

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**



FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

**CITY OF LAUDERHILL
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RETIREMENT SYSTEM**

YEAR ENDED SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
City of Lauderhill Firefighters' Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Lauderhill Firefighters' Retirement System, which comprise the statement of fiduciary net position as of September 30, 2021, 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 of Lauderhill Firefighters' Retirement System as of September 30, 2021, 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.



INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the City of Lauderhill Firefighters' Retirement System's financial statements as of and for the year ended September 30, 2020, and our report dated February 9, 2021, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, 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 29-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.



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 8, 2022, on our consideration of the City of Lauderhill Firefighters' Retirement 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 City of Lauderhill Firefighters' Retirement 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 City of Lauderhill Firefighters' Retirement System's internal control over financial reporting and compliance.

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

Weston, Florida
February 8, 2022

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management's Discussion and Analysis (MD&A) of the City of Lauderhill Firefighters' Retirement System's (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal year ended September 30, 2021. Please read it in conjunction with the Plan's financial statements, which immediately follow.

Overview of the Financial Statements

The financial section of this annual report consists of five parts: MD&A, the basic financial statements, notes to the financial statements, supplementary information and required 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 and required 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 2021 reflected the following financial activities:

- Total net position restricted for pensions was \$115,038,531, which was 19% higher than 2020 net position.
- Total contributions for the year were \$4,452,754, which was 3% lower than the 2020 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Participant contributions were reduced from 12.72% to 11.72% of earnings effective October 1, 2019.
- Total interest and dividend income was \$1,917,926, which was 10% higher than the 2020 total interest and dividend income.
- Net investment income was \$19,521,418, which was 138% higher than the 2020 net investment income.
- Pension benefits paid were \$4,557,648, which was 3% higher than the pension benefits paid during 2020.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Fiduciary Net Position

The following condensed comparative statement of fiduciary net position is a snapshot 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, 2021 was \$115,038,531, which was 19% higher than the net position as of September 30, 2020.
- Total investments at fair value at September 30, 2021 was \$113,238,716, which was 19% higher than the investments as of September 30, 2020.

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

| | 2021 | 2020 | % Change |
|--|---------------|---------------|----------|
| Receivables | \$ 1,014,874 | \$ 621,559 | 63% |
| Investments, at fair value | 113,238,716 | 95,047,600 | 19% |
| Note receivable | 1,031,250 | 1,031,250 | 0% |
| Total assets | 115,284,840 | 96,700,409 | 19% |
| Accounts payable | 112,429 | 123,077 | (9%) |
| Accounts payable - purchase of investments | 133,880 | 74,004 | 81% |
| Total liabilities | 246,309 | 197,081 | 25% |
| Deferred interest income | - | 15,625 | (100%) |
| Net position restricted for pensions | \$115,038,531 | \$ 96,487,703 | 19% |

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of Plan transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal 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 the fiduciary net position) for the 2021 Plan year were \$24,020,734, which was comprised of total contributions of \$4,452,754, plus net investment income of \$19,521,418, and note receivable income of \$46,562.
- Expenses (deductions from the fiduciary net position) decreased from \$5,712,522 during 2020, to \$5,469,906 in 2021.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Statement of Changes in Fiduciary Net Position (Continued)

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

| | 2021 | 2020 | % Change |
|--|---------------|---------------|----------|
| Total contributions | \$ 4,452,754 | \$ 4,604,032 | (3%) |
| Net investment income | 19,521,418 | 8,205,467 | 138% |
| Note receivable income | 46,562 | 68,693 | (32%) |
| Total additions | 24,020,734 | 12,878,192 | 87% |
| Total deductions | 5,469,906 | 5,712,522 | (4%) |
| Net increase | 18,550,828 | 7,165,670 | 159% |
| Net position restricted for pensions – beginning | 96,487,703 | 89,322,033 | 8% |
| Net position restricted for pensions – ending | \$115,038,531 | \$ 96,487,703 | 19% |

Asset Allocation

The table below indicates the Plan investment policy limitations and actual asset allocations as of September 30, 2021:

| Type of Investment | Investment Policy | Actual Allocation |
|----------------------|-------------------|-------------------|
| Domestic equity | 35%-65% | 56% |
| International equity | 0%-20% | 13% |
| Fixed income | 10%-30% | 16% |
| Real assets | 0%-20% | 14% |
| Cash equivalents | Minimal | 1% |

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 of Trustees (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 long-term investment perspective.

