

Reporting Entity – The City of Palm Beach Gardens Police Officers' Pension Fund (the "Fund") was established to account for the accumulation of resources to be used for the retirement benefit payments to the police officers of the City of Palm Beach Gardens, Florida (the "City"). The Fund is managed by a five-member Board of Trustees (the "Board") comprised of two members appointed by the Council of the City, two members elected by/from the Fund membership, and one member elected by the other four members. The Fund is reported in the fiduciary funds (pension trust) in the City's basic financial statements.

Basis of Accounting – The Fund's financial statements are prepared using the accrual basis of accounting. Contributions from the Fund's members are recognized as revenue in the period in which the contributions are due. Contributions from the City, as calculated by the Fund's actuary, are recognized as revenue when due and when the City is legally required to provide the contributions. Expenses are recognized in the accounting period incurred, if measurable. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

Method Used to Value Investments – Investments, with the exception of money market funds commingled real estate funds, global infrastructure funds, and pooled equity trust funds, are reported at fair value. Money market funds are reported at amortized cost, which approximates fair value, and commingled real estate funds, global infrastructure funds, and pooled equity trust funds are reported at net asset value ("NAV"). Securities traded on national or international exchanges are valued at the last reported sales price or exchange rates. NAV of the commingled real estate funds, global infrastructure funds, and pooled equity trust funds is determined by the fund managers using fair values of the underlying investments of the Fund. There are no restrictions or terms and conditions on the Fund in redeeming the commingled real estate, global infrastructure, or pooled equity trust fund investments, and the Fund has no unfunded commitments related to the investments. Real estate values are based upon independent appraisals performed for assets held by the open-end fund annually, with restricted-scope appraisals conducted on a quarterly basis for those assets not receiving a full appraisal. The fair value of real estate is determined as the price the Fund would expect to receive if the asset was sold to a market participant assuming the highest and best use of each asset at the date of the statements of fiduciary net position. Net appreciation (depreciation) in fair value of investments includes the difference between cost and fair value of investments held, as well as the net realized gains and losses for securities which are sold. Interest and dividend income are recognized on the accrual basis when earned. Purchases and sales of investments are recorded on a trade date basis.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Fund administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Risks and Uncertainties – Investment securities, in general, are subject to various risks, such as interest rate, credit, and overall market volatility. Due to the levels of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of fiduciary net position.

Note 2—Fund description and contribution information

Fund Description

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

The Fund is a single employer defined benefit pension plan adopted by the City. The Fund is governed by Florida Statutes Chapter 185, as revised by ordinances passed by the Palm Beach Gardens City Council. All full-time police officers are covered under the Fund.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 2—Fund description and contribution information (continued)

Fund Description (continued)

The Fund provides retirement, death, and disability benefits for its members. Benefit provisions are established and may be amended by the City, in conjunction with the Palm Beach County Police Benevolent Association ("Association"). A member hired before September 13, 2012, with 10 years of credited service as of that date, may retire with normal benefits after the earlier of age 52, or 20 years of credited service regardless of age. A member hired on or after September 13, 2012, with less than 10 years of credited service as of that date, may retire on or before September 30, 2019 with normal benefits upon the attainment of age 55 with 10 years of credited service. Reduced early retirement benefits are available, once a member reaches age 50 and accumulates 10 years of credited service, or 25 years of credited service regardless of age. A member hired on or after September 13, 2012, with less than 10 years of credited service as of that date, may retire on or after October 1, 2019 with normal benefits, upon the attainment of age 52 with 10 years of credited service, or 20 years of credited service regardless of age. For members retiring prior to September 13, 2012, normal retirement benefits are 3.5% of the member's average monthly earnings times his or her credited service years, up to a maximum of 100% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. For members hired prior to September 13, 2012 and retiring on or after September 13, 2012, but not having attained the normal retirement date prior to September 13, 2012, normal retirement benefits are 3.5% of the member's average monthly earnings times his or her credited service years earned prior to September 13, 2012 plus 2.75% of the member's average monthly earnings times his or her credited service years earned on or after September 13, 2012 and before October 1, 2019, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. For members hired on or after September 13, 2012 and October 1, 2019, normal retirement benefits are 2.75% of the member's average monthly earnings times his or her credited service years, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. For members hired on or after October 1, 2012, normal retirement benefits are 3% of the member's average monthly earnings times his or her credited service years, up to a maximum of 75% of average monthly earnings, plus a monthly supplemental benefit of \$12.50 per year of service. 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. Average monthly earnings for purposes of calculating benefits is the average of salary during the last five years of employment producing the highest average.

