



**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

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POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Palm Bay
Police and Firefighters' Retirement System
Palm Bay, Florida

Opinions

We have audited the accompanying financial statements of the City of Palm Bay Police and Firefighters' Retirement System (the "System") as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System, as of September 30, 2022 and 2021, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 System's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System'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 System's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Palm Bay Police and Firefighters' Retirement System and do not purport to, and do not present fairly, the financial position of the City of Palm Bay, Florida, as of September 30, 2022 and 2021, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and schedule of changes in the city's net pension liability, schedule of contributions, schedule of investment returns and notes to the required supplementary information on pages 34 through 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, on our consideration of the System'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 System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
January 20, 2023

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022
(Unaudited)**

Our discussion and analysis of the City of Palm Bay Police and Firefighters' Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the fiscal years ended September 30, 2022 and 2021. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements, and required supplementary information. Please read it in conjunction with the System's financial statements, which follow this discussion.

Financial Highlights

- The System's assets exceeded its liabilities at the close of fiscal years ended September 30, 2022 and 2021 by \$202,091,288 and \$256,665,842, respectively (reported as net position, restricted for pensions). The System's net position is held in trust to meet future benefit payments. The decrease of \$(54,574,554) has resulted primarily from the changes in the fair value of the System's investments due to unfavorable financial markets.
- For the fiscal year ended September 30, 2022, receivables decreased \$(1,002,420) (or -62%) due primarily to a decrease in due from broker.
- For the fiscal year ended September 30, 2021, receivables increased \$767,095 (or 90%) due primarily to an increase in due from broker.
- For the fiscal year ended September 30, 2022, employer contributions to the System increased \$666,269 (or 14%). Actual employer contributions as determined by the System's actuary were \$5,326,712 and \$4,660,443 for 2022 and 2021, respectively.
- For the fiscal year ended September 30, 2021, employer contributions to the System decreased \$(8,363) (or 0%). Actual employer contributions as determined by the System's actuary were \$4,660,443 and \$4,668,806 for 2021 and 2020, respectively.
- For the fiscal year ended September 30, 2022, employee contributions including buybacks increased by \$208,908 (or 16%). Actual employee contributions, including buybacks and employee purchases for additional pensionable compensation, were \$1,530,053 and \$1,321,145, for 2022 and 2021, respectively. Routine employee contributions have increased by \$209,477 and buyback contributions decreased by \$(569).
- For the fiscal year ended September 30, 2021, employee contributions including buybacks increased by \$35,017 (or 3%). Actual employee contributions, including buybacks and employee purchases for additional pensionable compensation, were \$1,321,145 and \$1,286,128, for 2021 and 2020, respectively. Routine employee contributions have increased by \$15,757 and buyback contributions increased by \$19,260.
- For the fiscal year ended September 30, 2022, the System had net investment return of \$(49,254,229) and \$43,581,035 for the fiscal year ended 2021. Actual results were \$(53,665,034) and \$39,958,093, of net appreciation (depreciation) in fair value of investments for the fiscal years ended 2022 and 2021, respectively, and \$5,551,356 and \$4,837,100, of income from interest and dividends for the fiscal years ended 2022 and 2021, respectively. Investment expenses decreased by \$(60,304) (or -5%).

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022
(Unaudited)**

- For the fiscal year ended September 30, 2021, the System had net investment income of \$43,581,035 and \$23,551,986 for the fiscal year ended 2020. Actual results were \$39,958,093 and \$20,198,181, of net appreciation in fair value of investments for the fiscal years ended 2021 and 2020, respectively, and \$4,837,100 and \$4,387,460, of income from interest and dividends for the fiscal years ended 2021 and 2020, respectively. Investment expenses increased by \$179,980 (or 17%).
- For the fiscal year ended September 30, 2022, benefit payments increased by \$970,033 (or 8%). There were no refunds of contributions in fiscal year ended September 30, 2022, compared with refunds of \$117,225 in fiscal year ended September 30, 2021.
- For the fiscal year ended September 30, 2021, benefit payments decreased by \$361,519 (or -3%). Refunds of contributions decreased by \$(12,293) (or -9%). Police refunds represented approximately 84% of total refunds, and fire refunds represented approximately 16% of total refunds.
- For the fiscal year ended September 30, 2022, administrative expenses decreased by \$(19,200) from 2021 (or -4%), primarily due to a decrease in pension staff personnel costs and computer expense, partially offset by an increase in costs to attend conferences.
- For the fiscal year ended September 30, 2021, administrative expenses increased by \$11,441 from 2020 (or 2%), primarily due to an increase in pension staff personnel costs.

Plan Highlights

The Palm Bay Police and Firefighters' Retirement System was formed in 1974 and celebrated its 48th year as a plan in 2022. The projected trends reflect a steady increase in normal membership retirements and Deferred Retirement Option Program (DROP) participation, over the next five years of members reaching normal retirement age of 55 or 25 years of service, regardless of age.

The Palm Bay Police and Firefighters' Retirement System has consistently achieved, in most cases, its one to ten year fiduciary goals and objectives. The Board continues to offer increased availability and service to active and retired police officers and firefighters, still providing a community-minded responsible Board making sound, informed financial decisions in the best interest of the membership and the City.

The total market return for the year ended September 30, 2022 was -19.1%, while the total market return for the year ended September 30, 2021 was 20.3%. The best performing asset category for the 2022 fiscal year was private real estate with a 19.1% return. Almost all other major asset classes had negative returns for the fiscal year, with fixed income having the worst year on record; the System's fixed income investments returned -13.9% for the year. Domestic equity securities were the best performing assets in 2021 with a 32.1% return. Overall, actual net returns from investments were negative in 2022 and positive in 2021 primarily due to volatile financial markets.

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022
(Unaudited)**

Overview of the Financial Statements

The basic financial statements include the statements of fiduciary net position, statements of changes in fiduciary net position, and notes to the financial statements. The System also includes in this report additional information to supplement the financial statements.

The System presents required supplementary schedules, which include historical trend information about the System.

The System prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the System's overall financial status.

Description of the Financial Statements

The *Statement of Fiduciary Net Position* presents information that includes all of the System's assets and liabilities, with the balance representing the net position restricted for pensions. It is a snapshot of the financial position of the System at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the System's net position changes during the fiscal year. The additions and deductions to net position are summarized in this statement. The additions include contributions to the retirement plans from employers and members (employees) and net investment income, which includes interest, dividends, investment expenses, and the net (depreciation) appreciation in the fair value of investments. The deductions include benefit payments, refunds of members (employees) contributions and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the System, contributions, significant accounting policies, funding policy, and investment risk disclosure.

There is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. The schedules consist of the System's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the System's investment returns.

Additional information is presented as part of *Other Supplementary Information*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the System and includes financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in administration of the System.

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022
(Unaudited)**

Condensed Statements of Fiduciary Net Position

The table below reflects condensed comparative statements of fiduciary net position as of September 30:

Statements of Fiduciary Net Position

	<u>2022</u>	<u>2021</u>	Increase/ (Decrease)	% Change
Cash and cash equivalents	\$ 7,425,198	\$ 8,376,885	\$ (951,687)	-11 %
Receivables	619,396	1,621,816	(1,002,420)	-62
Investments	194,958,420	249,744,364	(54,785,944)	-22
Other assets	36,672	31,799	4,873	15
Total assets	<u>203,039,686</u>	<u>259,774,864</u>	<u>(56,735,178)</u>	<u>-22</u>
Liabilities	<u>948,398</u>	<u>3,109,022</u>	<u>(2,160,624)</u>	<u>-69</u>
Net position restricted for pensions	<u>\$ 202,091,288</u>	<u>\$ 256,665,842</u>	<u>\$ (54,574,554)</u>	<u>-21 %</u>

