City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

YEAR ENDED SEPTEMBER 30, 2019

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&
COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the City Pension Fund for
Firefighters and Police Officers in the City of Pembroke Pines

We have audited the accompanying financial statements of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines, which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines as of September 30, 2019, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' 2018 financial statements, and our report dated February 21, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 29-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment and administrative expenses 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2020, on our consideration of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' 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 City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' 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 City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' internal control over financial reporting and compliance.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & CO.

Weston, Florida
February 20, 2020

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2019. Please read it in conjunction with the Plan's financial statements, which immediately follow.

General Overview of the Plan

The Plan was first established on February 19, 1981 by Ordinance No. 557. The Plan is amended from time to time. The Plan is also governed by certain provisions of Part VII, Chapter 112, Chapter 175 and Chapter 185 of the Florida Statutes.

There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: the MD&A, the financial statements, notes to the financial statements and supplementary information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position.

The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

Financial Highlights

The Plan's net results from operations for fiscal year 2019 reflected the following financial activities:

- Total net position restricted for pensions was $686,503,222, which was 4% greater than the 2018 total net position restricted for pensions.

- Total contributions were $32,915,997, which was 3% greater than the 2018 contributions.

- Total interest and dividend income was $8,703,043, which was 11% greater than the 2018 income.

- Net investment income was $25,868,833, which was 60% lower than the 2018 income.

Financial Highlights (Continued)

- Benefits paid directly to retirees were $28,663,780, which was 5% greater than the benefits paid directly to retirees during 2018.

- Total contributions for the year were $32,915,997, which was 3% greater than the 2018 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were 3.0% of compensation for firefighters and police officers hired on or after October 1, 2018 until completion of $26^{2/3}$ years of continuous service. Participant contributions were 7.0% of compensation for firefighters and police officers hired on or after May 1, 2010 until completion of $26^{2/3}$ years of continuous service. Participant contributions were 10.4% (6% prior to April 1, 1991) of compensation for firefighters and police officers hired before May 1, 2010 until completion of $26^{2/3}$ years of continuous service.

Statement of Fiduciary Net Position

The following condensed comparative statement of fiduciary net position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Net position restricted for pensions at September 30, 2019 was $686,503,222, a 4% increase from the net position at September 30, 2018.

- Total investments at September 30, 2019 were $665,516,217, a 4% increase from the investments at September 30, 2018.

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

	2019	2018	% Change
Cash and cash equivalents	$ 15,403,602	$ 15,067,413	2%
Receivables	3,262,863	3,690,572	(12%)
Prepaid expense	2,468,385	2,507,141	(2%)
Investments, at fair value	665,516,217	642,180,548	4%
Property and equipment, net	324,138	335,272	(3%)
Total assets	686,975,205	663,780,946	3%
Total liabilities	471,983	1,127,362	(58%)
Net position restricted for pensions	$ 686,503,222	$ 662,653,584	4%

CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF PEMBROKE PINES

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of Plan's transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal the net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

- Revenues (additions to fiduciary net position) for the Plan were $58,784,830, which was made up of total contributions of $32,915,997, plus net investment income of $25,868,833.

- Expenses (deductions from fiduciary net position) increased from $33,609,855 during 2018, to $34,935,192 during 2019.

The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30:

	2019	2018	% Change
Total contributions	$ 32,915,997	$ 31,979,728	3%
Net investment income	25,868,833	64,922,938	(60%)
Other income	-	35,049	(100%)
Total additions	58,784,830	96,937,715	(39%)
Total deductions	34,935,192	33,609,855	4%
Net increase	23,849,638	63,327,860	(62%)
Net position restricted for pensions – beginning	662,653,584	599,325,724	11%
Net position restricted for pensions – ending	$ 686,503,222	$ 662,653,584	4%

Asset Allocation

The table below indicates the Plan's investment policy limitations and actual asset allocations as of September 30, 2019:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	42% to 62%	55.96%
International equities	0% to 10%	6.69%
Fixed income	15% to 35%	24.36%
Real assets	0% to 20%	12.99%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's financial condition enables the Board to adopt a long-term investment perspective.

Investment Activities

Investment income is vital to the Plan for current and future financial stability. The Board has a fiduciary responsibility to act prudently when making Plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on a quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended during May 2017.