Salary means the average monthly earnings reported to the Internal Revenue Service for income tax purposes, plus deferred compensation. Beginning with salary after December 31, 2008, the definition of salary includes amounts paid by the City as differential wages to members who are absent from employment while in qualified military service. Notwithstanding the preceding two sentences, effective September 13, 2012, salary will henceforth mean base pay, excluding all other compensation, provided the salary of any member employed on September 13, 2012 shall include payment for unused accrued sick and annual leave up to the dollar amount of unused sick and annual leave the member has accrued as of September 13, 2012. However, in no event will the salary of any member who was employed on September 13, 2012 be less than the member's salary on September 12, 2012, as determined in accordance with the definition of salary in effect on September 12, 2012.

Any member who attains 20 years of service or age 52 with 10 years of service may elect to participate in a deferred retirement option plan ("DROP") while continuing his or her active employment as a police officer. The election to enter DROP must be made prior to completing 25 years of credited service. Upon participation in DROP, the member becomes a retiree for all Fund purposes so he or she ceases to accrue any further benefits under the Fund. Normal retirement payments that would have been payable to the member as a result are accumulated and invested in DROP plan to be distributed to the member upon his or her termination of employment. Participation in DROP plan ceases for a member at the first to occur of: termination of employment, 30 years of credited service, or 5 years of participation.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 2—Fund description and contribution information (continued)

Fund Description (continued)

A Share Plan has been created. The Share Plan is solely funded by Chapter 185 premium tax revenues; this benefit is in addition to all other benefits provided by the Fund. Eligible participants include all participants with at least one-year of credited service who are contributing to and participating in the Plan on or after November 1, 2017, and police officers who retire on or after November 1, 2017. Participants who retired before November 1, 2017, participants who are participating in DROP on that date, former participants who left City employment before November 1, 2017, and beneficiaries of any participant are not eligible to participate in the Share Plan. As of September 30, each year, the Share Plan balance of each actively employed participant shall be credited with interest at a rate of 6.5% per annum. Share Plan payments to retired participants shall not be credited with interest.

Eligibility for disability benefits begins from the member's date of hire, if the disability is service connected, or after 10 years of service if non-service connected. Service-incurred disability benefits are 60% of the member's current compensation, and not less than the accrued pension benefit. Non-service incurred disability benefits are calculated the same as a normal retirement pension based on average monthly earnings and credited service at the time of disability, but not less than 25% of average monthly earnings or the accrued pension benefit, whichever is greater.

Pre-retirement death benefits for service related deaths are paid to the member's beneficiary for life. Benefits are calculated at 50% of the member's average monthly earnings, with a minimum equal to the accrued pension benefit (with no early retirement reduction).

Pre-retirement death benefits for non-service related deaths 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 without interest. 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 pension benefit and is payable for life.

Termination benefits for unvested members are the return of the member's contributions. For members who are vested when they terminate, their vested accrued pension benefit is payable at the early or normal retirement date. Full vesting occurs at the completion of 10 years of credited service.

Membership in the Fund consisted of the following at October 1, 2021, the date of the latest actuarial valuation:

Retirees, beneficiaries, and DROP participants receiving benefits	84
Terminated employees entitled to benefits but not yet receiving them	4
Active members	118
	<u>206</u>

Contributions

Contribution requirements are established and may be amended by the City in conjunction with the Association. Contribution requirements are based on the benefit structure established by the City. Members are required to contribute 8.6% of their covered salary. Pursuant to Chapter 185 of Florida Statutes, a premium tax on certain casualty insurance contracts written on Palm Beach Gardens properties is collected by the State and remitted to the Fund for the State's annual contribution amount. The City is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions at actuarially determined rates. Administrative costs are financed through investment earnings.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 2—Fund description and contribution information (continued)

Contributions (continued)

A rehired member may buy back one or more years of continuous past service by paying into the Fund the amount of contributions the employee would otherwise have paid for such service, plus the investment earnings that would have been earned had such funds been invested by the Fund during that time.