	<u>2021</u>	<u>2020</u>	Increase/ (Decrease)	% Change
Cash and cash equivalents	\$ 8,376,885	\$ 9,889,954	\$ (1,513,069)	-15 %
Receivables	1,621,816	854,721	767,095	90
Investments	249,744,364	210,516,051	39,228,313	19
Other assets	31,799	29,594	2,205	7
Total assets	<u>259,774,864</u>	<u>221,290,320</u>	<u>38,484,544</u>	<u>17</u>
Liabilities	<u>3,109,022</u>	<u>2,713,997</u>	<u>395,025</u>	<u>15</u>
Net position restricted for pensions	<u>\$ 256,665,842</u>	<u>\$ 218,576,323</u>	<u>\$ 38,089,519</u>	<u>17 %</u>

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022
(Unaudited)**

Condensed Statements of Changes in Fiduciary Net Position

The table below reflects a condensed comparative summary of the changes in plan fiduciary net position and reflects the activities of the System for the fiscal years ended September 30:

Statements of Changes in Fiduciary Net Position				
	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Additions				
Contributions				
Employer	\$ 5,326,712	\$ 4,660,443	\$ 666,269	14 %
Employee	1,470,956	1,261,479	209,477	17
State	1,600,193	1,470,571	129,622	9
Employee buybacks	59,097	59,666	(569)	-1
Total contributions	<u>8,456,958</u>	<u>7,452,159</u>	<u>1,004,799</u>	<u>13</u>
Net investment income (expense)	<u>(49,254,229)</u>	<u>43,581,035</u>	<u>(92,835,264)</u>	<u>-213</u>
Total additions, net	<u>(40,797,271)</u>	<u>51,033,194</u>	<u>(91,830,465)</u>	<u>-180</u>
Deductions				
Benefit payments	13,254,723	12,284,690	970,033	8
Refunds of contributions	-	117,225	(117,225)	-100
Administrative expenses	517,869	541,760	(23,891)	-4
Total deductions	<u>13,772,592</u>	<u>12,943,675</u>	<u>828,917</u>	<u>6</u>
Net increase	<u>(54,569,863)</u>	<u>38,089,519</u>	<u>(92,659,382)</u>	<u>-243</u>
Net position restricted pensions- Beginning of year	<u>256,665,842</u>	<u>218,576,323</u>	<u>38,089,519</u>	<u>17</u>
Net position restricted pensions- End of year	<u>\$ 202,095,979</u>	<u>\$ 256,665,842</u>	<u>\$ (54,569,863)</u>	<u>-21 %</u>
	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>% Change</u>
Additions				
Contributions				
Employer	\$ 4,660,443	\$ 4,668,806	\$ (8,363)	0 %
Employee	1,261,479	1,245,722	15,757	1
State	1,470,571	1,421,278	49,293	3
Employee buybacks	59,666	40,406	19,260	48
Total contributions	<u>7,452,159</u>	<u>7,376,212</u>	<u>75,947</u>	<u>1</u>
Net investment income	<u>43,581,035</u>	<u>23,551,986</u>	<u>20,029,049</u>	<u>85</u>
Total additions	<u>51,033,194</u>	<u>30,928,198</u>	<u>20,104,996</u>	<u>65</u>
Deductions				
Benefit payments	12,284,690	12,646,209	(361,519)	-3
Refunds of contributions	117,225	129,518	(12,293)	-9
Administrative expenses	541,760	530,319	11,441	2
Total deductions	<u>12,943,675</u>	<u>13,306,046</u>	<u>(362,371)</u>	<u>-3</u>
Net increase	<u>38,089,519</u>	<u>17,622,152</u>	<u>20,467,367</u>	<u>116</u>
Net position restricted pensions- Beginning of year	<u>218,576,323</u>	<u>200,954,171</u>	<u>17,622,152</u>	<u>9</u>
Net position restricted pensions- End of year	<u>\$ 256,665,842</u>	<u>\$ 218,576,323</u>	<u>\$ 38,089,519</u>	<u>17 %</u>

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022
(Unaudited)**

The System's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year September 30, 2022 decreased from the fiscal year ended September 30, 2021, and returns from fiscal year ended September 30, 2021 increased from the fiscal year ended September 30, 2020.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of fiscal year September 30, 2022, the domestic equity portion comprised 35% or \$71,656,331 of the total portfolio, and consists of common stocks and domestic equity funds. The allocation to fixed income securities was 20% or \$40,476,048, while cash and cash equivalents comprised 3% or \$7,425,199. The portion of investments allocated to international equity represented 17% or \$33,419,277 of the total portfolio and real estate represented 11% or \$22,983,688, while convertible securities represented 10% or \$20,117,621 of the total portfolio. The allocation to infrastructure was 3% or \$6,305,454. The \$7,425,199 or 3% in cash and cash equivalents includes a payout expense account to disburse monthly plan expenses and benefit payments. This lowers operating costs of the System by reducing fees previously incurred in raising cash on a bi-weekly basis.

At the end of fiscal year September 30, 2021, the domestic equity portion comprised 38% or \$99,304,538 of the total portfolio, and consists of common stocks and domestic equity funds. The allocation to fixed income securities was 19% or \$49,811,603, while cash and cash equivalents comprised 3% or \$8,376,886. The portion of investments allocated to international equity represented 18% or \$47,128,132 of the total portfolio and real estate represented 8% or \$19,949,815, while convertible securities represented 10% or \$26,842,428 of the total portfolio. The allocation to infrastructure was 3% or \$6,707,847. The \$8,376,886 or 3% in cash and cash equivalents includes a payout expense account to disburse monthly plan expenses and benefit payments. This lowers operating costs of the System by reducing fees previously incurred in raising cash on a bi-weekly basis.

The target asset allocation as of September 30, was as follows:

2022	2021	
35%	35%	Domestic Equity
25%	25%	Fixed Income
10%	10%	Real Estate
15%	15%	International Equity
10%	10%	Convertible Securities
5%	5%	Infrastructure

Contacting the System's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Palm Bay Police and Firefighters Retirement System, 1501 Robert J. Conlan Boulevard, Suite 240, Palm Bay, Florida 32905 or call (321) 724-8877.

CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2022

	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>General Employees</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 3,715,379	\$ 3,688,331	\$ 21,488	\$ 7,425,198
Investments, at fair value:				
Common stocks	34,836,329	21,675,082	-	56,511,411
Domestic equity funds	11,009,131	8,517,415	131,093	19,657,639
U.S. government securities	12,732,246	8,431,887	-	21,164,133
Corporate bonds	11,505,762	7,752,684	-	19,258,446
Bond funds	-	-	53,469	53,469
International equity funds	14,684,077	14,222,483	-	28,906,560
Real estate funds	11,491,844	11,491,844	-	22,983,688
Convertible securities	10,180,702	9,936,918	-	20,117,620
Infrastructure	3,266,751	3,038,703	-	6,305,454
Total investments	<u>109,706,842</u>	<u>85,067,016</u>	<u>184,562</u>	<u>194,958,420</u>
Receivables:				
Accrued interest and dividends	207,239	144,453	-	351,692
Due from broker	117,507	86,799	-	204,306
Other	30,197	33,201	-	63,398
Due to/from other funds	280	573	(853)	-
Total receivables	<u>355,223</u>	<u>265,026</u>	<u>(853)</u>	<u>619,396</u>
Other assets	<u>20,562</u>	<u>16,045</u>	<u>65</u>	<u>36,672</u>
Total assets	<u>\$ 113,798,006</u>	<u>\$ 89,036,418</u>	<u>\$ 205,262</u>	<u>\$ 203,039,686</u>
Liabilities				
Accounts payable and other liabilities	\$ 151,754	\$ 118,825	\$ 51	\$ 270,630
Deferred City contributions	62,441	54,033	-	116,474
Due to broker	343,075	218,219	-	561,294
Total liabilities	<u>\$ 557,270</u>	<u>\$ 391,077</u>	<u>\$ 51</u>	<u>\$ 948,398</u>
Net position, restricted for pensions	<u>\$ 113,240,736</u>	<u>\$ 88,645,341</u>	<u>\$ 205,211</u>	<u>\$ 202,091,288</u>

See accompanying notes to financial statements.

CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
AS OF SEPTEMBER 30, 2021

	Police Officers	Fire Fighters	General Employees	Total
Assets				
Cash and cash equivalents	\$ 4,199,101	\$ 4,151,915	\$ 25,869	\$ 8,376,885
Investments, at fair value:				
Common stocks	49,075,394	29,856,427	-	78,931,821
Domestic equity funds	14,590,429	11,129,561	165,657	25,885,647
U.S. government securities	19,601,610	12,830,774	-	32,432,384
Corporate bonds	10,194,741	7,118,565	-	17,313,306
Bond funds	-	-	65,912	65,912
International equity funds	21,019,434	20,595,769	-	41,615,203
Real estate funds	9,974,908	9,974,908	-	19,949,816
Convertible securities	13,571,279	13,271,149	-	26,842,428
Infrastructure	3,475,224	3,232,623	-	6,707,847
Total investments	<u>141,503,019</u>	<u>108,009,776</u>	<u>231,569</u>	<u>249,744,364</u>
Receivables:				
Accrued interest and dividends	180,845	130,466	-	311,311
Due from broker	772,717	535,101	-	1,307,818
Other	1,389	1,298	-	2,687
Due to/from other funds	5,061	3,686	(8,747)	-
Total receivables	<u>960,012</u>	<u>670,551</u>	<u>(8,747)</u>	<u>1,621,816</u>
Other assets	<u>17,884</u>	<u>13,853</u>	<u>62</u>	<u>31,799</u>
Total assets	<u>\$ 146,680,016</u>	<u>\$ 112,846,095</u>	<u>\$ 248,753</u>	<u>\$ 259,774,864</u>
Liabilities				
Accounts payable and other liabilities	\$ 183,185	\$ 138,448	\$ 61	\$ 321,694
Deferred retirement option benefits due and currently payable	-	423,937	-	423,937
Deferred City contributions	39,368	52,051	-	91,419
Due to broker	1,393,250	878,722	-	2,271,972
Total liabilities	<u>\$ 1,615,803</u>	<u>\$ 1,493,158</u>	<u>\$ 61</u>	<u>\$ 3,109,022</u>
Net position, restricted for pensions	<u>\$ 145,064,213</u>	<u>\$ 111,352,937</u>	<u>\$ 248,692</u>	<u>\$ 256,665,842</u>

See accompanying notes to financial statements.

CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>General Employees</u>	<u>Total</u>
Additions				
Contributions				
Employer	\$ 2,177,617	\$ 3,149,095	\$ -	\$ 5,326,712
Employee	832,048	638,908	-	1,470,956
State	1,020,019	580,174	-	1,600,193
Employee buybacks	<u>25,096</u>	<u>34,001</u>	<u>-</u>	<u>59,097</u>
Total contributions	4,054,780	4,402,178	-	8,456,958
Investment income				
Net depreciation in fair value of investments	(31,095,351)	(22,527,838)	(41,845)	(53,665,034)
Interest and dividends	3,061,605	2,486,132	3,619	5,551,356
Miscellaneous	<u>11,849</u>	<u>9,708</u>	<u>16</u>	<u>21,573</u>
Total investment income	(28,021,897)	(20,031,998)	(38,210)	(48,092,105)
Less investment expenses	<u>655,450</u>	<u>506,467</u>	<u>207</u>	<u>1,162,124</u>
Net investment income (expense)	(28,677,347)	(20,538,465)	(38,417)	(49,254,229)
Total additions, net	<u>(24,622,567)</u>	<u>(16,136,287)</u>	<u>(38,417)</u>	<u>(40,797,271)</u>
Deductions				
Benefits paid	6,912,118	6,340,073	2,532	13,254,723
Administrative expenses	<u>288,792</u>	<u>231,236</u>	<u>2,532</u>	<u>522,560</u>
Total deductions	<u>7,200,910</u>	<u>6,571,309</u>	<u>5,064</u>	<u>13,777,283</u>
Net decrease	(31,823,477)	(22,707,596)	(43,481)	(54,574,554)
Net position, restricted for pensions				
Beginning of year	<u>145,064,213</u>	<u>111,352,937</u>	<u>248,692</u>	<u>256,665,842</u>
End of year	<u>\$ 113,240,736</u>	<u>\$ 88,645,341</u>	<u>\$ 205,211</u>	<u>\$ 202,091,288</u>

See accompanying notes to financial statements.

CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Police Officers	Fire Fighters	General Employees	Total
Additions				
Contributions				
Employer	\$ 1,876,364	\$ 2,784,079	\$ -	\$ 4,660,443
Employee	713,687	547,792	-	1,261,479
State	921,042	549,529	-	1,470,571
Employee buybacks	14,123	45,543	-	59,666
Total contributions	<u>3,525,216</u>	<u>3,926,943</u>	<u>-</u>	<u>7,452,159</u>
Investment income				
Net appreciation in fair value of investments	22,654,883	17,265,169	38,041	39,958,093
Interest and dividends	2,598,142	2,235,577	3,381	4,837,100
Miscellaneous	2,019	1,557	3	3,579
Total investment income	<u>25,255,044</u>	<u>19,502,303</u>	<u>41,425</u>	<u>44,798,772</u>
Less investment expenses	<u>689,047</u>	<u>528,473</u>	<u>217</u>	<u>1,217,737</u>
Net investment income	24,565,997	18,973,830	41,208	43,581,035
Total additions	<u>28,091,213</u>	<u>22,900,773</u>	<u>41,208</u>	<u>51,033,194</u>
Deductions				
Benefits paid	6,551,827	5,730,066	2,797	12,284,690
Refunds of contributions	98,153	19,072	-	117,225
Administrative expenses	294,670	242,643	4,447	541,760
Total deductions	<u>6,944,650</u>	<u>5,991,781</u>	<u>7,244</u>	<u>12,943,675</u>
Net increase	21,146,563	16,908,992	33,964	38,089,519
Net position, restricted for pensions				
Beginning of year	<u>123,917,650</u>	<u>94,443,945</u>	<u>214,728</u>	<u>218,576,323</u>
End of year	<u>\$ 145,064,213</u>	<u>\$ 111,352,937</u>	<u>\$ 248,692</u>	<u>\$ 256,665,842</u>

See accompanying notes to financial statements.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM

Organization

The City of Palm Bay Police and Firefighters Retirement System (the "System") is a single employer defined benefit plan established by the City of Palm Bay, Florida (the "City"). The System reflects the provisions and requirements of Ordinance No. 74-9, as amended. Since the System is sponsored by the City, the System is included as a pension trust fund in the City's annual comprehensive financial report as part of the City's financial reporting entity. These financial statements are only for the System and are not intended to present the basic financial statements of the City. Participants should refer to the System summary for more detailed and comprehensive information.

The System's governing board is made up of a Board of Trustees consisting of five members:

- Two are appointed by the City Commission.
- Two are elected by the System's members and are active participants.
- One is appointed by the Board of Trustees and is a retired member.

Participants

Participants are the police officers and firefighters with permanent status in the Police and Fire Department of the City of Palm Bay, Florida. General employees were eligible to receive benefits if participating in the System prior to the formation of the defined contribution plan for the City general employees. Firefighter members are further divided in the following two tiers:

- Tier One members are those firefighters hired prior to March 15, 2012.
- Tier Two members are those firefighters hired on or after March 15, 2012.

Membership

As of October 1, 2022 and 2021, membership in the System consisted of:

	2022			2021		
	Police Officers	Fire Fighters	General Employees	Police Officers	Fire Fighters	General Employees
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	135	102	1	139	101	1
Current employees						
Vested	96	54	-	96	54	-
Nonvested	43	53	-	43	53	-
Total members	<u>274</u>	<u>209</u>	<u>1</u>	<u>278</u>	<u>208</u>	<u>1</u>

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM (CONTINUED)

Contributions

The System provides for member employee contributions of 8.76% for firefighters and police officers of their annual base salary, plus certain other compensation items provided by Ordinance to the System. The general employees' portion of the System is closed.

