

Item 6

Reports

Item 6.a.

September 30, 2023 Financial Statements

Marcum LLP



March 25, 2024

To the Board of Trustees and Pension Administrator
City of Delray Beach Police Officers' Retirement System
Delray Beach, Florida

We have audited the combined financial statements (collectively referred to as “financial statements”) of the City of Delray Beach Police Officers' Retirement System (the “Plan”) as of and for the fiscal year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Plan are described in Note 1 – Summary of Significant Accounting Policies, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2023. We noted no transactions entered into by Plan during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Plan's financial statements were:

Management's estimate of the fair value of investments. We evaluated the key factors and assumptions used to develop the fair value in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's Net Pension (NPL) Liability in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, is based on actuarial methods and assumptions used by the actuary for the development of the actuarially determined liability. The key factors impacting the assumptions, such as inflation, salary

changes, ad hoc postemployment benefit changes (including ad hoc cost-of-living adjustments [COLAs]), and inputs to the discount rate, as well as certain information about mortality assumptions and the dates of experience studies, are subject to change on an annual basis and therefore can have a significant impact on this estimate. We evaluated the key factors and assumptions used to develop the estimate described above, in determining that it is reasonable as of year-end September 30, 2023.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of in the footnotes to the financial statements, and those included as part of the required supplementary information (RSI) related to the Net Pension Liability of the City as required by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*.

The disclosures of fair value measurements and fair value hierarchy of Plan investment securities in Note 3 to the financial statements as required by GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting matters related to fair value measurements of assets and liabilities.

The financial statement disclosures are neutral, consistent, and clear.

Independence

For the fiscal year ended September 30, 2023, we were engaged to assist in the preparation of the Plan's financial statements. We reviewed the nature of the requested work, our role and management's role and determined that our independence would not be impaired, in fact or appearance.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Plan's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Plan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of changes in the City net pension liability and related ratios, schedule of city contributions, and the schedule of investment returns, which are required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on schedule of investment and administrative expenses, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not

changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of Plan's Board of Trustee, the Pension Administrator and management of Plan and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Marcum LLP". The signature is written in a cursive, flowing style.

Marcum LLP

**CITY OF DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

A PENSION TRUST FUND OF THE CITY OF DELRAY BEACH, FLORIDA

COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

**CITY OF DELRAY BEACH POLICE OFFICERS’
RETIREMENT SYSTEM**

CONTENTS

Independent Auditors’ Report	1-3
Management’s Discussion and Analysis (Required Supplementary Information)	4-8
Combined Financial Statements	
Combined Statement of Fiduciary Net Position.....	9
Combined Statement of Changes in Fiduciary Net Position	10
Notes to Combined Financial Statements	11-30
Required Supplementary Information	
Schedule of Changes in the City’s Net Pension Liability and Related Ratios	31
Schedule of City Contributions	32
Notes to Schedule of City Contributions.....	33-34
Schedule of Investment Returns.....	35
Other Supplementary Information	
Schedule of Investment and Administrative Expenses	36
Reporting Section	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Pension Administrator
City of Delray Beach Police Officers' Retirement System

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of the City of Delray Beach Police Officers' Retirement System (the "Plan"), which comprise the combined statement of fiduciary net position as of September 30, 2023, and the related combined statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the combined financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Plan, as of September 30, 2023, and the respective changes in its fiduciary net position for the fiscal 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the City's net pension liability and related ratios, schedule of City contributions and schedule of investment returns on pages 4 to 8 and pages 31 to 35 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's financial statements. The schedule of investment and administrative expenses is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the 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 25, 2024 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

Marcum LLP

West Palm Beach, Florida
March 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Delray Beach Police Officers' Retirement System (the "Plan"), we offer readers of the Plan's combined financial statements this narrative overview of the financial activities of the Plan for the fiscal year ended September 30, 2023. This narrative is intended to supplement the Plan's combined 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 Combined Financial Statements

The following discussion and analysis is intended to serve as an introduction to the Plan's combined financial statements. The combined financial statements include:

- Combined Statement of Fiduciary Net Position
- Combined Statement of Changes in Fiduciary Net Position
- Notes to the Combined Financial Statements

This report also contains the following *Required Supplementary Information* to the combined financial statements:

- Schedule of Changes in the City's Net Pension Liability and Related Ratios
- Schedule of City Contributions
- Notes to Schedule of City Contributions
- Schedule of Investment Returns

The report also contains *Other Supplementary Information* to the combined financial statements:

- Schedule of Investment and Administrative Expenses

The combined financial statements contained in the report are described below:

- The Combined Statement of Fiduciary Net Position is 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 (Assets – Liabilities = Net Position) represents the value of assets held in trust for pension benefits.
- The Combined Statement of Changes in Fiduciary Net Position displays the effect of pension fund transactions that occurred during the fiscal year, where Additions – Deductions = Change in Net Position. This change in Net Position reflects the change in the net position of the Statement of Fiduciary Net Position from the prior year to the current year. Both statements are in compliance with Governmental Accounting Standards Board ("GASB") Pronouncements.

- The Notes to the Combined Financial Statements are an integral part of the combined financial statements and provide additional information that is essential to the comprehensive understanding of the data provided in the combined financial statements. These notes describe the accounting and administrative policies under which the Plan operates and provide additional levels of detail for select financial statement items (See Notes to Combined Financial Statements on pages 11 to 30 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 three additional *Required Supplementary Information* schedules with historical trend information.

- The Schedule of Changes in the City’s Net Pension Liability and Related Ratios (page 31) includes information about the sources of changes to the net pension liability of the City and to the changes in Plan fiduciary net position. It also provides information regarding the fiduciary net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.
- The Schedule of City Contributions (page 32) presents information regarding the value of total annual contributions required to be paid by the City and the actual performance of the City in meeting this requirement.
- The Notes to Schedule of City Contributions (pages 33 to 34) provide background information and explanatory detail to aid in understanding the required supplementary schedules.
- The Schedule of Investment Returns (page 35) provides information regarding the Plan rate of return.

Financial Highlights

For fiscal years ended September 30, 2016 and prior, police officers participated in the City of Delray Beach Police and Firefighters Retirement System (the “Legacy Plan”) that provided pension benefits to both City police officers and firefighters. Effective October 1, 2016, the City Commission adopted City Ordinance No. 17-16, which provided for the establishment of separate retirement systems for the City’s police officers and firefighters, a new board of trustees for each system, changes in the allocation and use of Chapter 175 and 185 premium tax revenues, and changes to the retirement benefits of firefighters and police officers. Ordinance No. 17-16 specified that the determination of the assets and liabilities of the Legacy Plan allocable to the Plan should be made by the Plan’s actuary. The actuarial allocation was based on the census data, plan provisions, assumptions and methods used for the October 1, 2015 actuarial valuation of the Legacy Plan. The allocation method resulted in an allocation of 47.431% of the Legacy Plan assets to the new City of Delray Beach Police Officers’ Retirement System. The financial position and operating results of the Plan as of and for the fiscal years ended September 30, 2023 and 2022 present only the stand-alone, segregated Plan, although an investment in a real estate fund held by the Legacy Plan and the related income are allocated to the City of Delray Beach Police Officers’ Retirement System based on the actuarial percentage.