Investment Activities

Investment income is vital to the Plan for current and future financial stability. Therefore, 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 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 effective October 2019. 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.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis Summary

The investment activities, for the fiscal year ended September 30, 2021 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 of Lauderhill Firefighters' Retirement System
c/o Barbara White, Pension Plan Administrator
126 Cheffey Road
Palatka, FL 321

**CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM**

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|----------------------|
| ASSETS | | |
| RECEIVABLES: | | |
| State contributions | \$ 456,497 | \$ 414,302 |
| Employer contributions | 266,330 | - |
| Employee contributions | 37,874 | - |
| Accrued investment income | 137,136 | 116,424 |
| Note receivable interest | - | 18,068 |
| Accounts receivable - sale of investments | 117,037 | 72,765 |
| TOTAL RECEIVABLES | <u>1,014,874</u> | <u>621,559</u> |
| INVESTMENTS, AT FAIR VALUE: | | |
| Money market funds | 2,360,826 | 1,552,326 |
| Equity securities | 48,376,792 | 41,870,456 |
| U.S. Government securities | 8,104,999 | 5,975,856 |
| Corporate bonds | 10,220,361 | 8,640,092 |
| Commingled equity funds | 28,115,667 | 22,714,720 |
| Real estate funds | 13,587,661 | 12,044,799 |
| Farmland investment fund | 2,472,410 | 2,249,351 |
| TOTAL INVESTMENTS, AT FAIR VALUE | <u>113,238,716</u> | <u>95,047,600</u> |
| NOTE RECEIVABLE | <u>1,031,250</u> | <u>1,031,250</u> |
| TOTAL ASSETS | <u>115,284,840</u> | <u>96,700,409</u> |
| LIABILITIES | | |
| ACCOUNTS PAYABLE | 112,429 | 123,077 |
| ACCOUNTS PAYABLE - PURCHASE OF INVESTMENTS | <u>133,880</u> | <u>74,004</u> |
| TOTAL LIABILITIES | <u>246,309</u> | <u>197,081</u> |
| DEFERRED INFLOWS | | |
| DEFERRED INTEREST INCOME | <u>-</u> | <u>15,625</u> |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| NET POSITION RESTRICTED FOR DEFINED BENEFITS | 110,386,110 | 94,107,252 |
| NET POSITION RESTRICTED FOR DROP BENEFITS | 2,246,219 | 1,399,569 |
| NET POSITION RESTRICTED FOR SUPPLEMENTAL PLAN BENEFITS | <u>2,406,202</u> | <u>980,882</u> |
| TOTAL NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 115,038,531</u> | <u>\$ 96,487,703</u> |

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

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|----------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Employer | \$ 3,018,920 | \$ 3,210,740 |
| Participants | 977,337 | 978,989 |
| State - Chapter 175 | <u>456,497</u> | <u>414,303</u> |
| Total contributions | <u>4,452,754</u> | <u>4,604,032</u> |
| Investment income: | | |
| Net appreciation in fair value of investments | 18,190,147 | 6,963,553 |
| Interest and dividend income | <u>1,917,926</u> | <u>1,748,372</u> |
| Total investment income | 20,108,073 | 8,711,925 |
| Less: investment expenses | <u>586,655</u> | <u>506,458</u> |
| Net investment income | <u>19,521,418</u> | <u>8,205,467</u> |
| Other income: | | |
| Note receivable income | <u>46,562</u> | <u>68,693</u> |
| TOTAL ADDITIONS | <u>24,020,734</u> | <u>12,878,192</u> |
| DEDUCTIONS: | | |
| Benefit payments | 4,557,648 | 4,437,023 |
| DROP distributions | 237,656 | 427,962 |
| Supplemental plan distributions | 433,922 | 642,235 |
| Refund of contributions | 79,742 | 5,600 |
| Administrative expenses | <u>160,938</u> | <u>199,702</u> |
| TOTAL DEDUCTIONS | <u>5,469,906</u> | <u>5,712,522</u> |
| NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS | 18,550,828 | 7,165,670 |
| NET POSITION RESTRICTED FOR PENSIONS - BEGINNING | <u>96,487,703</u> | <u>89,322,033</u> |
| NET POSITION RESTRICTED FOR PENSIONS - ENDING | <u>\$ 115,038,531</u> | <u>\$ 96,487,703</u> |

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

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

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 in fair value of investments 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 accounting principles generally accepted in the United States of America (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.

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to the 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, 2020, from which the information was derived.

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City of Lauderhill Firefighters' Retirement System (the Plan) provides only general information. Participants should refer to the City of Lauderhill, Florida's (the City) ordinance for more detailed and comprehensive information.