Pension Benefits

All participants

All regular full-time certified police officers and firefighters are eligible to participate in the System. Full-time police officers and Tier 1 firefighter's benefits vest 50% after five years of service plus 10% per year thereafter to 100% after ten years. Tier 2 firefighters vest 100% after ten or more years. Early retirement, delayed retirement, supplemental, death and disability benefits are also provided. The general employees' portion of the System is closed and providing benefits to two remaining retirees. There are no required contributions.

Police officer members

Normal retirement shall be the earlier of attainment of: (1) age 55, (2) completion of 30 years of credited service regardless of age, (3) age 52 with 25 years of credited service, (4) for police officers who are employed on or after October 1, 2006 and retire after that date, 28 years of credited service, regardless of age, or (5) for police officers who are employed on or after April 5, 2012, completion of 25 years of credited service, regardless of age. Average Final Compensation (AFC) is one-twelfth the average of the best five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each police officer member with less than 20 years of credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to June 1, 1992 and 2.5% of the member's AFC multiplied by the member's credited service performed on and after June 1, 1992. For members who have completed 20 years of credited service as sworn police officers, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon the completion of 28 years of service. For police officer members who are hired on or after October 1, 2016, the maximum normal retirement benefit shall be 85% of average final compensation.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM (CONTINUED)

Pension Benefits (Continued)

Firefighter members

Tier One Members

Normal retirement shall be the earlier of attainment of: (1) age 55, (2) completion of 25 years of credited service at 85% of AFC or completion of 28 years of credited service regardless of age, at a maximum of 100%, or (3) age 52 with 25 years of credited service effective September 30, 2002. Average Final Compensation (AFC) is one-twelfth the average of the best five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each firefighter member hired before March 15, 2012 with less than 20 years credited service will have a monthly normal retirement benefit in an amount equal to 2% of the member's AFC multiplied by the member's credited service performed prior to October 1, 1991 and 2.5% of the member's AFC multiplied but the member's credited service performed on or after October 1, 1991. For member's who have completed 20 years of credited service as a firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3% of the member's AFC multiplied by the member's credited service plus 5% of AFC for service after 20 years to a maximum of 100% of the AFC upon the completion of 28 years of service.

Tier Two Members

Normal retirements shall be the first day of the month coincident with or next following the completion of 25 years of credited service regardless of age. Provided, however that a vested member who terminates prior to attaining 25 years of credited service shall be eligible for normal retirement benefits upon reaching age 55 with ten years of credited service. Average Final Compensation (AFC) is one-twelfth the average of the highest five years of the last ten years of credited service. Payments for unused leave are not included in AFC.

Each firefighter member with less than 20 years credited service will have a monthly normal retirement benefit in an amount equal to 2.5% of the member's AFC multiplied by the member's credited service. For members who have completed 20 years of credited service as a firefighter, instead of the amount described in the previous sentence, the member's monthly normal retirement benefit shall be an amount equal to 3.2% of AFC for service after 20 years to a maximum of 90% of the AFC, excluding supplemental benefits.

Deferred Retirement Option Plan (DROP)

Effective September 30, 2000 for police officers, and September 30, 2001 for firefighters, members who continue in employment past normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the DROP. Each participant in the DROP has an account credited monthly with benefits not received and quarterly with investment earnings net of expenses based on the System's earnings. The DROP is administered by the Board of Trustees. Participation in the DROP is limited to 60 months.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM (CONTINUED)

Deferred Retirement Option Plan (DROP) (Continued)

A summary of the changes in the DROP balances as of September 30, is as follows:

	2022		
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Beginning balance	\$ 3,636,141	\$ 5,263,019	\$ 8,899,160
Additions	447,280	588,039	1,035,319
Distributions	(305,311)	(731,252)	(1,036,563)
Interest	(711,087)	(998,097)	(1,709,184)
Ending balance	<u>\$ 3,067,023</u>	<u>\$ 4,121,709</u>	<u>\$ 7,188,732</u>
	2021		
	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Beginning balance	\$ 3,075,138	\$ 4,237,093	\$ 7,312,231
Additions	383,539	855,553	1,239,092
Distributions	(442,253)	(712,121)	(1,154,374)
Adjustments	1,528	-	1,528
Interest	618,189	882,494	1,500,683
Ending balance	<u>\$ 3,636,141</u>	<u>\$ 5,263,019</u>	<u>\$ 8,899,160</u>

During 2021, the System made adjustments to the DROP accounts for six officers for whom contributions had not been correctly withheld by the City. The cumulative adjustment to the balances was \$1,528 for the impacted officers and is included in the table above.

Police Share Plan

Effective October 1, 2016, the Palm Bay Police Share Plan ("Police Share Plan") was established. The Police Share Plan was created to implement the provisions of Chapter 185, Florida Statutes, and to provide a mechanism to pay required "special benefits" pursuant to Section 185.35, Florida Statutes. The Police Share Plan shall be funded exclusively with available premium tax revenues received from the State of Florida pursuant Chapter 185 and shall be in addition to the monthly defined payable under the System. "Available premium tax revenues" means the amount in excess of \$380,000 in the excess state monies reserve as of June 1, 2016, and the annual amount of Chapter 185 premium tax revenues in excess of \$520,734.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM (CONTINUED)

Fire Share Plan

Effective October 1, 2015, the Palm Bay Fire Plan ("Fire Share Plan") was established. The Fire Share Plan was created to implement the provisions of Chapter 175, Florida Statutes, and to provide a mechanism to pay required "special benefits" pursuant to Section 175.351, Florida Statutes. The Fire Share Plan shall be funded exclusively with available premium tax revenue received from the State of Florida pursuant to Chapter 175 and shall be in addition to the monthly defined benefit payable under the system. "Available premium tax revenues" means the amount in excess of \$150,000 in excess state monies reserve as of October 1, 2015, and the annual amount of Chapter 175 premium tax revenues in excess of \$825,324.

Supplemental Benefits

Police officer members

Police officers who reach normal retirement, early retirement or terminate while vested after October 1, 2006 receive a supplemental benefit equal to \$25 per month times completed years of credited service. The benefit shall cease upon retiree reaching age 65. Effective October 1, 2021, police officer members who thereafter either terminate while vested or reach normal retirement or early retirement shall receive a supplemental benefit of \$35 per month for each complete year of credited service. This benefit shall only be paid for the life of the member. The benefit shall commence upon receipt of a retirement benefit and separation from the City and shall cease when the member attains eligibility for Medicare/Medicaid in accordance with federal standards. Members approved for disability retirement are ineligible for the supplemental retirement benefits.

Firefighter members

Tier One Members

Firefighters receive a supplemental benefit of \$189 per month payable over the life of the retiree only. Firefighters who retire on or after October 1, 2006 receive \$458 per month, instead of \$189. Firefighters who reach normal retirement, early retirement or terminate while vested after October 1, 2007, receive a supplemental benefit equal to \$25 per month times years of credited service earned prior to March 15, 2012. Effective March 15, 2012, firefighters who have not attained age 55 with ten or more years of credited service or 25 years of credited service regardless of age on that date, who either terminate while vested or terminate upon reaching normal or early retirement shall receive a supplemental benefit of \$12 per month for each year of credited service earned on or after March 15, 2012.

The benefit shall cease upon retiree reaching the age of Medicare eligibility and members approved for disability retirement who are being retained on the City's insurance at the expense of the City are ineligible for the supplemental retirement benefit.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM (CONTINUED)

Supplemental Benefits (Continued)

Firefighter members (continued)

Tier Two Members

Firefighters receive a supplemental benefit of \$189 per month payable over the life of the retiree only. Firefighters who retire on or after October 1, 2006 receive \$458 per month, instead of \$189. Firefighters who either terminate while vested or terminate upon reaching normal or early retirement are eligible to receive a supplemental benefit of \$12 per month for each year of credited service earned on or after March 15, 2012. The benefit shall commence upon entry into the DROP or upon receipt of a retirement benefit and separation from the City. This benefit shall only be payable over the life of the member. The benefit will cease upon the member reaching the age of Medicare eligibility and members approved for disability retirement who are being retained on the City's insurance at the expense of the City are ineligible for the supplemental retirement benefit.