- The net position of the Plan restricted for pension benefits at the close of the fiscal years ended September 30, 2023 and 2022 was \$135,092,454 and \$119,613,694, respectively.
- Net position increased by \$15,478,760 or 12.9% during 2023, primarily due to the current year's investment gains.
- For the fiscal year ended September 30, 2023 Plan net position was 68.73% of the total pension liability of \$196,564,543. The net pension liability was \$61,472,089 at September 30, 2023, which was 474.2% of covered payroll.
- Additions to fiduciary net position for the fiscal year ended September 30, 2023 were \$26,654,043 which includes City, Police Officer and State contributions totaling \$11,534,129 and net gains from investment activities totaling \$15,119,914.
- Deductions from fiduciary net position increased \$449,214 to \$11,175,283 in 2023. The increase relates to higher retirement and disability payments made in 2023.
- The DROP Pension Plan net position increased by \$1,134,001 or 11.1% during 2023, primarily due to investment gains. Net position for the DROP Pension Plan was \$11,362,866 and \$10,228,805 at the close of fiscal years ended September 30, 2023 and 2022, respectively.

Analysis of Financial Activities

The Plan's funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer, state and member contributions, and the income from investments provide the reserves needed to finance future retirement benefits.

Contributions from the City of Delray Beach are made at levels determined by the Plan's actuary. Because expected investment returns and expected payroll growth has remained stable compared to previous years, the City's contribution requirement has increased slightly. Net position restricted for pension benefits increased by \$15,478,760 in 2023.

Summary of Fiduciary Net Position
Table 1

	2023	2022	Increase (Decrease)	
			Amount	Percentage
Assets				
Current and other assets	\$ 471,809	\$ 128,241	\$ 343,568	267.9%
Investments	<u>134,822,887</u>	<u>119,860,874</u>	<u>14,962,013</u>	12.5%
Total Assets	<u>135,294,696</u>	<u>119,989,115</u>	<u>15,305,581</u>	12.8%
Total Liabilities	<u>202,242</u>	<u>375,421</u>	<u>(173,179)</u>	-46.1%
Fiduciary Net Position	<u>\$ 135,092,454</u>	<u>\$ 119,613,694</u>	<u>\$ 15,478,760</u>	12.9%

As the years roll forward and total assets and liabilities grow, investment earnings 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 Plan.

During 2023, the Plan’s investment portfolio returned a net investment income of 12.02% in 2023, as compared to net investment loss of (16.82)% for the prior year. It is important to remember that 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 that the Plan be able to meet an expected annual earnings yield of 6.75% on investments.

Based on the latest actuarial analysis for the fiscal year ended September 30, 2023, the Plan’s total pension liability exceeds its Plan net position by \$61.5 million (a decrease of \$10.8 million from 2022), producing a plan net position as a percent of total pension liability of 68.7% (a decrease from 62.3% for 2022).

Financial Analysis Summary

As previously noted, net position viewed over time may serve as a useful indication of the Plan’s financial position (see Table 1 above). At the close of fiscal year 2023, the assets of the Plan exceeded its current liabilities by \$135,092,454, shown as net position restricted for pension benefits. The net position is available to meet the Plan’s ongoing obligation to Plan members and their beneficiaries.

Fiduciary Net Position

The Plan’s fiduciary net position is established from employer, state and member contributions, and the accumulation of investment earning, net of investment and administrative expenses and benefit payments.

Additions to Fiduciary Net Position

As noted above, fiduciary net position needed to finance retirement benefits are accumulated through collecting employer, state and member contributions and through investment earnings (net of investment expenses.) The additions totaled \$26,654,043 for the fiscal ended September 30, 2023. This was \$39,473,343 more than the prior year, primarily due to increased investment returns.

**Additions to Fiduciary Net Position
Table 2**

	2023	2022	Increase (Decrease)	
			Amount	Percentage
Contributions				
City	\$ 9,244,761	\$ 9,653,695	\$ (408,934)	-4.2%
Police officers	1,252,569	1,148,231	104,338	9.1%
State of Florida	<u>1,036,799</u>	<u>896,146</u>	<u>140,653</u>	15.7%
Total Contributions	<u>11,534,129</u>	<u>11,698,072</u>	<u>(163,943)</u>	-1.4%
Net Investment Income (Losses)	<u>15,119,914</u>	<u>(24,517,372)</u>	<u>39,637,286</u>	161.7%
Total Additions	<u>\$ 26,654,043</u>	<u>\$ (12,819,300)</u>	<u>\$ 39,473,343</u>	307.9%

Deductions from Fiduciary Net Position

The Plan 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 Plan.

Deductions from Fiduciary Net Position
Table 3

	2023	2022	Increase (Decrease)	
			Amount	Percentage
Benefit Payments				
Retirement and disability payments	\$ 8,553,829	\$ 7,962,887	\$ 590,942	7.4%
DROP withdrawals	2,405,996	2,414,945	(8,949)	-0.4%
Refunds of participant contributions	<u>32,969</u>	<u>176,790</u>	<u>(143,821)</u>	-81.4%
Total Benefit Payments	<u>10,992,794</u>	<u>10,554,622</u>	<u>438,172</u>	4.2%
Administrative Expenses	<u>182,489</u>	<u>171,447</u>	<u>11,042</u>	6.4%
Total Deductions	<u>\$ 11,175,283</u>	<u>\$ 10,726,069</u>	<u>\$ 449,214</u>	4.2%

Total deductions for the fiscal year ended September 30, 2023 totaled \$11,175,283, a increase of 4.2% from 2022. The increase was primarily due to increase in retirement and disability payments in 2023. Deductions for the fiscal year ended September 30, 2022 totaled \$10,726,069.

The additions to plan net position of \$26,654,043 and deductions from Plan fiduciary net position of \$11,175,283 resulted in an overall increase of \$15,478,760 attributable to operations for the fiscal year ended September 30, 2023. The additions to plan net position total of a negative \$12,819,300 and deductions from Plan fiduciary net position of \$10,726,069 resulted in an overall decrease of \$23,545,369 in net position restricted for pension benefits for the year fiscal ended September 30, 2022.

Fiduciary Responsibilities

The Board of Trustees is the fiduciary of the pension trust fund. Fiduciaries are charged with the responsibility of assuring that the assets of the Plan are used exclusively for the benefit of Plan members and their beneficiaries and defraying reasonable expenses of administering the Plan.