The Board and its investment consultant review portfolio performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial Analysis Summary

The investment activities for the fiscal year ended September 30, 2019 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, Plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Plan:

City Pension Fund for Firefighters and
Police Officers in the City for Pembroke Pines
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CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF PEMBROKE PINES

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	2019	2018
ASSETS		
CASH AND CASH EQUIVALENTS	$ 15,403,602	$ 15,067,413
RECEIVABLES:		
DROP loans receivable	2,362,028	2,349,116
Accounts receivable - sale of investments	19,236	535,312
Accrued investment income	834,883	766,518
Participant contributions	46,716	39,626
TOTAL RECEIVABLES	3,262,863	3,690,572
PREPAID EXPENSE	2,468,385	2,507,141
INVESTMENTS, AT FAIR VALUE:		
Equity securities	245,083,868	239,182,495
Government securities	6,811,531	14,910,872
Corporate bonds	89,913,988	74,603,436
Fixed income mutual funds	65,402,439	59,862,428
Commingled domestic equity funds	127,348,282	124,314,803
Commingled international equity fund	44,498,529	46,818,448
Real estate funds	60,887,962	57,491,775
Farmland fund	17,535,129	16,630,488
Timber funds	8,034,489	8,365,803
TOTAL INVESTMENTS, AT FAIR VALUE	665,516,217	642,180,548
PROPERTY AND EQUIPMENT, NET	324,138	335,272
TOTAL ASSETS	686,975,205	663,780,946
LIABILITIES		
ACCOUNTS PAYABLE	471,983	479,720
ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS	-	647,642
TOTAL LIABILITIES	471,983	1,127,362
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR DEFINED BENEFITS	535,709,049	524,603,190
NET POSITION RESTRICTED FOR DROP BENEFITS	150,794,173	138,050,394
TOTAL NET POSITION RESTRICTED FOR PENSIONS	$ 686,503,222	$ 662,653,584

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	2019	2018
ADDITIONS:		
Contributions:		
City	$ 27,248,665	$ 26,710,046
Participant	2,633,835	2,740,593
Chapter 175 and 185	2,978,593	2,485,959
Participant supplemental	54,904	43,130
Total contributions	32,915,997	31,979,728
Investment income:		
Net appreciation in fair value of investments	20,704,531	60,445,067
Interest and dividend income	8,703,043	7,854,023
Total investment income	29,407,574	68,299,090
Less: investment expenses	3,538,741	3,376,152
Net investment income	25,868,833	64,922,938
Other income	-	35,049
TOTAL ADDITIONS	58,784,830	96,937,715
DEDUCTIONS:		
Benefit payments	28,663,780	27,200,714
DROP distributions	5,456,644	5,334,780
Contribution refunds	65,557	446,372
Administrative expenses	749,211	627,989
TOTAL DEDUCTIONS	34,935,192	33,609,855
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	23,849,638	63,327,860
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	662,653,584	599,325,724
NET POSITION RESTRICTED FOR PENSIONS - ENDING	$ 686,503,222	$ 662,653,584

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

Investments are reported at fair value (see Note 3). 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 (see Note 4 for discussion of fair value measurements).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially expose the Plan to concentration of credit risk, as defined by GAAP, consist primarily of cash and cash equivalents and receivables.

The Plan maintains its cash deposits at a financial institution which, from time to time, may exceed federally insured limits. The exposure of the Plan from these transactions is solely dependent upon the daily account balance and the financial strength of the respective institution. The Plan manages this risk by maintaining its deposit accounts at a high quality financial institution. As of September 30, 2019, the Plan had no deposits in excess of federally insured limits.

The Plan's investments consist of common stocks, government securities, corporate bonds, real estate funds, farmland funds, timber funds, mutual funds and money market funds, which inherent in the fair market value determination, include the risk factor of credit worthiness for each individual security.

Cash and Cash Equivalents

The Plan considers all highly liquid investments with an original maturity of three months or less when purchased to be 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 money market accounts at September 30, 2019.

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight line method over the estimated useful lives of the related assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to financial statements to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2018, from which the information was derived.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines (the Plan) provides only general information. Participants should refer to the City of Pembroke Pines, Florida's ordinance for more detailed and comprehensive information.

General

The Plan is a single-employer defined benefit plan, established by the City of Pembroke Pines, Florida (the City), pursuant to City Ordinance No. 557 (as amended) which became effective February 19, 1981. As the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

The Plan is administered by a board of nine trustees (the Board) comprised of three legal residents of the City appointed by the city commission, three active firefighters elected by the active participants of the Plan and three active police officers elected by the active participants of the Plan.

Plan Participation

At September 30, 2019, Plan participation consisted of the following:

Fully vested, partially vested and non-vested active employees covered by the Plan	342
Retirees and beneficiaries	413
Terminated employees entitled to benefits but not yet receiving them	6
	761

Eligibility

Participants as of February 19, 1981 are automatically and immediately included. Participation is mandatory for firefighters and police officers upon date of hire or attainment of age 18, if later. The Fire Chief and the Police Chief may elect to participate.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Average Monthly Earnings

Average monthly earnings (AME) shall be used and defined in the determination of certain benefits.

Benefits

Participants who have attained age 50 with 10 years of credited service or completion of 20 years of continuous service are eligible for retirement benefits.

Normal Retirement Benefits

(a) Firefighters - 3.0% times AME times years of continuous service. Maximum 80% of average monthly earnings for the highest two years of continuous service.