Cost-of-Living Adjustment

Police officer members

The System provides for cost-of-living adjustment to police who retire or enter the DROP on or after September 30, 2000. The retirement benefits will increase by 3% each year commencing with the September 30th following three years of retirement.

Firefighter members

Tier One Members

The System provides for cost-of-living adjustment to firefighters who retire or enter the DROP on or after September 30, 2001. The retirement benefits will increase by 3% each year commencing with the September 30th following six years of retirement.

Tier Two Members

The retirement benefit will increase by 2% commencing with the September 30th following six years of retirement.

Investments

The System has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In addition, the System utilizes an investment consultant who monitors the investing activity. The investments owned are held by custodians in the name of the System. The System provides for investment in U.S. Government securities, money market funds, bonds, notes, convertible securities, domestic, international equity securities, and infrastructure.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. DESCRIPTION OF THE SYSTEM (CONTINUED)

Funding Requirements

Pursuant to Florida Statutes, Chapter 175 and 185, contributions from the State of Florida (the "State") consist of an excise tax imposed by the City upon certain casualty insurance companies on the gross amount of receipt of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City. The allowable portion of the State contribution is used to reduce the City's contribution when received. The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the System's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The System's financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized as revenues when due pursuant to actuarial valuations. State contributions are recognized as revenue in the period in which they are approved by the State. Interest and other income are recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash Equivalents: The System considers all highly liquid investments with a maturity of three months or less when purchased, to be cash equivalents.

Investments: Investments are recorded at fair value in the statement of fiduciary net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to Note 5 to the financial statements for more detail regarding the methods used to measure the fair value of investments.

Unrealized gains and losses are presented as net appreciation in fair value investments on the statement of changes in fiduciary net position along with gains and losses realized on sales of investments. Purchases and sales of securities are reflected on a trade-date basis. Interest income is recognized as earned and dividend income is recorded as of the ex-dividend date. Realized gains and losses on the sale of investments are based on average cost identification method.

Given the inherent nature of investments it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status: The System is tax exempt from federal income taxes under the Internal Revenue Code, and therefore, has recorded no income tax liability or expense.

Risk and Uncertainties: Contributions to the System and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near-term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

Subsequent Events: Management has evaluated subsequent events through January 20, 2023 the date which the financial statements were available for issue.

NOTE 3. NET PENSION LIABILITY OF THE CITY

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

	2022			
	Police	Fire	General	Total
Total pension liability	\$ 150,473,252	\$ 126,915,182	\$ 11,206	\$ 277,399,640
Plan fiduciary net position - ending	<u>(113,240,736)</u>	<u>(88,645,341)</u>	<u>(205,211)</u>	<u>(202,091,288)</u>
City's net pension liability (asset)	<u>\$ 37,232,516</u>	<u>\$ 38,269,841</u>	<u>\$ (194,005)</u>	<u>\$ 75,308,352</u>
Plan fiduciary net position - actuarial as a percentage of the total pension liability (asset)	75.26%	69.85%	1831.26%	72.85%

	2021			
	Police	Fire	General	Total
Total pension liability	\$ 141,653,598	\$ 119,045,436	\$ 16,952	\$ 260,715,986
Plan fiduciary net position - ending	<u>(145,064,213)</u>	<u>(111,352,937)</u>	<u>(248,692)</u>	<u>(256,665,842)</u>
City's net pension liability (asset)	<u>\$ (3,410,615)</u>	<u>\$ 7,692,499</u>	<u>\$ (231,740)</u>	<u>\$ 4,050,144</u>
Plan fiduciary net position - actuarial as a percentage of the total pension liability (asset)	102.41%	93.54%	1467.04%	98.45%

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. NET PENSION LIABILITY OF THE CITY (CONTINUED)

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2020 updated to September 30, 2021, using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary increases*	Varies by age
Discount rate	7.50% (Fire, Police) 7.65% (General)
Investment rate of return	7.50% (Fire, Police) 7.65% (General)

*Not applicable for general employees' plan.

Mortality assumptions rates are as follows:

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Above Median) for Healthy Retirees, set back one year.

Male: PubG.H-2010 (Above Median) for Healthy Retirees, set back one year.

Mortality Rates Disabled Lives:

80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption accommodates future mortality improvements.

The previously described mortality rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of assumptions used in either of the two recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. NET PENSION LIABILITY OF THE CITY (CONTINUED)

Actuarial Assumptions (Continued): The most recent actuarial experience study used to review the other significant assumptions was dated July 7, 2020.

Changes applied to the benefit terms to roll forward the valuation of the total pension liability are as follows:

Firefighter Members: For measurement date September 30, 2022, Ordinance 2022-16 amended the plan to include the longevity pay in the pensionable compensation to determine the pension benefits.

Police Members: For measurement date September 30, 2021, the following change was implemented: an increase in current \$25 per month per year of service supplemental benefit to \$35 per month per year of service and it is payable until the member is age eligible to receive Medicare coverage under Federal Guidelines, effective for Members who terminate employment or enter DROP on or after October 1, 2021. For the eligible Members, the \$35 per month per year of service will apply to all years of service and not just service after October 1, 2021.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

For 2022 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022 and 2021 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	2022	2021
Domestic equity	7.10%	8.30%
International equity	3.10%	4.10%
Bonds	2.00%	3.10%
Convertibles	6.40%	7.80%
Private real estate	6.40%	5.50%
Infrastructure	5.60%	7.00%

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. NET PENSION LIABILITY OF THE CITY (CONTINUED)

Discount Rate: The discount rate used to measure the total pension liability was 7.50% for the Police and Fire segments and 7.65% for General for 2022 and 7.65% for 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City using the discount rate, as well as what the employer net pension liability would if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

September 30, 2022	City Net Pension Liability		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Police	\$ 57,328,660	\$ 37,232,516	\$ 20,763,172
Fire	54,377,978	38,269,841	25,004,225
Total	\$ 111,706,638	\$ 75,502,357	\$ 45,767,397

September 30, 2022	City Net Pension Liability (Asset)		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
General	\$ (193,591)	\$ (194,005)	\$ (194,392)

September 30, 2021	City Net Pension Liability (Asset)		
	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Police	\$ 15,546,790	\$ (3,410,615)	\$ (18,929,728)
Fire	22,742,979	7,692,499	(4,724,402)
General	(231,199)	(231,740)	(232,247)
Total	\$ 38,058,570	\$ 4,050,144	\$ (23,886,377)

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. CONTRIBUTIONS

Actual Contributions: The actual City (employer) contribution for active employees and the state contribution for the years ended September 30, 2022 and 2021 amounted to \$6,926,905 and \$6,131,014, respectively.

City and state contributions consisted of the following:

	2022	2021
City	\$ 5,326,712	\$ 4,660,443
State	1,600,193	1,470,571
Total contributions from City and state	\$ 6,926,905	\$ 6,131,014

Actuarially Determined Contributions: Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the System's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contribution) that best fits the funding requirements of the System. For the year ended September 30, 2012, the System elected to use the percentage of payroll contribution amount and the fixed dollar contribution beginning with the fiscal year ended September 30, 2013.

The contributions required from the City and the state for the years ended September 30, 2022 and 2021 were originally actuarially determined by the October 1, 2019 and 2018 valuations to be \$7,647,201 and \$5,930,860, respectively.