Requests for Information

This financial report is designed to provide the Board of Trustees, Plan members, taxpayers and investment managers with an overview of the Plan'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:

Pension Administrator
City of Delray Beach Police Officers' Retirement System
City of Delray Beach Finance - Pension Office
100 NW 1st Avenue
Delray Beach, FL 33444

COMBINED FINANCIAL STATEMENTS

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

COMBINED STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2023

	Defined Benefit Pension Plan	Deferred Retirement Option (DROP) Pension Plan	Total Pension Trust Funds
Assets			
Cash	\$ 121,715	\$ --	\$ 121,715
Receivables:			
Interest and dividends	21,158	--	21,158
Pending trades receivable	328,936	--	328,936
Total receivables	<u>350,094</u>	<u>--</u>	<u>350,094</u>
Investments:			
Money market mutual funds	1,651,931	--	1,651,931
Global asset allocation investment fund	11,463,043	--	11,463,043
Fixed income mutual funds	10,835,400	--	10,835,400
Domestic equity securities	35,609,731	--	35,609,731
Domestic equity mutual funds	11,185,472	--	11,185,472
Domestic equity index funds	14,289,646	--	14,289,646
Pooled domestic equity index funds	9,890,824	--	9,890,824
International equity mutual funds	14,073,317	--	14,073,317
Foreign stocks	1,678,283	--	1,678,283
Real estate investment funds	9,846,938	--	9,846,938
Fixed income alternative investment funds	2,935,496	--	2,935,496
Participant directed pooled investment funds	<u>--</u>	<u>11,362,806</u>	<u>11,362,806</u>
Total Investments	<u>123,460,081</u>	<u>11,362,806</u>	<u>134,822,887</u>
Total Assets	<u>123,931,890</u>	<u>11,362,806</u>	<u>135,294,696</u>
Liabilities			
Accounts payable	77,199	--	77,199
Refunds due to members	11,742	--	11,742
Pending trades payable	<u>113,301</u>	<u>--</u>	<u>113,301</u>
Total Liabilities	<u>202,242</u>	<u>--</u>	<u>202,242</u>
Net Position			
Restricted for pension benefits	<u>\$ 123,729,648</u>	<u>\$ 11,362,806</u>	<u>\$ 135,092,454</u>

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

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Defined Benefit Pension Plan	Deferred Retirement Option (DROP) Pension Plan	Total Pension Trust Funds
Additions			
Contributions:			
City of Delray Beach	\$ 7,882,933	\$ 1,361,828	\$ 9,244,761
Police officers	1,252,569	--	1,252,569
State of Florida	1,036,799	--	1,036,799
Total Contributions	<u>10,172,301</u>	<u>1,361,828</u>	<u>11,534,129</u>
Investment income:			
Net appreciation in fair value of investments	10,042,209	607,755	10,649,964
Interest and dividends	5,032,663	205,257	5,237,920
Other investment income	1,668	11,981	13,649
	<u>15,076,540</u>	<u>824,993</u>	<u>15,901,533</u>
Less investment expenses	(772,967)	(8,652)	(781,619)
Net investment income	<u>14,303,573</u>	<u>816,341</u>	<u>15,119,914</u>
Total Additions	<u>24,475,874</u>	<u>2,178,169</u>	<u>26,654,043</u>
Deductions			
Police officers benefits	8,553,829	--	8,553,829
Deferred retirement option (DROP) benefits	1,361,828	1,044,168	2,405,996
Refunds of participant contributions	32,969	--	32,969
Administrative expenses	182,489	--	182,489
Total Deductions	<u>10,131,115</u>	<u>1,044,168</u>	<u>11,175,283</u>
Changes in Net Position	14,344,759	1,134,001	15,478,760
Net Position Restricted for Pension Benefits			
Beginning of year	<u>109,384,889</u>	<u>10,228,805</u>	<u>119,613,694</u>
End of year	<u>\$ 123,729,648</u>	<u>\$ 11,362,806</u>	<u>\$ 135,092,454</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

**THE CITY DELRAY BEACH POLICE OFFICERS’
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City of Delray Beach Police Officers’ Retirement System (the “Plan”) was established by the City of Delray Beach, Florida (the “City”), to account for the financial activity of the defined benefit pension plan and deferred retirement option plan (“DROP”) that accumulate funds for the retirement pensions of City police officers. The Plan uses separate fiduciary funds to report resources that are held in trust for the members and beneficiaries of the defined benefit pension plan and DROP plan (a defined contribution plan). The Plan is reported as a fiduciary fund (pension trust) in the City’s combined financial statements (collectively referred to as the “financial statements”).

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The Plan’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”). The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues/additions are recorded when earned and expenses/deductions are recorded when the liabilities are incurred. Contributions from the Plan’s members are recognized as revenue in the period in which the contributions are due. Contributions from the City, as calculated by the Plan’s actuary, are recognized as revenue/additions when due and when the City is legally required to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues/additions and expenses/deductions. Actual results could vary from the estimates that were used.

CASH

Cash includes temporary cash balances held by the Plan’s investment managers and are uninsured and uncollateralized.

THE CITY DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

The Plan's investment functions for the defined benefit plan are performed by independent investment managers under the direction of the Board of Trustees. The defined benefit plan investments are held in safekeeping by a custodian independent of the investment managers. The DROP investments are self-directed participant accounts investing in pooled investments in mutual funds available through an affiliate of Mission Square Retirement. Investments are reported at fair value or net asset value, except for money market mutual funds that are reported at amortized cost. Securities traded on national or international exchanges are valued at the last reported sales price. Net asset values of the real estate funds are determined by the fund managers using fair values of the underlying investments of the fund. 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.

NET POSITION

The net position of the Plan is restricted for pension benefits pursuant to legal restrictions of the enabling City ordinance that requires all Plan assets be utilized for pension related benefits.

INVESTMENT AND ADMINISTRATIVE EXPENSES

Investment management fees are typically paid based on individually negotiated investment management agreements. The investment management fees are usually paid quarterly based on the investment portfolio's net asset value at the end of the quarter or may be performance related based on exceeding a market benchmark. Fees are paid from the appropriate investment manager's portfolio and are recognized as investment expenses in the Statement of Changes in Fiduciary Net Position over the time period to which the fees apply. Investment expenses also include custody fees paid to the Plan's investment custodian and performance monitoring fees paid to outside investment consultants engaged by the Plan.

Administrative expenses include the various costs of administering the operations of the Plan, including fees for actuarial, audit, insurance and legal services, allocable costs for services provided by the City and office related expenses for supplies, postage and telephone.

**THE CITY DELRAY BEACH POLICE OFFICERS’
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION

The following brief description of the Plan is provided for general information purposes only. Members should refer to the enabling City ordinance for more complete information.