Firefighters hired on or before June 18, 2003 shall receive a benefit amount equal to 4.0% per year of continuous service prior to May 1, 2010 plus 3.5% per year of continuous service after April 30, 2010 times AME – maximum 80% of AME, provided they retire or enter the Deferred Retirement Option Plan (DROP) anytime on or after attaining age 50 with 10 years of continuous service but no later than the date they accrue the maximum 80% benefit.

Firefighters hired after June 18, 2003 but before May 1, 2010 shall receive a benefit amount equal to 4.0% per year of continuous service prior to May 1, 2010 plus 3.5% per year of continuous service after April 30, 2010 times AME – maximum 80% of AME. To obtain this benefit, such firefighters were previously required to retire or enter the DROP upon the earlier of completion of 20 years of continuous service or attainment of age 50 with 10 years of service. To obtain this benefit, such firefighters now are required to retire or enter DROP no earlier than upon completion of 20 years of continuous service or attainment of age 50 with 10 years of service, and no later than the date they accrue the same accrual percentage they would have reached under the terms of the Plan in effect prior to April 30, 2010.

In no event shall the benefit for firefighters hired after March 31, 2006 exceed 98% of average monthly regular wages.

Firefighters hired after April 30, 2010 shall receive a benefit amount equal to 3.0% times AME times years of continuous service – maximum 80% of AME.

(b) Police officers - 3.0% times AME times years of continuous service up to 20 years of service plus 3.5% times AME times years of continuous service in excess of 20 years. Maximum 80% of average monthly earnings for the highest two years of continuous service.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Normal Retirement Benefits (Continued)

(b) Police officers – (Continued)

Police officers hired before May 1, 2010 shall receive a benefit amount equal to 4.0% per year of continuous service prior to May 1, 2010 plus 3.5% per year of continuous service after April 30, 2010 times AME – maximum 80% of AME, provided they are retired or enter the DROP anytime on or after attaining age 50 with 10 year of continuous service but not later than the date they accrue the maximum 80% benefit.

Police officers hired after April 30, 2010 shall receive a benefit amount equal to 3.0% times AME times years of continuous service – maximum 80% of AME.

Disability Benefits

Participants with total and permanent disability incurred in the line of duty prior to normal retirement date are entitled to the greater of the accrued benefit as of the date of disability or $66^{2/3}$% of average final compensation as of disability date.

Participants with total and permanent disability not incurred in the line of duty after completion of 10 years of credited service but prior to normal retirement date are entitled to the greater of the then accrued benefit or 35% of average final compensation as of disability date.

Death Benefits

(a) <u>Service Incurred:</u>

To spouse, 50% of AME payable for life. To unmarried children, 5% of AME until death or attainment of age 18 (if full time student attainment of age 22). Total monthly benefit not to exceed 60% of AME. Upon death of spouse, the 5% child allowance shall be increased to 10%, subject to a maximum combined total of 35% of AME.

Benefit above reduced by the actuarial equivalent of payment of:

- If the participant had less than 10 years of continuous service, participant contributions to the beneficiary with 3% simple interest, or

- If the participant had 10 or more years of continuous service, benefit otherwise payable to the participant at the participant's normal retirement date, if applicable, for 10 years certain.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Death Benefits (Continued)

(b) Non-Service Incurred:

Less than 5 years of continuous service, the designated beneficiary receives a lump sum of $2,500 or return of participant contributions with 3% interest, whichever is greater.

Five or more years of continuous service, the designated beneficiary receives a lump sum of the greater of participant contributions (without interest) or $2,500, plus, if married, the spouse receives a monthly benefit equal to 50% of the accrued benefit as of participant's date of death but not less than 20% of the monthly earnings rate. To unmarried children of the deceased participant, same benefits as are payable for service incurred death. Combined monthly benefit not to exceed 50% of AME, or 35% of AME after the death or remarriage of spouse.

Benefit above reduced by the actuarial equivalent of payment of:

- If the participant had 10 years or more years of continuous service, benefit otherwise payable to the participant at the participant's normal retirement date, if applicable, for 10 years certain.

Cost of Living Adjustment

(a) Firefighters - effective April 1, 2005 and each April 1st thereafter, retirees, beneficiaries and DROP participants who were receiving benefits on June 18, 2003 will receive either a 2% cost of living adjustment or an adjustment equal to the total percentage increase in base wages, excluding performance or merit adjustments, whichever is greater.

For firefighters, effective April 1, 2005 and each April 1st thereafter, retirees, beneficiaries and DROP participants who were hired on or before June 18, 2003 and retire or enter the DROP prior to May 1, 2010 and anytime on or after attaining age 50 with 10 years of service but no later than attainment of 20 years of service will receive either a 2% cost of living adjustment or an adjustment equal to the total percentage increase in base wages, excluding performance or merit adjustments, whichever is greater. For those receiving for less than one year the increase shall be prorated.

Firefighter participants who were hired prior to April 1, 2006 who retire prior to May 1, 2010, current retirees and DROP participants shall have the option within 60 days of the effective date of Ordinance 2006-10 to irrevocably elect to receive the cost of living adjustment provided above in lieu of their current cost of living adjustment.