The required City and state contributions cover the following for the fiscal years ended September 30:

	2022	2021
Normal cost	\$ 2,924,366	\$ 2,853,801
Payment to amortize unfunded actuarial accrued liability from City and state	3,752,897	3,077,059
Total required from City and state	\$ 6,677,263	\$ 5,930,860

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES

Cash and Cash Equivalents: Deposits are carried at cost and are included in cash and cash equivalents in the statement of fiduciary net position. Cash and cash equivalents include demand accounts and short-term investment funds (STIF). Cash and cash equivalents at September 30, consists of the following:

	2022	2021
Invested cash and currency	\$ 52,952	\$ 21,100
Short-term investment	7,372,246	8,355,785
Total	\$ 7,425,198	\$ 8,376,885

Investment Authorization: The System's investment policy is determined by the Board of Trustees. The policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Board determined this policy after evaluating the implications of increased investment return versus increased variability of return for a number of potential investment policies with varying commitments to stocks and bonds. The primary investment objective of the System is the preservation of invested capital. The secondary objective is to achieve moderate long-term real growth of the assets while minimizing the volatility of returns.

The trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account. Investment in all equity securities shall be limited to those listed in a major U.S. stock exchange and limited to no more than 75% (at market) of the System's total asset value with no more than 5% at cost value of an investments manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at market) of the investment portfolio.

Convertible securities shall be limited to 25% of the System's total portfolio. Investment in equity securities whose market capitalization is less than \$3 billion dollars shall be limited to 25% of the total portfolio. Investments in those corporations whose stock has been publicly traded for less than one year are limited to 15% of the equity portfolio.

The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poor's or Baa or higher by Moody's rating services with no more than 10% at cost of an investment manager's total fixed income portfolio invested in the securities of any single corporate issuer. However, investments in securities rated below "A" shall be limited to 20% of the total fixed income portfolio.

Investments in Collateralized Mortgage Obligations (CMO) shall not exceed 25% of the fixed income portfolio and real estate shall not exceed 15% of the total portfolio or market, respectively.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

The System has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In this regard, the System does utilize mutual funds as the investment vehicles for all its fixed income investments. In addition, the System utilizes an investment advisor who monitors the investing activity. The investments owned are held by a custodian in the name of the System.

Types of Investments: Florida Statutes and the System's investment policy authorize the trustees to invest funds in various investments. The current target and actual allocation of these investments at market are as follows:

	2022		2021	
	Target % of portfolio	Actual % of portfolio	Target % of portfolio	Actual % of portfolio
Authorized investments				
Domestic equities	35	35	35	39
Fixed income	25	20	25	19
International equities	15	17	15	18
Real estate	10	11	10	8
Convertible securities	10	10	10	10
Infrastructure	5	3	5	3
Cash equivalents	-	4	-	3

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the System diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations are provided by the following tables that show the distribution of the System's investments by maturity at September 30:

2022					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 9,031,637	\$ -	\$ -	\$ -	\$ 9,031,637
U.S. agencies	12,132,496	-	-	-	12,132,496
Debt securities	37,766,685	1,136,407	28,050,429	2,877,161	5,702,688
Bond fund	53,469	-	53,469	-	-
Total fixed income	\$ 58,984,287	\$ 1,136,407	\$ 28,103,898	\$ 2,877,161	\$ 26,866,821

2021					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 25,145,922	\$ 2,962,728	\$ 13,846,472	\$ 4,542,284	\$ 3,794,438
U.S. agencies	7,286,462	-	-	-	7,286,462
Debt securities	41,063,378	409,393	25,818,435	7,868,445	6,967,105
Bond fund	65,912	-	65,912	-	-
Total fixed income	\$ 73,561,674	\$ 3,372,121	\$ 39,730,819	\$ 12,410,729	\$ 18,048,005

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

As of September 30, 2022 and 2021, fixed income convertible securities totaling \$18,508,240 and \$23,750,072 are included in the debt securities maturity disclosure, respectively.

Credit Risk: Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The System's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type at September 30, 2022 and 2021 as applicable:

	2022		2021	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 21,164,133	35.9%	\$ 32,432,383	44.1%
Quality rating of credit risk debt securities:				
AAA	1,223,483	2.1%	1,182,584	1.6%
AA+	-	0.0%	357,417	0.5%
AA	183,309	0.3%	-	0.0%
AA-	188,985	0.3%	-	0.0%
A+	234,543	0.4%	295,457	0.4%
A	2,112,105	3.6%	1,064,677	1.4%
A-	3,123,620	5.3%	1,697,717	2.3%
B+	-	0.0%	96,367	0.1%
B	-	0.0%	72,624	0.1%
B-	-	0.0%	86,277	0.1%
BB+	503,656	0.9%	471,138	0.6%
BB	-	0.0%	534,167	0.7%
BB-	63,722	0.1%	63,743	0.1%
BBB+	3,603,040	6.1%	2,242,356	3.0%
BBB	3,730,232	6.3%	5,382,686	7.3%
BBB-	1,732,121	2.9%	2,197,022	3.0%
CCC+	-	0.0%	421,567	0.6%
CCC	111,520	0.2%	-	0.0%
NR	21,009,818	35.6%	24,963,492	33.9%
Total credit risk debt securities	<u>37,820,154</u>	<u>64.1%</u>	<u>41,129,291</u>	<u>55.9%</u>
Total fixed income securities	<u>\$ 58,984,287</u>	<u>100.0%</u>	<u>\$ 73,561,675</u>	<u>100.0%</u>

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

Concentration of Credit Risk: The investment policy of the System contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2022 and 2021.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Custodial Credit Risk: Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the System and are held either by the counterparty or the counterparty's trust department or agent but not in the System's name.

Consistent with the System's investment policy, substantially all the investments are held by the System's custodial bank and registered in the System's name. All of the System's deposits are insured and/or collateralized by a financial institution separate from the System's depository financial institution.

The System considers only demand deposits as cash. Cash balance at a financial institution as of September 30, 2022 and 2021 was \$35,692 and \$21,100, respectively. The Federal Depository Insurance Corporation (FDIC) covers cash on deposit up to \$250,000. As of September 30, 2022 and 2021, the System has no cash on demand balances exposed to custodial credit risk.

Rate of Return: For the years ended September 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was -18.62% and 20.31%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Valuation: GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgement used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Investments traded in an active market with available quoted prices for identical assets as of the reporting date.
- Level 2: Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.
- Level 3: Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

The System has established a framework to consistently measure the fair value of the System's assets and liabilities in accordance with applicable accounting, legal and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The System's assessment of the significance of a particular input to the fair value measurement required judgement and considers factors specific to the investment.

The following table summarizes the valuation of the System's investments in accordance with the above mentioned fair value hierarchy levels as of September 30, 2022:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Common stocks	\$ 56,511,411	\$ 55,971,632	\$ 510,059	\$ 29,720
Domestic equity funds	10,258,368	10,258,368	-	-
U.S. government securities	21,164,133	2,301,883	18,862,250	-
Corporate bonds	19,258,446	-	19,258,446	-
International equity funds	2,651,712	-	2,651,712	-
Real estate funds	22,983,688	-	-	22,983,688
Convertible securities	20,117,620	1,364,923	18,752,697	-
Infrastructure	6,305,454	-	-	6,305,454
Total investments by fair value level	159,250,832	\$ 69,896,806	\$ 60,035,164	\$ 29,318,862
Investments measured at net asset value ("NAV")				
Mutual funds				
Domestic equity	131,093			
International equity	26,254,848			
Bond fund	53,469			
Commingled domestic equity funds	9,268,178			
Total investments measured at NAV	35,707,588			
Total investments measured at fair value	\$ 194,958,420			

Debt Securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, securitized offerings backed by residential and commercial mortgages, TIPS and foreign debt securities. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Equity Securities: These include domestic and international equities. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2022 and 2021. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

Alternative Investments: These investments include real estate equity investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30, 2022. The estimated fair value of these investments may differ from the values that would have been used had a ready market existed.