A Share Plan has been established to provide extra benefits to police officers based on the growth of premium tax revenues pursuant to Chapter 185, Florida Statutes. Each actively employed participant shall be credited with interest at a rate of 6.5% per annum. A member who is eligible to receive retirement benefits will be paid their balance within 90 days of termination of employment. In the event an eligible participant terminates employment due to disability or death, the participant or designated beneficiary will receive the participant's share account balance as of the date of death or disability. The Fund began Share Plan distributions during the current year. There was a Share Plan balance of \$1,289,320 and \$1,058,531 as of September 30, 2022 and 2021, respectively.

Note 3—Deposits and investments

Deposits

Custodial Credit Risk – Florida statutes require the Fund to maintain its deposits with financial institutions in a qualified public depository, as determined by the Treasurer of the State of Florida (the "Treasurer").

The Fund's accounts maintained in qualified public depositories are covered by federal depository insurance for an amount equal to the aggregate of each participant's ascertainable, non-contingent interest in the Fund (up to \$250,000 per participant). Amounts in excess of federal depository insurance are secured by the Public Depository Trust Fund (the "Trust Fund") maintained by the Treasurer. The Trust Fund is a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a member fails.

Investments

Authorized Investments – Florida Statutes and the Fund's investment policy limit investments to certificates of deposit up to \$100,000 maximum value; money market deposit accounts; obligations issued by the United States government or by an agency of the United States government; bonds issued by the state of Israel; corporate stocks and bonds; mutual funds; commingled stock, bond, and money market funds; and real estate investments and securities. The following investments are permissible with approval from the Board: securities paying interest only, securities representing principal only, accrual bonds, inverse or reverse floaters with a multiple greater than 1.00 or less than -1.00, asset pools not domiciled in the United States, Collateralized Bond Obligations, Collateralized Debt Obligations, Collateralized Loan Obligations, and Companion Bonds. 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.

Investment Policy – The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Fund's Board. It is reviewed quarterly with the assistance of the Fund consultant. The Board recognizes the obligations of the Fund are long-term, and the 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 and losses – that exceeds the actuarial interest rate assumption on an annual basis year after year.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Deposits and investments (continued)

The long-term expected net rate of return on investments is presented as geometric means. Best-estimates ranges of expected future rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. The long-term expected net rate of return on investments is the best estimate ranges weighted by asset allocation plus expected inflation. Best estimates of compound real rates of return for each major asset class as provided by the investment monitor are shown in the following table, together with the Board's adopted asset allocation policy, as of September 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	50.0%	7.5%
International Equity	10.0%	8.5%
Domestic Bonds	27.5%	2.5%
Real Estate	12.5%	4.5%
	<u>100.0%</u>	

At September 30, 2022, the Fund had the following investments:

2022	Credit rating (Moody's)	Amount	Investment maturity (in years)			
			Less than 1	1 - 5	5 - 10	More than 10
Money market funds	Aaa-mf	\$ 833,057	\$ 833,057	\$ -	\$ -	\$ -
Corporate obligations	Aaa .. Baa3	4,816,959	458,686	1,853,801	604,660	1,899,812
U.S. government obligations	Aaa	3,301,437	951,304	1,358,878	698,839	292,416
Mortgage/asset backed securities	Aaa	4,022,436	-	1,074,523	1,357,646	1,590,267
Municipal obligations	Aaa .. Baa2	1,308,173	163,145	245,629	41,371	858,028
Collateralized mortgage obligations	Aaa .. A3	12,112,260	-	2,734,431	2,380,189	6,997,640
Certificates of deposit	N/R*	507,210	-	507,210	-	-
Treasury bills	Aaa	1,383,213	1,383,213	-	-	-
Fixed income subtotal		28,284,745	\$ 3,789,405	\$ 7,774,472	\$ 5,082,705	\$ 11,638,163
Equity securities						
Domestic equities	N/R	9,707,595				
Foreign equities	N/R	263,592				
Pooled equity trust funds	N/R	51,368,654				
Global infrastructure	N/R	5,388,176				
Commingled real estate funds	N/R	15,856,262				
Total investments		\$ 110,869,024				

*Not rated.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Deposits and investments (continued)

At September 30, 2021, the Fund had the following investments:

2021	Credit rating (Moody's)	Amount	Investment maturity (in years)			
			Less than 1	1 - 5	5 - 10	More than 10
Money market funds	Aaa-mf	\$ 2,886,967	\$ 2,886,967	\$ -	\$ -	\$ -
Corporate obligations	Aaa .. Baa3	8,726,175	395,860	3,780,643	1,335,549	3,214,123
U.S. government obligations	Aaa	2,032,685	-	1,190,907	478,827	362,951
Mortgage/asset backed securities	Aaa	5,536,926	-	1,053,023	1,794,868	2,689,035
Municipal obligations	Aaa .. Baa2	2,209,427	673,096	668,881	-	867,450
Collateralized mortgage obligations	Aaa .. A2	12,186,276	-	1,702,056	3,362,728	7,121,492
Certificates of deposit	N/R*	290,068	-	290,068	-	-
Treasury bills	Aaa	1,599,886	1,599,886	-	-	-
Fixed income subtotal		35,468,410	\$ 5,555,809	\$ 8,685,578	\$ 6,971,972	\$ 14,255,051
Equity securities						
Domestic equities	N/R	13,353,967				
Foreign equities	N/R	360,548				
Pooled equity trust funds	N/R	66,939,990				
Commingled real estate funds	N/R	11,525,546				
Total investments		\$ 127,648,461				

*Not rated.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Although the Fund's investment policy does not provide limitations as to maturities, the Fund minimizes risk of fair value losses in its fixed income portfolio due to rising interest rates by structuring its investment portfolio so securities mature to meet ongoing cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in shorter-term securities or by cash flow projections.

Credit Risk – This is the risk a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization, such as Moody's or Standard & Poor's. The Fund's investment policy limits investments in fixed income securities, with the exception of international bond mutual funds, to securities with a Moody's rating of Aaa, Aa, A, or Baa, a Standard & Poor's rating of AAA, AA, A, or BBB, a Fitch rating of AAA, AA, A, or BBB, or any investment grade by a major rating agency. No more than 15% of the fixed income portfolio shall be in the lowest investment grade rating. Equity investments must be traded on one or more of the recognized national exchanges and have a Value Line Investment Survey Rank for Safety rating of 1, 2, or 3 or a Standard & Poor's rating of A+, A, or A-. Money market deposits must have a Moody's rating of P1 or a Standard & Poor's rating of A1.

Custodial Credit Risk – This is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are held by the counterparty. The Fund's policy is to maintain its investments in custodial accounts that identify securities held as assets of the Fund by registering securities in the name of the Fund, or in street name or nominee name as the Fund's agent.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Deposits and investments (continued)

Concentration of Credit Risk – The Fund’s investment policy limits equity investments any single company or affiliated group to no larger than 3% plus the combined weight, by Market Capitalization, of the single company or affiliated group in the relative index or 5%. Furthermore, investments in corporate common stock, international equities, convertible bonds, and convertible preferred issues shall not exceed 70% of the Fund’s assets at cost.

Fair Value Hierarchy – The fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, provides three levels of inputs to measure fair value. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed, and differences could be material.

The Fund classifies its investments into a hierarchical disclosure framework as follows:

Level 1 – Securities traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 – Securities not traded on an active market but for which observable market inputs are readily available or Level I securities where there is a contractual restriction as of the reporting date.

Level 3 – Securities not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

At September 30, 2022, the Fund’s measurements for investments were as follows:

	9/30/2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value level:				
Corporate obligations	\$ 4,816,959	\$ -	\$ 4,816,959	\$ -
U.S. government obligations	3,301,437	-	3,301,437	-
Mortgage/asset backed securities	4,022,436	-	4,022,436	-
Municipal obligations	1,308,173	-	1,308,173	-
Collateralized mortgage obligations	12,112,260	-	12,112,260	-
Certificates of deposit	507,210	-	507,210	-
Treasury bills	1,383,213	1,383,213	-	-
Domestic securities	9,707,595	9,707,595	-	-
Foreign securities	263,592	263,592	-	-
Total investments measured at fair value	37,422,875	\$ 11,354,400	\$ 26,068,475	\$ -
Investments measured at amortized cost:				
Money market funds	833,057			
Total investments measured at amortized cost	833,057			
Investments measured at NAV:				
Commingled real estate funds	15,856,262			
Pooled equity trust funds	51,368,654			
Global infrastructure	5,388,176			
Total investments measured at NAV	72,613,092			
Total investments	\$ 110,869,024			

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Deposits and investments (continued)

At September 30, 2021, the Fund's measurements for investments were as follows:

	9/30/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value level:				
Corporate obligations	\$ 8,726,175	\$ -	\$ 8,726,175	\$ -
U.S. government obligations	2,032,685	-	2,032,685	-
Mortgage/asset backed securities	5,536,926	-	5,536,926	-
Municipal obligations	2,209,427	-	2,209,427	-
Collateralized mortgage obligations	12,186,276	-	12,186,276	-
Certificates of deposit	290,068	-	290,068	-
Treasury bills	1,599,886	1,599,886	-	-
Domestic securities	13,353,967	13,353,967	-	-
Foreign securities	360,548	360,548	-	-
Total investments measured at fair value	46,295,958	\$ 15,314,401	\$ 30,981,557	\$ -
Investments measured at amortized cost:				
Money market funds	2,886,967			
Total investments measured at amortized cost	2,886,967			
Investments measured at NAV:				
Commingled real estate funds	11,525,546			
Pooled equity trust funds	66,939,990			
Total investments measured at NAV	78,465,536			
Total investments	\$ 127,648,461			

Note 4—Restricted net position

Portions of the fund net position are restricted for benefits that accrue in relation to DROP and Share plans described in Note 2. Fund net position at September 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Restricted for DROP benefits (fully funded)	\$ 16,949,710	\$ 16,978,541
Restricted for pension benefits	93,586,484	109,633,253
Restricted for Share Plan benefits	1,289,320	896,241
Total fund net position	<u>\$ 111,825,514</u>	<u>\$ 127,508,035</u>

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 5—Net pension liability (asset) of the City

The components of the net pension liability (asset) of the City at September 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Total pension liability	\$ 133,840,084	\$ 126,859,259
Fund fiduciary net position	111,825,514	127,508,035
Net pension liability (asset) of the City	<u>\$ 22,014,570</u>	<u>\$ (648,776)</u>
Fund fiduciary net position as a percentage of the total pension liability	83.55%	100.51%

Total pension liability is based on the October 1, 2021 actuarial valuation updated to the September 30, 2022 measurement date.

Mortality rates were based on the Pub-2010 Headcount-Weighted Mortality Tables as used by the Florida Retirement System ("FRS") for Special Risk Class members in their July 1, 2020 actuarial valuation (with mortality improvements projected for non-disabled lives to all future years after 2010 using Scale MP-2018), as required under Florida Statutes Chapter 112.63. Assumptions for inflation and salary increases were 2.25% and 5.50% to 6.75%, respectively.

The discount rate used to measure the total pension liability was 6.15% and 6.30% for the fiscal years 2022 and 2021, respectively. This is the single rate that reflects the long-term expected net rate of return on pension fund investments expected to be used to finance the payment of benefits, including inflation. The projection of cash flows used to determine this single discount rate assumed fund member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current fund members. Therefore, the long-term expected rate of return on pension fund investments (6.15%) was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the net pension liability of the City, calculated using the discount rate of 6.15% for the 2022 fiscal year, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.15%) or one percentage higher (7.15%) than the current rate:

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

1% Decrease 5.15%	Current Single Discount Rate Assumption 6.15%	1% Increase 7.15%
\$ 35,369,641	\$ 22,014,570	\$10,897,028

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.30% for the 2021 fiscal year, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.30%) or one percentage higher (7.30%) than the current rate:

Sensitivity of the Net Pension Liability (Asset) to the Single Discount Rate Assumption

1% Decrease 5.30%	Single Discount Rate Assumption 6.30%	1% Increase 7.30%
\$ 11,811,369	\$ (648,776)	\$ (\$11,016,826)

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 6—Income taxes

The Fund's administrator and the Fund's tax counsel believes the Fund is currently designed and is being operated in compliance with applicable requirements of the Internal Revenue Code and, therefore, the Fund continues to qualify under Section 401(a) as tax-exempt as of September 30, 2022. Therefore, no provision for income taxes is included in the Fund's financial statements.