For firefighters, effective April 1, 2011 and each April 1st thereafter, retirees, beneficiaries and DROP participants who were hired before My 1, 2010 and retire or enter the DROP after April 30, 2010 at their normal retirement age receive a 2% cost of living adjustment – prorated for less than one year receipt of benefits.

For firefighters hired after April 30, 2010, the cost of living adjustment is 1.5%.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Cost of Living Adjustment (Continued)

(b) Police officers - Police officer retirees, DROP participants, disabled participants and their beneficiaries who retired prior to October 1, 2003 eligible for any supplemental benefit based upon an 8% Plan return threshold subject to cumulative actuarial gains may elect within 60 days to replace this supplemental benefit eligibility entitlement with an annual 2.0% cost of living adjustment retroactive to October 1, 2004.

Police officer retirees, DROP participants, disabled participants and their beneficiaries who retired on or after October 1, 2003 but not later than September 30, 2006 or were in the DROP on or after October 1, 2003 and entered the DROP not later than September 30, 2006 eligible for any supplemental benefit based upon a 9% Plan return threshold subject to cumulative actuarial gains along with a 1.5% cost of living adjustment effective October 1, 2009 and each October 1st thereafter may elect within 60 days to replace this supplemental benefit eligibility and 1.5% deferred cost of living adjustment entitlement with an annual 2.5% cost of living adjustment retroactive to October 1, 2004.

Police officer retirees, DROP participants, disabled participants and their beneficiaries who retire or enter the DROP on or after October 1, 2006 but not later than April 30, 2010 will receive a 3.0% cost of living adjustment effective October 1, 2009 and each October 1st thereafter.

For police officers, effective October 1, 2010 and each October 1st thereafter, retirees, beneficiaries and DROP participants who were hired before May 1, 2010 and retire or enter the DROP after April 30, 2010 at their normal retirement age receive a 2% cost of living adjustment-prorated for less than one year receipt of benefits.

For police officers hired after April 30, 2010, the cost of living adjustment is 1.5%.

Deferred Retirement Option Plan (DROP)

A participant who has reached normal retirement date is eligible to elect to participate in the DROP. A firefighter who reaches normal retirement date before age 50 may participate for the lesser of 5 years or until age 55, provided that firefighters employed as of December 20, 2000 and hired after their 30th birthday, may participate in the DROP no later than completion of 20 years of continuous service in order to participate in the DROP for all full 5 years. A police officer hired after their 25th birthday may participate in the DROP no later than completion of 25 years of continuous service in order to participate in the DROP for a full 5 years. An election to participate in the DROP is irrevocable.

Participants entering the DROP prior to May 1, 2010 could elect annually in advance interest credits of a fixed 8% per annum or Plan's return.

Participants hired before May 1, 2010 entering the DROP after April 30, 2010, may elect annually in advance DROP interest credits based upon either Plan gross return or Plan gross return subject to a minimum of 5% and a maximum of 8% per annum.

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Deferred Retirement Option Plan (DROP) (Continued)

For participants hired after April 30, 2010 entering the DROP, DROP interest credits will be based upon the Plan's gross return.

A summary of the changes in the DROP balance as of September 30, 2019 is as follows:

Beginning balance	$ 138,050,394
Additions	8,437,764
Distributions	(5,456,644)
Earnings	9,762,659
Ending balance	$ 150,794,173

DROP Loan Program

Current DROP participants or retirees may borrow against their DROP account balance up to the maximum amount permitted by the Internal Revenue Service (IRS).

No interest shall be earned or paid by the Plan on funds loaned from the DROP account until repaid.

The DROP loan program is administered in accordance with loan policy adopted by the Board and shall comply with all applicable IRS rules and regulations governing such loans.

A summary of the changes in the DROP loans receivable balance as of September 30, 2019 is as follows:

Beginning balance	$ 2,349,116
Additional loans	781,100
Loan repayments	(768,188)
Ending balance	$ 2,362,028

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NOTE 2. DESCRIPTION OF THE PLAN (Continued)

13th Check Program (Police Officers Only)

For police officers retired prior to October 1, 2003, up to 2% of investment return in excess of 8% based upon present value of future pension payments of current police officer participants, not to exceed outstanding balance of cumulative net actuarial gains. Any distribution amount allocated to eligible participants based upon years of service with pro-rata share during the first year of entitlement.

For police officers retired on or after October 1, 2003, but before October 1, 2006, up to 2% of investment return in excess of 9% based upon present value of future pension payments of current police officer participants, not to exceed outstanding balance of cumulative net actuarial gains. Any distributable amount allocated to eligible participants based upon years of service with prorate share during first year of entitlement.

For police officers retired on or after October 1, 2006 there is no 13th check.