The Plan was originally established in 1974 by the City of Delray Beach as the City of Delray Beach Police and Firefighters Retirement System (the “Legacy Plan”) to provide pension benefits to all full-time City police officers and firefighters. Effective October 1, 2016, the City Commission adopted City Ordinance No. 17-16, which provided for the establishment of separate retirement systems for the City’s police officers and firefighters, a new board of trustees for each system, changes in the allocation and use of Chapter 175 and 185 premium tax revenues, and changes to the retirement benefits of police officers and firefighters. The changes in Ordinance No. 17-16 were ratified by the City’s collective bargaining agreements with the Palm Beach County Police Benevolent Association and the Professional Fire Fighters/Paramedics of Palm Beach County, Local 2928, IAFF. Unless otherwise noted, these financial statements present only the financial activity of the City of Delray Beach Police Officers’ Retirement System established on October 1, 2016 pursuant to Ordinance No. 17-16.

PLAN ADMINISTRATION

The Plan is governed by Florida Statutes Chapter 185, as modified by ordinances adopted by the City Commission of the City of Delray Beach. Additionally, the Fund is governed by Chapter 112, Part VII, of the Florida Statutes. All full-time police officers of the City are required to participate in the Plan as a condition of employment. Civilian members of the City Police Department and the Police Chief, upon the Police Chief’s written election not to participate, are excluded from the Plan.

The Plan is managed by a five-member Board of Trustees consisting of the following members: two legal residents of the City who are appointed by the City Commission; two full-time City police officers elected by the active members of the Plan; and a fifth member chosen by a majority of the other four members. Each trustee serves for a term of four years and may serve successive terms.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

PLAN MEMBERSHIP

The Plan membership as of October 1, 2022, the date of the most recent actuarial valuation, is summarized as follows:

Retirees and Beneficiaries	
Inactive plan members and beneficiaries receiving benefits	146
DROP retirees	16
Inactive employees entitled to benefits but not receiving them	<u>10</u>
Total Retirees and Beneficiaries	<u><u>172</u></u>
Active Members	
Vested	57
Nonvested	<u>78</u>
Total Active Members	<u><u>135</u></u>

CONTRIBUTIONS

Contribution requirements are established and may be amended by City Ordinance. Contribution requirements are based on the benefit structure established by the City. Members are required to contribute 9.0% of salary (members hired after July 7, 2015 are required to contribute 10.0% of salary). Pursuant to Chapter 185, Florida Statutes, a premium tax on certain casualty insurance contracts written on properties within the corporate boundaries of the City is collected by the State and remitted to the Plan for the State's annual contribution amount. The City is required to contribute the remaining amounts necessary to finance the Plan's benefits through periodic contributions at actuarially determined rates sufficient to pay the normal cost plus an amount sufficient to amortize the unfunded accrued past service liability over a period not greater than 30 years. By mutual agreement of the City and the police officers' union, all annual premium tax moneys received pursuant to Chapter 185, up to \$606,595, the amount received during the 2013 calendar year, shall be used to offset the cost of current benefits by reducing the City's annual required contribution to the Plan.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

CONTRIBUTIONS (CONTINUED)

A rehired member may buy back one or more years of continuous past service by paying into the Plan 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 Plan during that time. The buyback of past service must be paid to the Plan within 90 days of being rehired by the City.

VESTING AND REFUNDS OF MEMBER CONTRIBUTIONS

Police officers who terminate employment with less than 10 years of continuous service, upon the election to receive a refund of member contributions, receive a noncompounded, simple interest rate of three percent per year applied to the principal balance of the participant's contributions as accrued on December 31st of each year. Employees who terminate employment with 10 years or more of continuous service, upon the election to receive a refund of member contributions, receive a noncompounded, simple interest rate of five percent per year applied to the principal balance of the participant's contribution as accrued on December 31st of each year. Each member is guaranteed the payment of benefits at least equal in total to his accumulated contributions plus interest as provided herein. Any forfeitures that may arise upon the termination of a member's employment are used to offset the City's contribution.

PENSION BENEFITS

The Plan provides retirement, death and disability benefits for police officers. Benefit provisions are established and may be amended by City Ordinance.

Eligibility for Normal Retirement

For police officers hired on or before July 7, 2015, eligibility for normal retirement is the earlier of age 55 and 10 years of service or 20 years of service regardless of age. For police officers hired after July 7, 2015, eligibility for normal retirement is the earlier of age 55 and 10 years of service or 25 years of service regardless of age.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Annual Retirement Benefit

The annual retirement benefit for police officers is based on the date of hire as follows:

- A) Police officers hired on or before July 7, 2015, with 20 or more years of service at that date, receive 3.5% (if the enhanced multiplier is elected or 3.0% if it is not elected) times the police officer's average final compensation for all credited service (subject to a maximum annual benefit of 87.5% of average final compensation).
- B) Police officers hired on or before July 7, 2015, and retiring with:
 - 1) less than 20 years of service receive 2.5% times the police officer's average final compensation times all years of credited service prior to July 7, 2015 plus 3.0% times the police officer's average final compensation times all years of credited service after July 7, 2015 (subject to a maximum annual benefit of \$108,000, but in no event less than 2.0% times average final compensation for each year of service).
 - 2) more than 20 years of service receive 3.5% (if the enhanced multiplier is elected or 3.0% if it is not elected) times the police officer's average final compensation for all credited service prior to July 7, 2015 plus 3.0% times the police officer's average final compensation times all credited service after July 7, 2015 (subject to a maximum annual benefit of 87.5% of average final compensation). Police Officers hired after April 9, 2013 may not elect the enhanced multiplier.
- C) Police officers hired after July 7, 2015 receive 3.00% times the police officer's final average monthly earnings for continuous service on or after October 25, 2022. The benefit multiplier for service earned before October 25, 2022 will remain at 2.75%. Compensation times all years of credited service (subject to a maximum annual benefit of \$108,000 and further subject to a maximum of 75.00% of their average final compensation).

Early Retirement

A participant aged 50 with 10 or more years of credited service is eligible for early retirement. Early retirement benefits are computed in the same manner as normal retirement, based upon the participant's final average salary and credited service at the date of termination, reduced by 3.0% for each year prior to the normal retirement date. Police officers hired after July 7, 2015 are not eligible for early retirement benefits.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Disability Benefits

Disability benefits for service-related disabilities are based on a determination of total and permanent disability by the Board of Trustees. Ten years of service are required for non-service related disability benefits. The disability benefit is the participant's accrued pension benefit, but not less than 60% of the participant's average final compensation for service related disabilities. For non-service related disabilities, the benefit is 2.0% of average final compensation times the years of credited service with a minimum of 25% of the participant's average final compensation.

Death Benefits

For any police officer who dies in the line of duty, the surviving spouse shall receive until death or remarriage, 50% of the police officer's final average compensation. Each surviving child under age 18 shall receive 5% of the police officer's final average compensation until age 18 (or 22 if a full-time student). The maximum service-incurred survivor benefit is 60% of the police officer's final average compensation. For any police officer with more than five years of service whose death is not in the line of duty, the surviving spouse shall receive until death or remarriage, 65% of the police officer's accrued benefit at the time of death, subject to a minimum benefit of 20% of the police officer's final average earnings. Each surviving child under age 18 shall receive 5% of the police officer's final average earnings until age 18 (or 22 if a full-time student) with the total death benefit limited to 50% of the police officer's final average compensation.