Note 7—Subsequent events

Management has evaluated subsequent events through March 30, 2023, in connection with the preparation of these financial statements, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Year Ending September 30,									
Total Pension Liability:									
Service cost	\$ 3,164,702	\$ 2,828,584	\$ 2,593,244	\$ 2,000,321	\$ 1,673,425	\$ 1,490,207	\$ 1,355,530	\$ 1,206,826	\$ 1,229,681
Interest	7,974,687	7,867,652	7,586,544	7,238,249	7,039,556	6,909,106	6,784,226	6,504,741	6,083,570
Benefit changes	-	-	-	1,667,089	-	-	-	-	885,269
Difference between actual & expected experience	135,387	751,163	626,257	395,555	569,580	56,862	976,528	344,110	(56,911)
Assumption changes	2,589,296	288,169	1,095,424	1,035,169	989,170	1,015,319	573,052	875,147	-
Benefit payments	(7,042,743)	(6,279,976)	(5,982,441)	(6,283,515)	(6,137,826)	(6,532,546)	(3,938,855)	(3,297,505)	(2,277,672)
Refunds	(31,153)	(32,533)	(61,754)	(56,045)	(12,573)	(13,857)	(8,046)	-	(6,852)
Other (Net Decrease in State Contribution Reserve)	190,649	135,474	133,929	219,362	94,711	74,487	(70,233)	(426,717)	134,105
Net change in total pension liability	6,980,825	5,558,533	5,991,203	6,216,185	4,216,043	2,999,578	5,672,202	5,206,602	5,991,190
Total pension liability, beginning of year	126,859,259	121,300,726	115,309,523	109,093,338	104,877,295	101,877,717	96,205,515	90,998,913	85,007,723
Total pension liability	<u>\$ 133,840,084</u>	<u>\$ 126,859,259</u>	<u>\$ 121,300,726</u>	<u>\$ 115,309,523</u>	<u>\$ 109,093,338</u>	<u>\$ 104,877,295</u>	<u>\$ 101,877,717</u>	<u>\$ 96,205,515</u>	<u>\$ 90,998,913</u>
Plan Fiduciary Net Position:									
Contributions - Employer	\$ 4,416,118	\$ 4,119,614	\$ 3,685,878	\$ 3,566,126	\$ 2,834,931	\$ 2,843,423	\$ 2,897,754	\$ 3,007,780	\$ 2,712,635
Contributions - State of Florida	856,513	746,163	743,073	913,938	664,636	624,188	643,259	524,479	546,749
Contributions - Member	854,303	882,102	755,910	694,166	599,553	515,513	452,421	422,145	391,188
Net investment income (loss)	(14,576,176)	23,717,145	7,131,158	2,046,222	9,658,544	10,747,480	8,107,238	925,753	6,798,928
Benefit payments	(7,042,743)	(6,279,976)	(5,982,441)	(6,283,515)	(6,137,826)	(6,532,546)	(3,938,855)	(3,297,504)	(2,277,672)
Refunds	(31,153)	(32,533)	(61,754)	(56,045)	(12,573)	(13,857)	(8,046)	-	(6,852)
Administrative expense	(159,383)	(154,039)	(147,675)	(144,764)	(134,667)	(121,211)	(132,973)	(116,088)	(114,098)
Net changes in Plan fiduciary net position	(15,682,521)	22,998,476	6,124,149	736,128	7,472,598	8,062,990	8,020,798	1,466,565	8,050,878
Total Plan fiduciary net position, beginning of year	127,508,035	104,509,559	98,385,410	97,649,282	90,176,684	82,113,694	74,092,896	72,626,331	64,575,453
Total Plan fiduciary net position, end of year	<u>111,825,514</u>	<u>127,508,035</u>	<u>104,509,559</u>	<u>98,385,410</u>	<u>97,649,282</u>	<u>90,176,684</u>	<u>82,113,694</u>	<u>74,092,896</u>	<u>72,626,331</u>
Net pension liability (asset) end, end of year	<u>\$ 22,014,570</u>	<u>\$ (648,776)</u>	<u>\$ 16,791,167</u>	<u>\$ 16,924,113</u>	<u>\$ 11,444,056</u>	<u>\$ 14,700,611</u>	<u>\$ 19,764,023</u>	<u>\$ 22,112,619</u>	<u>\$ 18,372,582</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.55%	100.51%	86.16%	85.32%	89.51%	85.98%	80.60%	77.02%	79.81%
Covered Payroll	\$ 9,933,756	\$ 9,501,186	\$ 8,789,651	\$ 8,071,698	\$ 6,971,547	\$ 5,994,337	\$ 5,260,709	\$ 4,908,663	\$ 4,548,698
Net Pension Liability (Asset) as a Percentage of Covered Payroll	221.61%	(6.83%)	191.03%	209.67%	164.15%	245.24%	375.69%	450.48%	403.91%

Note: Government accounting standards requires 10-year trend information. As fiscal year 2014 was the first year of implementation, additional years will be displayed as the information becomes available.