Funding

Participants are required to contribute 3.00% of their compensation for firefighters and police officers hired on or after October 1, 2018 until completion of $26^{2/3}$ years of years of continuous service. Participants are required to contribute 7.00% of their compensation for firefighters and police officers hired on or after May 1, 2010 until completion of $26^{2/3}$ years of continuous service. Participants are required to contribute 10.40% (6.00% prior to April 1, 1991) of their compensation for firefighters and police officers hired before May 1, 2010 until completion of $26^{2/3}$ years of continuous service.

Pursuant to Florida Statutes Chapter 175, the City imposes a 1.85% tax on fire insurance premiums paid to insure real or personal property within the City. The proceeds of this tax are contributed to this Plan as part of the City's contribution.

Pursuant to Florida Statutes, Chapter 185, the City imposes a 0.85% tax on casualty insurance premiums paid to insure property within its corporate limits. The proceed of this tax are contributed to the Plan.

The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost, and to amortize the unfunded actuarial accrued liability. For the year ended September 30, 2019, the Plan's actuary determined that the required City contribution was $27,248,665. This amount was paid during the Plan year end.

Rate of Return

For the year ended September 30, 2019, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 4.01%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The Board is 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. The investment policy statement was last amended on May 2017. The following was the Board's adopted asset allocation policy as of September 30, 2019:

Type of Investment	Target Allocation
Domestic equities	42% to 62%
International equities	0% to 10%
Fixed income	15% to 35%
Real assets	0% to 20%

During the year ended September 30, 2019, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by $20,704,531 (reported as net appreciation in fair value of investments in the statement of changes in fiduciary net position) as follows:

Common stocks	$ 4,532,145
Fixed income mutual funds	5,731,906
Commingled equity funds	1,774,872
Government securities	327,246
Corporate bonds	5,344,834
Real estate funds	2,040,106
Farmland fund	914,686
Timber funds	38,736
Total	$ 20,704,531

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in fixed income investments had maturities as follows:

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Corporate bonds	$ 89,913,988	$ 5,657,850	$ 38,263,857	$ 45,992,281	$ -
Fixed income mutual funds	65,402,439	6,810,713	35,038,861	13,885,310	9,667,555
U.S. agencies	6,811,531	2,019,748	1,532,738	3,259,045	-
Totals	$ 162,127,958	$ 14,488,311	$ 74,835,456	$ 63,136,636	$ 9,667,555

NOTE 3. INVESTMENTS (Continued)

The fixed income portfolio shall have a minimum rating of investment grade as reported by a major crediting service. The Plan's fixed income assets were rated as follows:

Rating	Fair Value
A1	$ 9,837,946
A2	21,080,886
A3	29,374,480
Aa1	2,646,549
Aa2	4,702,800
Aa3	4,176,030
Aaa	37,637,312
Aa	2,535,833
A	8,441,949
Baa	11,531,597
Ba	1,364,302
Baa1	12,220,668
Bbb	8,726,845
Bb	2,248,372
B	1,433,529
Caa	32,483
Ccc	269,936
Unrated	3,866,441
Total	$ 162,127,958

The Plan limits investment in the securities of any one issuer, other than the U.S. Government and its agencies, to no more than 5% of fiduciary net position. The Plan had no investments in excess of 5% of fiduciary net position.

"Foreign currency risk" is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds.

The investment policy limits the foreign investments to no more than 10% of the Plan's investment balance. As of September 30, 2019, the foreign investments were 6.69% of total investments.

NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as 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. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

The following is a description of the valuation methodologies used for asset measured at fair value.

Common stocks: Valued at the closing price reported on the New York Stock Exchange.

Fixed income mutual funds: Valued at the daily closing price as reported by the Plan. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Real estate funds: Valued at the net asset value of shares held by the Plan at year end. The Plan has investments in private market real estate investments for which no liquid public market exists.

Timber funds and farmland funds: Valued at the net asset value of shares held by the Plan at year end.

Commingled equity funds: Valued at the net asset value of shares held by the Plan at year end.

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2019:

		Fair Value Measurements Using		
	Total	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				
Equity securities:				
Common stocks	$ 245,083,868	$ 245,083,868	$ -	$ -
Total equity securities	245,083,868	245,083,868	-	-
Debt securities:				
U.S. agency securities	6,811,531	-	6,811,531	-
Fixed income mutual funds	65,402,439	-	65,402,439	-
Corporate bonds	89,913,988	-	89,913,988	-
Total debt securities	162,127,958	-	162,127,958	-
Total investments by fair value level	407,211,826	$ 245,083,868	$ 162,127,958	$ -
Investments measured at the net asset value (NAV) [(a)]				
Real estate funds	60,887,962			
Farmland fund	17,535,129			
Timber funds	8,034,489			
Commingled domestic equity funds	127,348,282			
Commingled international equity fund	44,498,529			
Total investments measured at the NAV	258,304,391			
Total investments	$ 665,516,217			

(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

Investments Measured at the NAV	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real estate fund [(1)]	$ 29,366,712	$ -	Quarterly	90 Days
Real estate fund [(2)]	15,113,785	-	Quarterly	10 Days
Real estate fund [(3)]	2,913	-	N/A	N/A
Real estate fund [(4)]	16,404,552	-	Quarterly	60 Days
Farmland fund [(5)]	17,535,129	-	Annual	90 Days
Timber fund [(6)]	8,034,489	-	N/A	N/A
Commingled equity funds [(7)]	171,846,811	-	Daily	Same day
Total investments measured at the NAV	$ 258,304,391	$ -		

(1) Real estate fund: This fund is an open-end, commingled real-estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and redemption request must be received by the fund 90 days prior to quarter end.