The System's valuation methods for investments measured at the Net Asset Value (NAV) per share (or its equivalent) as of September 30, 2022 are as follows:

	2022		Redemption Frequency	Redemption Notice Period
	Investments Measured at the NAV			
	Net Asset Value	Unfunded Commitments		
Mutual funds ⁽¹⁾	\$ 26,439,410	\$ -	Daily	Same Day
Commingled domestic equity funds ⁽²⁾	9,268,178	-	Monthly	Up to 15 Days
Total investments measured at the NAV	\$ 35,707,588	\$ -		

⁽¹⁾These mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. They are determined to be actively traded. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

⁽²⁾Commingled domestic equity consist of two commingled investment vehicles investing primarily in publicly traded equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

The following table summarizes the valuation of the System's investments in accordance with the above mentioned fair value hierarchy levels as of September 30, 2021:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Common stocks	\$ 78,931,821	\$ 78,349,700	\$ 582,121	\$ -
Domestic equity funds	11,267,790	11,267,790	-	-
U.S. government securities	32,432,384	7,981,755	24,450,629	-
Corporate bonds	17,313,306	-	17,313,306	-
International equity funds	2,515,331	-	2,515,331	-
Real estate funds	19,949,816	19,949,816	-	-
Convertible securities	26,842,428	3,092,356	23,750,072	-
Infrastructure	6,707,847	-	-	6,707,847
Total investments by fair value level	195,960,723	\$ 120,641,417	\$ 68,611,459	\$ 6,707,847
Investments measured at net asset value ("NAV")				
Mutual funds				
Domestic equity	887,971			
International equity	39,099,872			
Bond fund	65,912			
Commingled domestic equity funds	13,729,886			
Total investments measured at NAV	53,783,641			
Total investments measured at fair value	\$ 249,744,364			

Debt Securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, securitized offerings backed by residential and commercial mortgages, TIPS and foreign debt securities. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

Equity Securities: These include domestic and international equities. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2021 and 2020. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

Alternative Investments: These investments include real estate equity investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30, 2021. The estimated fair value of these investments may differ from the values that would have been used had a ready market existed.

The System's valuation methods for investments measured at the Net Asset Value (NAV) per share (or its equivalent) as of September 30, 2021 are as follows:

	2021		Redemption Frequency	Redemption Notice Period
	Investments Measured at the NAV	Unfunded Commitments		
	Net Asset Value			
Mutual funds ⁽¹⁾	\$ 40,053,755	\$ -	Daily	Same Day
Commingled domestic equity funds ⁽²⁾	13,729,886	-	Monthly	Up to 15 Days
Total investments measured at the NAV	<u>\$ 53,783,641</u>	<u>\$ -</u>		

⁽¹⁾These mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. They are determined to be actively traded. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

⁽²⁾Commingled domestic equity consist of two commingled investment vehicles investing primarily in publicly traded equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY (UNAUDITED)
LAST TEN FISCAL YEARS
FISCAL YEARS ENDED SEPTEMBER 30,**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 3,609,951	\$ 3,533,054	\$ 3,415,646	\$ 3,187,414	\$ 3,154,210	\$ 3,235,849	\$ 3,101,767	\$ 3,023,970	\$ 2,982,180
Interest	19,751,318	18,864,283	17,780,690	16,886,883	16,099,835	15,489,976	14,930,382	14,318,148	13,795,176
Change in excess state money	-	-	-	-	(164,106)	(626,367)	164,106	97,949	84,152
Share plan allocation	249,643	200,154	187,202	160,785	136,496	194,266	-	-	-
Changes of benefit terms	488,588	756,379	-	(23,176)	-	-	-	-	-
Differences between expected and actual experience	947,061	1,200,905	(335,456)	3,155,130	2,512,342	429,640	(971,416)	324,055	-
Changes of assumptions	4,832,718	-	7,790,241	-	-	-	6,171,246	-	-
Contributions buy back	59,097	59,666	40,406	60,141	17,077	45,396	33,629	5,777	-
Benefit payments, including refunds or member contributions	(13,254,722)	(12,401,921)	(12,775,727)	(11,515,478)	(12,033,598)	(10,690,952)	(9,626,677)	(10,566,952)	(9,997,019)
Net change in total pension liability	16,683,654	12,212,520	16,103,002	11,911,699	9,722,256	8,077,808	13,803,037	7,202,947	6,864,489
Total pension liability, beginning	260,715,986	248,503,466	232,400,464	220,488,765	210,766,509	202,688,701	188,885,664	181,682,717	174,818,228
Total pension liability, ending	277,399,640	260,715,986	248,503,466	232,400,464	220,488,765	210,766,509	202,688,701	188,885,664	181,682,717
Plan fiduciary net position									
Contributions - employer	5,326,712	4,660,443	4,668,806	4,409,697	4,146,994	3,311,013	3,716,857	3,788,313	3,619,607
Contributions - state	1,600,193	1,470,571	1,245,722	1,339,783	1,316,606	1,223,304	1,244,750	1,208,886	1,244,404
Contributions - member (employee)	1,470,956	1,261,479	1,421,278	1,204,768	1,159,348	1,132,916	1,090,434	1,085,844	1,034,380
Contributions - buy back (employee)	59,097	59,666	40,406	60,141	17,077	45,397	33,629	-	-
Net investment (loss) income	(49,254,229)	43,581,035	23,551,986	8,357,999	16,492,467	19,198,475	14,794,229	(586,238)	16,875,013
Benefit payments, including refunds of contributions	(13,254,723)	(12,401,915)	(12,775,727)	(11,515,478)	(12,033,598)	(10,690,951)	(9,626,677)	(10,566,953)	(997,019)
Administrative expenses	(522,560)	(541,760)	(530,319)	(547,690)	(556,056)	(553,811)	(508,621)	(464,379)	(433,668)
Net change in plan fiduciary net position	(54,574,554)	38,089,519	17,622,152	3,309,220	10,542,838	13,666,343	10,744,601	(5,534,527)	12,342,717
Plan fiduciary net position, beginning	256,665,842	218,576,323	200,954,171	197,644,951	187,102,113	173,435,770	162,691,169	168,225,696	155,882,979
Plan fiduciary net position, ending	202,091,288	256,665,842	218,576,323	200,954,171	197,644,951	187,102,113	173,435,770	162,691,169	168,225,696
Plus: actuarial adjustments**	-	-	-	-	-	1,615	(198)	1	98,803
Plan fiduciary net position - actuarial	202,091,288	256,665,842	218,576,323	200,954,171	197,644,951	187,103,728	173,435,572	162,691,170	168,324,499
City's net pension liability (asset)	\$ 75,308,352	\$ 4,050,144	\$ 29,927,143	\$ 31,446,293	\$ 22,843,814	\$ 23,662,781	\$ 29,253,129	\$ 26,194,494	\$ 13,358,218
Plan fiduciary net position as a percentage of the total pension liability	72.85%	98.45%	87.96%	86.47%	89.64%	88.77%	85.57%	86.13%	92.59%
Covered payroll	\$ 16,791,742	\$ 14,386,822	\$ 14,212,807	\$ 13,742,657	N/A	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	448.48%	28.15%	210.56%	228.82%	N/A	N/A	N/A	N/A	N/A

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Figures include actuarial assumption of future buybacks to be purchased by members.

See accompanying Independent Auditor's Report and notes to the required supplementary information.

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S NET PENSION LIABILITY (UNAUDITED)
LAST TEN FISCAL YEARS
FISCAL YEARS ENDED SEPTEMBER 30,**

September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 277,399,640	\$ 260,715,986	\$ 248,503,466	\$ 232,400,464	\$ 220,488,765	\$ 210,766,509	\$ 202,688,701	\$ 188,885,664	\$ 181,682,717
Plan fiduciary net position - ending	(202,091,288)	(256,665,842)	(218,576,323)	(200,954,171)	(197,644,951)	(187,102,113)	(173,435,572)	(162,698,820)	(168,255,696)
Actuarial adjustments**	-	-	-	-	-	(1,615)	-	(1)	(98,803)
City's net pension liability	\$ 75,308,352	\$ 4,050,144	\$ 29,927,143	\$ 31,446,293	\$ 22,843,814	\$ 23,662,781	\$ 29,253,129	\$ 26,186,843	\$ 13,358,218
Plan fiduciary net position as a percentage of the total pension liability	72.85%	98.45%	87.96%	86.47%	89.64%	88.77%	85.57%	86.14%	92.65%
Covered payroll	\$ 16,791,742	\$ 14,386,822	\$ 14,212,807	\$ 13,742,657	N/A	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	448.48%	28.15%	210.56%	228.82%	N/A	N/A	N/A	N/A	N/A

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**Figures include actuarial assumption of future buybacks to be purchased by members.