See notes to required supplementary information.

**CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

SCHEDULE OF CONTRIBUTIONS

FY Ended September 30,	Actuarially Determined Contribution	*Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2022	\$ 5,025,262	\$ 5,081,982	\$ (56,720)	\$ 9,933,756	51.16%
2021	\$ 4,730,303	\$ 4,730,303	\$ -	\$ 9,501,186	49.79%
2020	\$ 4,295,022	\$ 4,295,022	\$ -	\$ 8,789,651	48.86%
2019	\$ 3,754,169	\$ 4,260,702	\$ (506,533)	\$ 8,071,698	52.79%
2018	\$ 3,394,168	\$ 3,404,856	\$ (10,688)	\$ 6,971,547	48.84%
2017	\$ 3,256,067	\$ 3,393,124	\$ (137,057)	\$ 5,994,337	56.61%
2016	\$ 3,316,250	\$ 3,456,991	\$ (140,741)	\$ 5,260,709	65.71%
2015	\$ 3,357,659	\$ 3,420,424	\$ (62,765)	\$ 4,908,663	69.68%
2014	\$ 3,125,279	\$ 3,125,279	\$ -	\$ 4,548,698	68.71%

Notes:

* Actual contribution does not agree to contributions from the City of Palm Beach Gardens and the State of Florida, as shown on the statements of changes in fiduciary net position, due to the allocation to Share Plan Accounts as described in Note 2.

Government accounting standards requires 10-year trend information. As fiscal year 2014 was the first year available for disclosure, additional years will be displayed as the information becomes available.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN

<u>FY Ended</u> <u>September 30,</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2022	(11.25%)
2021	23.01%
2020	7.73%
2019	1.34%
2018	11.27%
2017	13.60%
2016	10.96%
2015	1.29%
2014	10.73%
2013	14.53%

See notes to required supplementary information.

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Valuation Date: October 1, 2020
Measurement Date: September 30, 2021
Note: Actuarially determined contribution rates are calculated as of October 1, which is two 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 percent, closed
Remaining Amortization Period: 12 years (single equivalent amortization period)
Asset Valuation Method: Recognizes 20% of difference between market value of assets and expected actuarial asset value
Inflation: 2.25%
Salary Increases: 5.5% to 7.0% depending on service, including inflation
Investment Rate of Return: 6.3%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition

Mortality: The same versions of Pub-2010 Headcount-Weighted Mortality Tables as used by the Florida Retirement System (FRS) for Special Risk Class members in their July 1, 2019 actuarial valuation (with mortality improvements projected for non-disabled lives to all future years after 2010 using Scale MP-2018). Florida Statutes Chapter 112.63(1)(f) mandates the use of mortality tables from one of the two most recently published FRS actuarial valuation reports.

Benefit Changes: None.

Changes in Assumptions: The assumed rate of return decreased from 6.5% to 6.3%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PALM BEACH GARDENS POLICE OFFICERS' PENSION FUND
OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE AND INVESTMENT EXPENSES

	<u>2022</u>	<u>2021</u>
Administrative Expenses:		
Actuarial services	\$ 47,727	\$ 51,341
Administrative services	47,596	46,831
Legal services	16,928	18,440
Accounting services	16,650	16,498
Liability insurance	13,803	10,853
Trustee expenses	13,334	8,935
Bank charges	1,463	974
Miscellaneous expenses	1,112	-
Postage	495	74
Annual membership fees	275	93
Total Administrative Expenses	<u>\$ 159,383</u>	<u>\$ 154,039</u>
Investment Expenses:		
Investment management fees	\$ 341,503	\$ 298,517
Custodial fees	27,000	27,000
Performance monitoring fees	25,566	29,773
Total Investment Expenses	<u>\$ 394,069</u>	<u>\$ 355,290</u>

OTHER REPORT

Report of Independent Auditor 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 Palm Beach Gardens Police Officers' Pension Fund
Palm Beach Gardens, 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 Palm Beach Gardens Police Officers' Pension Fund (the "Fund"), a pension trust fund of the City of Palm Beach Gardens, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon, dated March 30, 2023.

Report on Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund'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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Orlando, Florida
March 30, 2023