Cost of Living Adjustments

Post retirement cost of living adjustments are provided for pension recipients. An annual increase equal to a 1% base benefit plus what can be funded from State revenues applies for those who retired after October 1, 1993, commencing on the 1st anniversary of the retiree's first benefit payment following their 25th hire date anniversary.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Deferred Retirement Option Plan (DROP)

Police officers are eligible to enter the Deferred Retirement Option Plan (DROP) at the normal retirement date, while continuing active employment as a police officer. Upon entering into the DROP, the participant becomes a retiree for all Plan purposes and the accrued benefit is frozen. The maximum duration of DROP participation is 5 years. Normal retirement payments that would have been payable to the participant as a result of retirement are paid to and invested in the DROP to be distributed to the participant upon his or her request or as required by law.

The Board of Trustees contracts with Mission Square Retirement (formally the International City Management Association Retirement Corporation (ICMA-RC)) to administer the DROP through a separate 401(a) plan. Police officers who elect to participate in DROP are required to use a self-directed investment program through the Mission Square Retirement 401(a) plan. The DROP participants self-direct their account in investment options offered by Mission Square Retirement and approved by the Plan's Board of Trustees. The assets of the DROP cannot be legally accessed by the Plan to pay retirement benefits to other Plan participants because the DROP assets are held in the participants' name in a separate trust under the 401(a) plan. Accordingly, the DROP plan has been reported as a separate defined contribution plan in the accompanying financial statements.

NOTE 3 – INVESTMENTS

AUTHORIZED INVESTMENTS

Florida Statutes and the Plan's investment policy authorize the Plan to invest and reinvest pension fund assets in such securities, investment vehicles and properly wherever situated and of whatever kind, as the Board shall approve in the exercise of its fiduciary duty and authority, including but not limited to common or preferred stocks, bonds and other evidences of indebtedness or ownership, notwithstanding any limitation provided for in Chapters 175 and 185, Florida Statutes, or any limitation or condition contained in Section 215.47, Florida Statutes. In no event, however, shall more than 25% of the assets of the fund, at fair value, be invested in foreign securities.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

AUTHORIZED INVESTMENTS (CONTINUED)

The Plan's investment policy further authorizes the Plan to invest, with certain limitations, in the following securities subject to the following limitations:

- 1) Equities - Equities must be traded on a national exchange or election electronic network; and not more than 5% of the Plan's assets, at the time of purchase, shall be invested in the common stock, capital stock or convertible stock of anyone issuing company, nor shall the aggregate investment in any one issuing company exceed 5% of the outstanding capital stock of the company; and additional criteria may be outlined in the manager's addendum.
- 2) Fixed income – At least 85% of the fixed income investments shall have a minimum rating of investment grade or higher as report by a major credit rating service and the value of bonds issued by any single corporation shall not exceed 3% of the total fund; and additional criteria may be outlined in the manager's addendum.
- 3) Money Market - Money market funds provided by the Plan's custodian and have a minimum rating of Standards & Poor's A1 or Moody's P1.
- 4) Pooled Funds - Pooled funds may include, but are not limited to, mutual funds, commingled funds, exchange-traded funds, limited partnerships and private equity. Pooled funds may be governed by separate documents which may include investments not expressly permitted in this Investment Policy Statement. In the event of investment by the Plan into a pooled fund, the Board will adopt the prospectus or governing policy of that fund as the stated addendum to this Investment Policy Statement.

INVESTMENT ALLOCATION

The policy in regard to the allocation of invested assets is established and may be amended by a majority vote of the Board of Trustees. It is the Board of Trustees' policy to pursue an investment strategy that reduces risk through the prudent diversification of the investment portfolio across a broad selection of distinct asset classes. The investment policy of the Plan discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The investment strategy and allocations are reviewed quarterly with the assistance of the Plan's investment consultant and are rebalanced to the target asset allocations based on market conditions.

**THE CITY DELRAY BEACH POLICE OFFICERS’
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

INVESTMENT ALLOCATION (CONTINUED)

The long-term expected net rate of return on investments was determined using a building-block method. Best-estimate 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 arithmetic real rates of return for each major asset class as provided by the investment managers, together with the Board of Trustees’ adopted asset allocation policy as of fiscal year ended September 30, 2023, are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	49.0 %	7.50 %
International equity	16.0	8.50
Fixed income	20.0	2.50
Real estate	10.0	4.50
Alternatives	5.0	6.24
Total	100.0 %	

RATE OF RETURN

The annual money-weighted rate of return on Plan investments, net of pension investment expense, was 12.02% for the fiscal year ended September 30, 2023. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE OF INVESTMENTS

The Plan follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which establishes a framework for measuring the fair value of investments in a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Plan has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the assets.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the entity's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques would typically include discounted cash flow models and similar techniques, but may also include the use of market prices of assets that are not directly comparable to the subject asset.

The fair value measurement of an asset within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Plan's perceived risk of that investment.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

VALUATION METHODOLOGIES

The following valuation methods and assumptions were used by the Plan to estimate the fair value of financial instruments measured at fair value on a recurring basis under GASB Statement No. 72:

Global asset allocation investment fund and fixed income mutual funds: Valued at the closing price reported on the active exchange on which the individual securities are actively traded. Securities that are not actively traded are valued using a matrix pricing technique based on the securities' relationship to quoted benchmark prices.

Domestic equity securities and foreign stocks: Valued at the closing price reported on the active exchange on which the individual securities are actively traded.

Domestic and international equity mutual funds and domestic equity index funds: Valued at the closing net asset value reported on the active exchange on which the individual investment funds are actively traded.

Investments measured at net asset value (NAV): Pooled domestic equity index funds, real estate investments funds, and fixed income alternative investment funds, are valued at the unadjusted NAV per share at September 30, 2023, calculated in a manner consistent with the measurement principles for investment companies based on the fair value of the underlying fund investments, as determined by the fund manager or by valuations of a fund's underlying assets as provided by the general partner or investment manager, since the assets are not publicly traded. These funds may hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair values of alternative investment funds have been estimated by the management of the pension funds and their investment advisors in the absence of readily ascertainable fair values.

Real estate values are based upon periodic independent appraisals performed for assets held by the funds. The fair value of real estate is the price that would be received if the asset was sold to a market participant assuming the highest and best use of each asset at the measurement date. The pooled domestic equity index fund and fixed income alternative investment fund are not publicly traded and invest in various types of equity and fixed income securities.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

VALUATION METHODOLOGIES (CONTINUED)

The reported fair values for the alternative investment funds 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 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 also expose the Plan to additional investment risks, including liquidity risks; counterparty and custody risks; foreign political, economic and governmental risks; and, market risk.