See accompanying Independent Auditor's Report and notes to the required supplementary information.

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS BY EMPLOYER (UNAUDITED)
LAST TEN FISCAL YEARS
FISCAL YEARS ENDED SEPTEMBER 30,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 6,677,263	\$ 5,930,860	\$ 5,902,883	\$ 5,542,433	\$ 5,327,104	\$ 5,048,472	\$ 4,797,501	\$ 4,899,250	\$ 4,747,791	\$ 3,925,294
Contributions in relation to the actuarially determined contribution	6,926,905	6,131,014	6,090,084	5,749,480	5,463,600	5,048,472	4,797,501	4,899,250	4,747,791	3,925,294
Contribution deficiency (excess)	\$ (249,642)	\$ (200,154)	\$ (187,201)	\$ (207,047)	\$ (136,496)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,791,742	\$ 14,386,822	\$ 14,212,807	\$ 13,742,657	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	41.25%	42.62%	42.85%	41.84%	N/A	N/A	N/A	N/A	N/A	N/A

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying Independent Auditor's Report and notes to the required supplementary information.

**CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)
 LAST TEN FISCAL YEARS
 FISCAL YEARS ENDED SEPTEMBER 30,**

Annual money-weighted rate of return, net of investment expense	Police	Fire	General	Total
2022	-19.98%	-18.62%	-15.61%	-19.10
2021	20.09%	20.31%	19.52%	20.30%
2020	12.29%	11.37%	11.19%	11.89%
2019	4.47%	4.03%	5.39%	4.25%
2018	9.41%	8.38%	10.06%	9.60%
2017	11.25%	11.25%	11.76%	10.00%
2016	9.81%	8.44%	10.02%	10.00%
2015	-0.47%	-0.34%	1.02%	0.10%
2014	10.82%	11.04%	11.43%	10.90%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying Independent Auditor's Report and notes to the required supplementary information.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS**

Method and assumptions used in calculations of the City's actuarially determined contributions. The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of the City's contributions.

Funding Method:	Prior to 2005: Frozen Entry Age Cost Method. This is the same as the Aggregate Method when the Unfunded Actuarial Liability equals zero.
	2005+: Entry Age Normal Cost Method.
Asset Valuation Method:*	The market value of assets is adjusted to recognize, over a four-year period, investment earnings greater than (or less than) the assumed investment return. The Actuarial Value of Assets shall not be more than 120% nor less than 80% of the market value of assets. Details are shown in the Asset Information Section of the report.
Amortization Method:	New UAAL amortization amounts are amortized over 15 years (previously 30 years).
Remaining Amortization Period:	15 years.
Inflation:	2.50% per year.
Salary Increase – Total Payroll:*	See assumption table.
Salary Increase – Individual:*	Varies by age.
Interest Rates:	7.50% per year compounded annually, net of investment related expenses.
Payroll Growth:*	0% for purposes of amortizing the Unfunded Actuarial Accrued Liability. The assumption cannot exceed the ten-year average payroll growth in compliance with Part VII of Chapter 112, Florida Statutes.

*Not applicable for General Employees' Plan.

See accompanying independent auditor's report.

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
(CONTINUED)
LAST TEN FISCAL YEARS**

Service Retirement:	Varies by age and years of service.
Percentage Married at Retirement:	100% of active members are assumed married at retirement.
Spouse Ages:	For active members reaching retirement, wives are assumed to be three years younger than husbands. Where spousal information was included for retirees, that information was used. If the age of the spouse was not provided, we have assumed that all spouses are still alive, and that female spouses are three years younger than their husbands.
Actuarial Value of Assets:	The market value of assets is adjusted to recognize, over a four-year period, investment earnings greater than (or less than) the assumed investment return. The actuarial value of assets shall not be more than 120% nor less than 80% of the market value of assets. Reset to market value for October 1, 2010 report.
Mortality Rates:	<p><i>Mortality Rate Healthy Active Lives:</i> Female: PubS.H-2010 (Below Median) for Employees, set forward one year. Male: PubS.H-2010 (Below Median) for Employees, set forward one year.</p> <p><i>Mortality Rate Healthy Retiree Lives:</i> Female: PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year. Male: PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.</p> <p><i>Mortality Rate Beneficiary Lives:</i> Female: PubG.H-2010 (Above Median) for Healthy Retirees, set back one year. Male: PubG.H-2010 (Above Median) for Healthy Retirees, set back one year.</p>

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
(CONTINUED)
LAST TEN FISCAL YEARS**

Mortality Rates (Continued):

Mortality Rates Disabled Lives:

80% PubG.H-2010 for Disabled Retirees/20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

The most recent actuarial experience study used to review the other significant assumptions was dated July 7, 2020.

Other Information:

*Termination and Disability Rate Table:

Police Officer Assumption Tables

Service	% Terminating During the Year Current Rate
0	20.00%
1-4	10.00%
5-9	7.00%
10-14	5.00%
15+	3.50%

Age	% Becoming Disabled During the Year Rate
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%
55	1.55%
60	2.09%
65	2.09%

Service	Salary Scale Current Rate
<25	7.00%
25-29	5.50%
30-34	5.25%
35-44	4.50%
45+	4.00%

**CITY OF PALM BAY
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
(CONTINUED)
LAST TEN FISCAL YEARS**

Other Information
(Continued):

*Termination and Disability Rate Table:

Firefighter Assumption Tables

Service	% Terminating During the Year Current Rate
<5	6.00%
5-9	2.50%
10+	2.00%

Age	% Becoming Disabled During the Year Rate
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%
55	1.55%
60	2.09%

Age	Salary Scale Current Rate
<25	7.25%
25-29	6.25%
30-34	5.25%
35-39	4.75%
40-44	4.25%
45-49	4.00%
50+	4.00%

*Not applicable for General Employees Plan.
See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF PALM BAY POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

**OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES**

For the years ended September 30,	2022	2021
Schedule "1" - Schedule of Investment Expenses		
Financial management and custodial:		
Truist (formerly SunTrust Bank, Inc.)	\$ 225,831	\$ 290,542
JP Morgan Investment Management, Inc.	225,522	205,056
SSI Investment Management, Inc.	126,162	136,050
Polen	116,010	136,582
Wells Capital	87,168	102,358
Advent Capital Management, Inc.	127,239	137,044
Eagle Asset Management, Inc.	7,526	9,166
Salem Trust Company	92,429	101,738
Sterling - Equity	36,720	-
Sterling - Fixed	26,362	-
Total financial management and custodial expenses	1,070,969	1,118,536
Investment consultant fees:		
Burgess Chambers and Associates, Inc.	91,155	99,201
Total investment expenses	\$ 1,162,124	\$ 1,217,737
Schedule "2" - Schedule of Administrative Expenses		
Professional services:		
Actuarial	\$ 89,564	\$ 89,118
Accounting	43,200	42,900
Administrator	70,501	70,008
Audit	15,100	14,700
Legal	32,600	38,814
Total professional services	250,965	255,540
Other:		
Pension staff salaries	116,909	133,896
Computer expense	37,249	47,850
Conferences	36,388	19,951
Supplies	21,519	25,053
Insurance	23,598	21,273
Occupancy cost	22,520	22,520
Utility expense	1,969	1,715
Communications	6,584	9,218
Dues and subscriptions	2,497	2,400
Postage	2,362	2,344
Total other	271,595	286,220
Total administrative expenses	\$ 522,560	\$ 541,760

OTHER AUDITOR'S REPORT



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

Board of Trustees
City of Palm Bay
Police and Firefighters' Retirement System
Palm Bay, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Palm Bay Police and Firefighters' Retirement System (the "System") as of and for the year ended September 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
January 20, 2023