(2) Real estate fund: This fund is an open-end, commingled investment vehicle with a multi-disciplinary investment strategy. Diversified nationally, the foundation of the portfolio is to acquire yield-driven assets consisting of all property types. The investment is valued at NAV and redemption requests must be received by the fund 10 days prior to quarter-end.

(3) Real estate fund: This fund is an open-end, commingled real-estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and has no redemption frequency or notice period.

(4) Real estate fund: This fund is organized as a perpetual life, open-end, commingled fund to invest in real estate assets. The investment is valued at NAV and redemption request must be received 60 days before quarter end.

(5) Farmland fund: This fund is an open-ended investment fund whose objective is to generate an attractive total return through the acquisition and management of farmland in the Midwestern United States. The investment is valued at NAV and redemption requests must be received 90 days prior to year-end.

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

(6) Timber fund: This fund is a commingled timberland investment fund who acquires, manages, and sells timberland as an investment vehicle for pension funds, college endowments, foundations, insurance companies, and high-net-worth individual investors. The investment is valued at NAV and has no redemption frequency or notice period.

(7) Commingled equity funds: This commingled investment consists of participation in four equity mutual funds. The investment is valued at NAV based on the participant's share of the total fund. Redemption requests are permitted daily.

NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of September 30, 2019:

	Estimated Useful Lives	
Land	-	$ 28,000
Building	39 years	343,399
Building improvements	39 years	90,834
Equipment	5 years	27,600
		489,833
Less: accumulated depreciation		165,695
Property and equipment, net		$ 324,138

Depreciation expense for the year ended September 30, 2019 was $11,134.

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NOTE 6. NET PENSION LIABILITY

The components of the net pension liability of the Plan at September 30, 2019 were as follows:

Total pension liability	$ 900,783,499
Plan fiduciary net position	686,503,222
City's net pension liability	$ 214,280,277
Plan fiduciary net position as a percentage of the total pension liability	76.21%

The total pension liability was determined by an actuarial valuation as of October 1, 2018, and rolled forward to the measurement date of September 30, 2019, using the following most significant actuarial assumptions: 7.85% for the investment rate of return, 3.00% to 8.00% for projected salary increases and 2.75% for inflation.

Mortality rates are calculated as follows. For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 10% White Collar and 90% Blue Collar adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participants post employment, RP-2000 Annuitant Mortality Table, separate rates for males and females, with 10% White Collar adjustment and 90% Blue Collar adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, 60% RP-2000 Disabled Male Mortality Table setback four years and 40% RP-2000 Annuitant Male Mortality Table with White Collar adjustment with no setback, without projected mortality improvements. For disabled female participants, 60% RP-2000 Disabled Female Mortality Table set forward two years and 40% RP-2000 Annuitant Female Mortality Table with White Collar adjustment, without projected mortality improvements.

The long-term expected rate of return on 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 Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real 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 Plan's target asset allocation as of September 30, 2019 (see the discussion of the Plan's investment policy) are summarized in the following table:

Asset Class	Long-term expected real rate of return
Large cap equity	5.40%
Mid cap equity	8.60%
Small cap equity	7.00%
International equity	4.10%
Real estate	6.10%
Fixed income	2.70%

NOTE 6. NET PENSION LIABILITY (Continued)

The discount rate used to measure the total pension liability was 7.80%. The projection of cash flows used to determine the discount rate assumed that Plan participant contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Plan was calculated using the discount rate of 7.80%. It was also calculated using a discount rate that was 1-percentage-point lower (6.80%) and 1-percentage-point higher (8.80%) and the different computations were compared.

	1% decrease (6.80%)	Current discount rate (7.80%)	1% increase (8.80%)
Net pension liability	$308,206,334	$214,280,277	$124,663,197

NOTE 7. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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NOTE 8. INCOME TAXES

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

On September 26, 2014, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a).

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 9. LEGAL MATTER

The Plan is a party to legal proceedings, investigations, and claims in the ordinary course of operations. The Plan had a legal proceeding whereby a participant claimed that the City and the Plan improperly reduced the participant’s benefits due to the participant’s election of a non-spousal beneficiary.

The case was tried during April 2017, and the court entered judgment in favor of the participant. In the judgment, the Court awarded the participant an adjustment of their future benefit payments, and ordered the Plan to amend its provisions to comply with Section 175.333(1), of the Florida Statutes. On rehearing, the Court determined that it could not order reformation of future benefits. The Plan and the City of Pembroke Pines appealed the court’s judgment, and the participant appealed the court’s order on rehearing.