DROP participant pooled investment funds: Price/unit values for DROP investment options are calculated daily by the DROP provider based on the quoted price on a national exchange for the underlying mutual funds held in comingled pooled investment accounts through a group trust, adjusted for certain expense factors disclosed in the DROP provider contract.

The methods and assumptions described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Plan believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods and assumptions used for the fiscal year ended September 30, 2023.

The financial assets measured at fair value on a recurring basis include the Plan's investments. There were no liabilities measured at fair value on a recurring basis at September 30, 2023.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE OF INVESTMENTS

The following table summarizes the valuation of the Plan's investments in accordance with the above mentioned fair value hierarchy levels as of September 30, 2023:

	Total	(Level 1)	(Level 2)	(Level 3)
Fixed Income Investments				
Global asset allocation investment fund	\$ 11,463,043	\$ 11,463,043	\$ --	\$ --
Fixed income mutual funds	<u>10,835,400</u>	<u>10,835,400</u>	<u>--</u>	<u>--</u>
Total debt securities	<u>22,298,443</u>	<u>22,298,443</u>	<u>--</u>	<u>--</u>
Equity Investments				
Domestic equity securities	35,609,731	35,609,731	--	--
Domestic equity mutual funds	11,185,472	11,185,472	--	--
Domestic equity index funds	14,289,646	14,289,646	--	--
International equity mutual funds	14,073,317	14,073,317	--	--
Foreign stocks	<u>1,678,283</u>	<u>1,678,283</u>	<u>--</u>	<u>--</u>
Total equity securities	<u>76,836,449</u>	<u>76,836,449</u>	<u>--</u>	<u>--</u>
Total investments by fair value level	<u>99,134,892</u>	<u>\$ 99,134,892</u>	<u>\$ --</u>	<u>\$ --</u>
Investments Measured at Net Asset Value (NAV)				
Pooled domestic equity index funds (1)	9,890,824			
Real estate investment funds (2)	9,846,938			
Fixed income alternative investment funds (3)	<u>2,935,496</u>			
Total investments at NAV	22,673,258			
Money market funds (Exempt)	<u>1,651,931</u>			
Total Investments	<u>\$ 123,460,081</u>			

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE OF INVESTMENTS (CONTINUED)

Investments that are measured at net asset value as a practical expedient have the following commitments and restrictions and conditions of redemptions at September 30, 2023:

Investments Measured at NAV	Reported Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Pooled domestic equity funds (1)	\$ 9,890,824	\$ --	N/A	N/A
Real estate investment funds (2)	1,633,817	75,889	Quarterly	5 days
Real estate investment funds (2)	2,947,744	--	N/A	N/A
Real estate investment funds (2)	4,931,500	--	Quarterly	2 days
Real estate investment funds (2)	333,877	43,267	Quarterly	2 days
Fixed income alternate investment funds (3)	1,054,414	2,241,016	Quarterly	3 days
Fixed income alternate investment funds (3)	325,985	390,451	Quarterly	1 day
Fixed income alternate investment funds (3)	1,309,346	1,135,961	Quarterly	Same day
Fixed income alternate investment funds (3)	<u>245,751</u>	<u>2,692,500</u>	Quarterly	90 days
Total	<u>\$22,673,258</u>	<u>\$ 6,579,084</u>		

(1) *Pooled domestic equity index funds* – This investment category consists of two funds. One fund is a large cap growth pooled index trust and one fund is a large cap value pooled index trust and the investment objective of the funds are to match the return of the Russell 1000 Growth Index and Russel 1000 Value Index, respectively, through investment in substantially all of the stocks contained in these indexes.

(2) *Real estate investment funds* – This investment category consists of four funds. The funds are open-end funds that invest in a diversified core of real estate.

(3) *Fixed income alternative investments funds* – This investment category consists of four funds. The funds invest in secure loans and other debt securities of U.S companies.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

FAIR VALUE OF INVESTMENTS (CONTINUED)

The Mission Square Retirement 401(a) DROP plan investments consist of participant directed investments in comingled pooled investment accounts that invest in various mutual fund products through a group trust.

The fair value of the DROP investments at September 30, 2023 is summarized as follows:

DROP Investments	
Domestic fixed income funds	\$ 1,412,834
Asset allocation funds	2,609,181
Domestic equity funds	1,849,745
International equity funds	244,817
Specialty sector funds	187,109
Stable value fund	<u>5,059,120</u>
Total DROP Investments	<u>\$ 11,362,806</u>

All DROP investments are considered to be Level 2 fair value investments.

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 financial failure. The Plan's investment policy requires investments to be fully insured or collateralized, or held in independent custodial safekeeping accounts in the name of the Plan. At September 30, 2023 all direct investments in securities were held in an independent custodial safekeeping account. Money market mutual funds, mutual funds, index funds and alternative investments, were considered unclassified investments pursuant to GASB Standards.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan's investment policy requires diversification of investments to minimize potential losses on individual securities. Securities of a single issuer are limited to no more than 5% of the Plan's net position invested in common stocks and debt securities. Investments in mutual funds, index funds and alternative investments are excluded from the concentration of credit risk disclosure requirement.

**THE CITY DELRAY BEACH POLICE OFFICERS’
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

CREDIT RISK

Credit risk is the risk that a debt issuer will not fulfill its obligations. The Plan’s investment policy addresses credit risk by limiting investments to the safest types of securities, which are generally those with investment grade credit ratings (BBB or better) from a Nationally Recognized Statistical Rating Organization (“NRSRO”) at the date of purchase. The Plan utilizes ratings from Standard & Poor’s and Moody’s Investor Services for its investments.

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 risk. The Plan’s investment policy has no specific limits on investment maturities. The table below summarizes the NRSRO ratings and the average effective duration in years for the fixed income investments of the Plan at September 30, 2023.

	NRSRO Rating	Average Effective Duration	Reported Value
Money market mutual funds	AAAm	Under 90 days	\$ 1,651,931
Global asset allocation investment fund	Unrated	3.4 years	11,463,043
Fixed income mutual funds	Unrated	5.2 years	10,835,400
Fixed income alternative investment fund	Unrated	Not available	2,935,496
Participant directed pooled investment funds (DROP) Domestic fund income and stable value funds	Unrated	Not available	6,471,954

FOREIGN CURRENCY RISK

Foreign currency risk includes the risk of 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 and taxation on realized and unrealized gains, and their price may be more volatile than those of comparable securities in U.S. companies. All investments held by the Plan at fiscal year-end are denominated in U.S. Dollars. The Plan is not subject to foreign currency risk.

**THE CITY DELRAY BEACH POLICE OFFICERS’
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 3 – INVESTMENTS (CONTINUED)

RISKS AND UNCERTAINTIES

Due to the various risks associated with certain investments, it is at least 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 accompanying financial statements. The value, liquidity, and related income of certain securities with contractual cash flows, such as asset backed securities, collateralized mortgage obligations, commercial mortgage backed securities and real estate funds or pooled funds investing in these securities or entities, are particularly sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market’s perception of the issuers and changes in interest rates.