During the Plan year ended September 30, 2019, the 4th District Court of Appeal affirmed the trial court decision without opinion. The Plan paid a revised benefit to the member and a portion of the legal fees. The Plan revised certain actuarial methods to comply with the judgment which had an annual actuarial impact of $55,000 which was forwarded to the City as an employer contribution.

The case was completed and no further claims have been made. The ultimate settlement of the case did not have a material effect on the Plan’s financial position.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 20, 2020, the date the financial statements were available to be issued.

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	2019	2018
INVESTMENT EXPENSES:		
Financial management expense	$ 3,247,393	$ 3,120,932
Custodial fee	154,083	120,844
Investment consultant fee	137,265	134,376
TOTAL INVESTMENT EXPENSES	$ 3,538,741	$ 3,376,152

	2019	2018
ADMINISTRATIVE EXPENSES:		
Accounting	$ 16,879	$ 39,282
Actuarial	174,688	154,516
Depreciation	11,134	11,134
Dues and subscriptions	1,495	1,455
Employee benefits	42,743	38,681
Insurance	35,089	31,205
Legal	55,812	39,078
Office	76,995	43,435
Repairs and maintenance	22,744	-
Salaries and payroll taxes	278,935	257,585
Trustee expenses	32,697	11,618
TOTAL ADMINISTRATIVE EXPENSES	$ 749,211	$ 627,989

The accompanying independent auditor's report should be read with this supplementary schedule.

CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF PEMBROKE PINES

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS
(UNAUDITED)

	2019	2018	2017	2016	2015
Actuarially determined employer contribution	$ 30,227,258	$ 29,196,005	$ 27,355,807	$ 26,354,499	$ 26,190,282
Actual employer contribution	30,227,258	29,196,005	27,355,807	26,354,499	26,190,282
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll [1 2]	$ 28,868,635	$ 28,431,363	$ 27,697,423	$ 27,677,991	$ 28,831,332
Actual contributions as a percentage of covered-employee payroll	104.71%	102.69%	98.77%	95.22%	90.84%

	2014	2013	2012	2011	2010
Actuarially determined employer contribution	$ 26,214,407	$ 25,213,704	$ 23,882,116	$ 23,289,867	$ 24,538,413
Actual employer contribution	26,214,407	25,213,704	23,882,116	23,289,867	24,538,413
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll [1 2]	$ 28,252,541	$ 27,011,016	$ 26,857,833	$ 27,129,273	$ 27,528,175
Actual contributions as a percentage of covered-employee payroll	92.79%	93.35%	88.92%	85.85%	89.14%

[1] Projected prior to fiscal year-ended September 30, 2014.
[2] Reported payroll on which contributions to the Plan are based as provided under GASB Statement Number 82.

See notes to schedules of contributions on following page.

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS
(UNAUDITED)
(Continued)

Valuation date	Actuarially determined contributions are calculated as of October 1st, two year(s) prior the fiscal year end in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage, Closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	3% - 8%
Investment rate of return	7.85%
Mortality	For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 10% White Collar and 90% Blue Collar adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participant post-employment, RP-2000 Annuitant Mortality Tables, separate rates for male and females, with 90% Blue Collar and 10% White Collar adjustments, with fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, 60% RP-2000 Disabled Male Mortality Table setback four years and 40% RP-2000 Annuitant Male Mortality Table with White Collar adjustment with no setback, without projected mortality improvements. For disabled female participants, 60% RP-2000 Disabled Female Mortality Table set forward two years and 40% RP-2000 Annuitant Female Mortality Table with White Collar adjustment, without projected mortality improvements.
Cost-of-living increases	Firefighters: 0.0%, 1.5%, 2.0% or 3.0% Police: 0.0%, 1.5%, 2.0%, 2.5% or 3.0%
Benefit changes	2015 - Employee contributions reduced to 7% for Firefighters hired on or after May 1, 2010. 2014 - Employee contributions reduced to 7% for Police Officers hired on or after May 1, 2010. 2013 - Additional benefits provided upon rehire. 2010 - Hours of accrued unused sick and vacation leave frozen as of May 1, 2010, normal retirement multiplier reduced to 3.5% per year of continuous service after April 30, 2010, fixed interest DROP crediting rate reduced or eliminated for certain members along with COLA reduction for certain members.
Assumption changes	2017 - Investment return updated. 2016 - Assumed mortality rates and investment return updated. 2015 - Assumed mortality rates, investment return, employee withdrawal rates, salary increase rates and retirement rates updated. 2013 - Load added for assumed future rehired members. 2011 - Assumed withdrawal and salary increase rates updated. 2010 - Load on average monthly earnings to reflect additional earnings in pensionable pay reduced, retirement rates and COLA assumptions updated. 2009 - Assumed mortality rates updated, investment return updated to net of investment expenses only and actuarial cost method updated to Entry Age Normal method.