NOTE 4 – NET PENSION LIABILITY

The components of the net pension liability of the City at September 30, 2023, the measurement date for the Plan, were as follows:

Total pension liability	\$196,564,543
Less: Plan fiduciary net position	<u>135,092,454</u>
Net Pension Liability	<u>\$ 61,472,089</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.7%

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 4 – NET PENSION LIABILITY (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2022, rolled forward to September 30, 2023, based on the following actuarial assumptions:

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	20 years
Asset valuation method	4 year smoothed
Cost of living adjustments	1.0% per year
Inflation	2.5%
Salary increases	5.25% - 6.75% depending on service
Investment rate of return	6.75%
Mortality	PUB-2010 Headcount Weighted Safety Below Median Male Table and PUB-2010 Headcount Weighted Safety Employee Female Table. The tables use ages set forward one year and mortality improvements to all future years after 2010 using scale MP-2018. These are the same mortality rates used for Special Risk Class members in the July 1, 2021 actuarial valuation of the Florida Retirement System.

The actuarial assumptions used in the October 1, 2022 valuation were based on an experience study for the seven years ended September 30, 2019.

DISCOUNT RATE

The discount rate used to measure the total pension liability was 6.75%. This is the single rate that reflects the long-term expected rate of return on pension plan investments expected to be used to finance the payment of benefits. The projection of cash flows used to determine the discount rate assumed that plan member contributions are made at the current contribution rate and that City contributions will be made for the actuarially determined contribution. Based on those assumptions, the pension plan's fiduciary net position is 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 is applied to all periods of projected benefit payments to determine the total pension liability. For purposes of this determination, it is understood that pension plan assets are expected to be invested using a strategy to achieve the net discount rate.

**THE CITY DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

NOTE 4 – NET PENSION LIABILITY (CONTINUED)

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the net pension liability calculated using the current discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	<u>\$ 85,287,104</u>	<u>\$ 61,472,089</u>	<u>\$ 41,918,035</u>

NOTE 5 – RISK MANAGEMENT

RISK MANAGEMENT

The Plan is exposed to various risks of loss related to torts; theft of assets; fiduciary duty; and, errors and omissions. The Plan is also subject to risk of loss arising in the ordinary course of business, including, but not limited to, claims for damages for personal injuries and breach of contract. The Plan purchases commercial insurance for these risks. There were no significant reductions in insurance coverage from the prior year and no settlements in excess of coverage for the prior three years.

As a political subdivision of the State of Florida, the Plan has sovereign immunity under the Florida Constitution for tort actions. Therefore, in accordance with Chapter 768.28 Laws of Florida, the Plan is not liable to pay a claim or judgment, or any portions thereof, which when totaled with all other claims or judgments paid by the State or its agencies or subdivisions arising out of the same incident or occurrence, exceeds the aggregate sum of \$300,000. Chapter 768.28 also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to and approved by the Florida Legislature.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 3,362,525	\$ 3,254,371	\$ 3,302,977	\$ 3,026,742	\$ 2,660,367	\$ 2,250,201	\$ 2,257,858	\$ 4,161,533	\$ 4,116,670	\$ 4,215,639
Interest	12,853,227	12,333,708	11,791,348	11,453,773	10,940,196	10,828,233	10,166,078	16,394,667	19,332,804	16,854,289
Changes in excess State contributions	--	--	--	--	--	--	--	(1,741,230)	659,168	1,406,983
Changes of benefit terms	17,725	--	--	--	--	--	--	(1,121,765)	(347,798)	--
Differences between expected and actual experience	(1,909,097)	1,325,865	2,068,151	4,122,894	2,398,201	(1,601,389)	3,864,146	1,568,118	(2,020,566)	--
Contributions - buyback	--	--	--	--	--	--	--	32,218	34,696	128,140
Changes of assumptions	--	--	--	795,219	4,555,304	12,048,119	--	7,407,717	--	--
Benefit payments, including refunds	(9,630,966)	(9,020,098)	(9,137,716)	(8,089,391)	(8,299,339)	(8,478,635)	(7,528,330)	(13,532,591)	(13,282,705)	(12,180,870)
Net Change in Total Pension Liability	4,693,414	7,893,846	8,024,760	11,309,237	12,254,729	15,046,529	8,759,752	13,168,667	8,492,269	10,424,181
Total Pension Liability - Beginning	191,871,129	183,977,283	175,952,523	164,643,286	152,388,557	137,342,028	128,582,276	238,707,736	230,215,467	219,791,286
Total Pension Liability - Ending (a)	\$ 196,564,543	\$ 191,871,129	\$ 183,977,283	\$ 175,952,523	\$ 164,643,286	\$ 152,388,557	\$ 137,342,028	\$ 251,876,403	\$ 238,707,736	\$ 230,215,467
Plan Fiduciary Net Position										
Contributions										
Employer	\$ 7,882,933	\$ 8,119,171	\$ 8,033,015	\$ 6,917,364	\$ 6,247,516	\$ 5,113,912	\$ 5,162,290	\$ 10,789,457	\$ 10,837,369	\$ 9,057,075
Plan members	1,252,569	1,159,973	1,063,696	1,196,828	1,160,807	1,126,780	1,058,195	1,806,021	1,634,828	1,594,712
State	1,036,799	896,146	834,187	868,062	835,929	786,320	742,419	1,909,358	1,896,237	1,951,084
Net investment income (loss)	15,108,173	(24,517,373)	25,529,508	9,377,158	4,535,475	7,424,945	9,498,373	13,455,717	(1,922,565)	14,082,413
Other income	--	--	--	--	--	--	--	150,647	22,903	--
Equity allocation from Legacy Pension Fund	--	--	--	--	--	--	79,052,787	--	--	--
Benefit payments, including refunds	(9,630,966)	(9,020,098)	(9,137,716)	(8,089,391)	(8,299,339)	(8,478,635)	(7,528,330)	(13,532,591)	(13,282,705)	(12,180,870)
Administrative expense	(182,489)	(171,447)	(151,623)	(143,795)	(181,670)	(108,929)	(156,400)	(245,221)	(231,434)	(232,362)
Net Change in Plan Fiduciary Net Position	15,467,019	(23,533,628)	26,171,067	10,126,226	4,298,718	5,864,393	87,829,334	14,333,388	(1,045,367)	14,272,052
Plan Fiduciary Net Position - Beginning	119,625,435	143,159,063	116,987,996	106,861,770	102,563,052	96,698,659	8,869,325	153,260,618	154,305,985	140,033,933
Plan Fiduciary Net Position - Ending (b)	(1) \$ 135,092,454	\$ 119,625,435	\$ 143,159,063	\$ 116,987,996	\$ 106,861,770	\$ 102,563,052	\$ 96,698,659	\$ 167,594,006	\$ 153,260,618	\$ 154,305,985
Net Pension Liability - Ending (a)-(b)	\$ 61,472,089	\$ 72,245,694	\$ 40,818,220	\$ 58,964,527	\$ 57,781,516	\$ 49,825,505	\$ 40,643,369	\$ 84,282,397	\$ 85,447,118	\$ 75,909,482
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.7%	62.3%	77.8%	66.5%	64.9%	67.3%	70.4%	66.5%	64.2%	67.0%
Covered Payroll	\$ 12,962,713	\$ 12,245,085	\$ 11,523,962	\$ 12,084,406	\$ 12,078,834	\$ 11,125,424	\$ 10,738,126	\$ 19,643,308	\$ 18,107,436	\$ 16,474,658
Net Pension Liability as a Percentage of Covered Payroll	474.2%	590.0%	354.2%	487.9%	478.4%	447.9%	378.5%	429.1%	471.9%	460.8%

Notes to Schedule:

(1) The Plan fiduciary net position above does not agree to the Plan fiduciary net position presented in the statement of fiduciary net position as of September 30, 2022. The difference of \$11,741 was caused by an adjustment that was made after the actuary finalized their GASB Statement No. 67 report.

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan.

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

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2023	\$ 8,489,528	\$ 8,489,528	\$ --	\$ 12,962,713	65.5%
2022	8,725,766	8,725,766	--	12,245,085	71.3%
2021	8,639,610	8,639,610	--	11,523,962	75.0%
2020	7,523,959	7,523,959	--	12,084,406	62.3%
2019	6,854,111	6,854,111	--	12,078,834	56.7%
2018	5,985,879	5,720,507	265,372	11,125,424	51.4%
2017	5,503,513	5,904,709	(401,196)	10,738,126	55.0%
2016	11,294,379	11,294,379	--	19,643,308	57.5%
2015	11,293,235	11,342,291	(49,056)	18,107,436	62.6%
2014	9,209,334	9,561,997	(352,663)	16,474,658	58.0%

Notes to Schedule:

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan.

Actual contribution for 2017 and later years is based on the City contribution plus \$606,595 of the State contribution per the City's pension ordinance.

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

**CITY OF DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO SCHEDULE OF CITY CONTRIBUTIONS

Actuarial valuation date October 1, 2021

Contribution Fiscal Year September 30, 2023

Note: Actuarially determined contribution rates are calculated at October 1, two years prior to the end of the fiscal year in which the contributions are reported.

ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method Entry Age Normal

Amortization method Level Dollar, Closed

Remaining amortization period 20 years

Asset valuation method 5 year smoothed

Inflation 2.5% per year

Salary increases 5.25% to 6.75% depending on service

Investment rate of return 6.75%

Cost of living adjustments 1.0% per year for those that retire after 10/1/1993

Retirement age *For members hired before July 7, 2015:*
35% retire on normal retirement date; 10% retire each of the next two years; 25% retire in the third year; 25% retire in the fourth year; and 100% retire in the fifth year following normal retirement date. This assumption is based on the results of an experience study assumed.
For members hired after July 7, 2015:
25% of those members age 55+ with 10-24 years of service and 100% of members with 25+ years of service.

Mortality *Healthy Lives:*
PUB-2010 Headcount Weighted Safety Below Median Male Table and PUB-2010 Headcount Weighted Safety Employee Female Table. The tables use ages set forward one year and mortality improvements to all future years after 2010 using scale MP-2018.

**CITY OF DELRAY BEACH POLICE OFFICERS'
RETIREMENT SYSTEM**

NOTES TO SCHEDULE OF CITY CONTRIBUTIONS

ACTUARIAL METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES (CONTINUED):

Mortality (continued) *Disabled Lives:*
 80% of the PUB-2010 Headcount Weighted General Disabled Retiree Male Table and Female Table and 20% of the PUB-2010 Headcount Weighted Safety Disabled Retiree mortality improvements.
 The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those used for Special Risk Class members in the July 1, 2020 FRS actuarial valuation report. 85% of active deaths are assumed to happen in the line of duty.

Married 85% are assumed married with the husband 3 years older than the wife, for purposes of death-in-service benefits.

Rates of Separation from Active Membership	Years of Service	Sample Ages	Percentage of Active Members Separating Within Next Year
	0 - 1	All Ages	9.0%
	2 - 3	All Ages	8.5%
	4 - 5	All Ages	8.0%
	6 - 7	All Ages	6.0%
	8 - 9	All Ages	3.0%
	10+	0 - 34	3.0%
	10+	35 - 39	2.5%
	10+	40 - 44	2.0%
	10+	45+	1.0%

Payroll Growth: 1.17% (limited in compliance with Part VII of Chapter 112, Florida Statutes, to the actual ten-year payroll growth average as determined in 2014 and maintained for future valuations).

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Annual Money Weighted Rate of Return, Net of Investment Expenses</u>
2023	12.02 %
2022	(16.82)%
2021	21.71 %
2020	8.34 %
2019	4.43 %
2018	7.81 %
2017	10.74 %
2016	8.86 %
2015	(1.23)%
2014	9.32 %

Notes to Schedule:

Information prior to fiscal year 2014 is not available.

Prior to 2017 the Police Officers' and Firefighters' Retirement Systems were operated as a single plan covering both employee groups. The City adopted Ordinance No. 17-16 effective October 1, 2016, that established a separate pension plan for police officers and a separate pension plan for firefighters. Information for 2016 and prior years is for the combined pension plan.

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

	Defined Benefit Pension Plan	Deferred Retirement Option (DROP) Pension Plan	Total Pension Trust Funds
Investment Expenses			
Investment manager fees	\$ 772,967	\$ 8,652	\$ 781,619
Total Investment Expenses	<u>\$ 772,967</u>	<u>\$ 8,652</u>	<u>\$ 781,619</u>
Administrative Expenses			
City administration	\$ 62,316	\$ --	\$ 62,316
Actuarial fees	36,951	--	36,951
Legal fees	31,740	--	31,740
Audit fees	20,200	--	20,200
Fiduciary liability insurance	15,632	--	15,632
Training and education	<u>15,564</u>	<u>--</u>	<u>15,564</u>
Total Administrative Expenses	<u>\$ 182,489</u>	<u>\$ --</u>	<u>\$ 182,489</u>

REPORTING SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees and Pension Administrator
City of Delray Beach Police Officers' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the combined financial statements of the City of Delray Beach Police Officers' Retirement System (the "Plan"), as of and for the fiscal year ended September 30, 2023, and the related notes to the combined financial statements, which collectively comprise the combined financial statements of the Plan, and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the combined 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 combined 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 combined financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's combined 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 combined 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.

Marcum LLP

West Palm Beach, Florida
March 25, 2024