The accompanying independent auditor's report should be read with this supplementary schedule.

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

Year Ended September 30,	Annual money-weighted rate of return net of investment expense
2019	4.01%
2018	10.99%
2017	11.49%
2016	9.09%
2015	2.04%
2014	10.24%
2013	14.34%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

SCHEDULES OF CHANGES IN THE EMPOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

	2019	2018	2017
TOTAL PENSION LIABILITY:			
Service cost	$ 9,460,539	$ 9,288,146	$ 9,212,121
Interest	66,491,126	62,814,379	59,453,153
Difference between actual and expected experience	6,212,714	4,956,652	1,830,547
Changes of benefit terms	-	-	-
Changes of assumptions	6,152,407	5,779,580	5,790,909
Benefit payments, including refunds	(34,185,981)	(32,981,866)	(30,611,666)
NET CHANGE IN TOTAL PENSION LIABILITY	54,130,805	49,856,891	45,675,064
TOTAL PENSION LIABILITY - BEGINNING	846,652,694	796,795,803	751,120,739
TOTAL PENSION LIABILITY - ENDING	900,783,499	846,652,694	796,795,803
PLAN FIDUCIARY NET POSITION:			
Contributions - city and state	30,227,258	29,196,005	27,355,807
Contributions - members	2,688,739	2,787,802	2,663,136
Net investment income	25,868,833	64,922,938	61,789,524
Benefit payments, including refunds	(34,185,981)	(32,981,866)	(30,611,666)
Administrative expenses	(749,211)	(627,989)	(738,354)
Other	-	30,970	8,131
NET CHANGE IN PLAN FIDUCIARY NET POSITION	23,849,638	63,327,860	60,466,578
PLAN FIDUCIARY NET POSITION - BEGINNING	662,653,584	599,325,724	538,859,146
PLAN FIDUCIARY NET POSITION - ENDING	686,503,222	662,653,584	599,325,724
NET PENSION LIABILITY - ENDING	$ 214,280,277	$ 183,999,110	$ 197,470,079
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	76.21%	78.27%	75.22%
COVERED EMPLOYEE PAYROLL	$ 28,868,635	$ 28,431,363	$ 27,697,423
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	742.26%	647.17%	712.95%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

SCHEDULES OF CHANGES IN THE EMPOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
(UNAUDITED)
(Continued)

	2016	2015	2014
TOTAL PENSION LIABILITY:			
Service cost	$ 9,537,905	$ 10,619,978	$ 10,631,405
Interest	56,386,139	53,285,378	50,687,264
Difference between actual and expected experience	399,811	(3,834,368)	(679,355)
Changes of benefit terms	22,338	765,470	-
Other	41,959	-	-
Changes of assumptions	8,511,772	-	-
Benefit payments, including refunds	(29,062,537)	(27,110,856)	(25,391,326)
NET CHANGE IN TOTAL PENSION LIABILITY	45,837,387	33,725,602	35,247,988
TOTAL PENSION LIABILITY - BEGINNING	705,283,352	671,557,750	636,309,762
TOTAL PENSION LIABILITY - ENDING	751,120,739	705,283,352	671,557,750
PLAN FIDUCIARY NET POSITION:			
Contributions - city and state	26,354,499	26,190,282	26,214,407
Contributions - members	2,819,814	3,065,485	2,983,425
Net investment income	44,141,730	9,650,600	44,138,554
Benefit payments, including refunds	(29,062,537)	(27,070,511)	(25,391,326)
Administrative expenses	(627,306)	(597,262)	(544,463)
Other	26,207	72,859	(17,372)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	43,652,407	11,311,453	47,383,225
PLAN FIDUCIARY NET POSITION - BEGINNING	495,206,739	483,895,286	436,512,061
PLAN FIDUCIARY NET POSITION - ENDING	538,859,146	495,206,739	483,895,286
NET PENSION LIABILITY - ENDING	$ 212,261,593	$ 210,076,613	$ 187,662,464
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	71.74%	70.21%	72.06%
COVERED EMPLOYEE PAYROLL	$ 27,677,991	$ 28,831,332	$ 28,252,541
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	766.90%	728.64%	664.23%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines

COMPLIANCE REPORT

YEAR ENDED SEPTEMBER 30, 2019

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
&
COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

To the Board of Trustees of the City Pension Fund for
Firefighters and Police Officers in the City of Pembroke Pines

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 Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' basic financial statements, and have issued our report thereon dated February 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' internal control over financial reporting (internal control) to determine the 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 City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' internal control. Accordingly, we do not express an opinion on the effectiveness of the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' 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 Plan'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.

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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 (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' 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 determination of financial statement amounts. 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 City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City Pension Fund for Firefighters and Police Officers in the City of Pembroke Pines' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kabat, Schertzer, De La Torre, Taraboulos & Co.

Weston, Florida
February 20, 2020