General

The Plan is a single-employer defined benefit pension plan covering all full-time firefighters of the City of Lauderhill, Florida who fulfilled the prescribed eligibility requirements. The Plan was established by the City in accordance with the City ordinance and State statutes. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive financial report as part of the City's financial reporting entity.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

General (Continued)

Management and administration of the Plan is vested in the Board, which consists of five members. Two citizens, who are legal residents or current employees of the City, appointed by the city commission; two full-time firefighters elected by the majority of the active firefighters who are participants of the Plan, and a fifth member chosen by majority of the previous four members and such person's name shall be submitted to the city commission. Upon receipt of that person's name, the city commission shall, as a ministerial duty, appoint such person to the board of trustees as its fifth member.

At September 30, 2021, Plan participation consisted of the following:

| | |
|---|------------|
| Inactive Plan participants or beneficiaries | |
| currently receiving benefits | 77 |
| Active Plan participants | 96 |
| DROP participants | 12 |
| Inactive non-retired members | <u>2</u> |
| Total | <u>187</u> |

Eligibility

Any person employed full time in the fire department of the City, who is certified as a firefighter as a condition of employment in accordance with the provisions of Florida Statutes, Section 633.35. All firefighters hired by the City of Lauderhill after June 14, 1982, are required to participate in this Plan. Participants hired prior to October 1, 2009 are considered "Tier One" and participants hired on and after October 1, 2009 are considered "Tier Two."

Vesting

Benefits are fully vested after 10 years of service.

Benefits

The Plan provides for three types of retirement: normal service retirement, early and delayed retirement, and disability benefits.

Normal retirement benefits

Participants are eligible for normal retirement benefits on the first business day of the month coincident with or next following the date upon which the participant attains the age of 55 with at least 10 years of service, or completion of 20 years of service, whichever comes first.

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Normal retirement benefits (Continued)

- *Tier One Participants*

Effective October 1, 2003 through November 24, 2019, for Tier One participants, average monthly earnings means one-twelfth of the arithmetic average of annual earnings for the highest consecutive three years of the ten full years immediately preceding the actual retirement or termination date; provided, that if a participant shall have been employed for fewer than five years, such average shall be taken only over the period of his actual employment.

Average monthly earnings for prospective credited service as of November 25, 2019, means one-twelfth of the arithmetic average of annual earnings for the highest consecutive five years of the ten full years; provided, in no event will a participant's average monthly earnings be less than the highest three year average. As such, the applicable average monthly earnings is the greater of the three-year average as of November 25, 2019, or the five-year average as of the retirement date.

Tier One participants also earn a multiplier of 3% for service prior to October 1, 2003 and 4% for service on and after October 1, 2003 through November 24, 2019. For all years of credited service earned on or after November 25, 2019, the monthly retirement benefit for Tier One participants not eligible for normal retirement as of November 25, 2019, is an amount equal to three percent of average monthly earning times years and completed months of credited service.

- *Tier Two Participants*

The amount of the Tier Two normal retirement benefit is calculated using a 3% multiplier for all service, with a maximum normal retirement benefit of 75% of average final compensation. Participants may increase their pension multiplier to 3.5% provided that all costs associated with the increase (or its actuarially equivalent cost) are borne solely by the participant as determined by the Plan's actuary. The cap of 75% of average final compensation is inapplicable for Tier Two participants who purchase an enhanced multiplier; however, a participant's total benefit shall not under any circumstance exceed 100% of average final compensation.

Average final compensation for participants who retire with less than 25 years of service is one-twelfth of the average of annual earnings for the highest consecutive four years of the ten full years immediately preceding the actual retirement or termination. Average final compensation for participants who retire with 25 or more years of service is one-twelfth of the average of annual earnings for the highest consecutive three years of the ten full years immediately preceding the actual retirement or termination.

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Effective November 25, 2019, for participants not eligible for normal retirement as of November 25, 2019, average monthly earnings for prospective credited service for Tier Two participants as of November 25, 2019, means one-twelfth of the arithmetic average of annual earnings for the highest consecutive five years of the ten full years; provided, in no event will a Tier Two participant's average monthly earnings be less than the four year average as of November 25, 2019. As such, the applicable average monthly earnings would be the greater of the four year average as of the November 25, 2019, or the five year average as of the retirement date.

Variable benefits – Effective October 1, 1999, for all firefighters employed on or after October 1, 1997, a variable benefit will be paid. Based upon procedures and methods adopted by the Board of Trustees, as determined to be actuarially sound by the City of Lauderhill Firefighters' Retirement System's actuaries, benefits currently payable under this article shall be increased from time to time, but no more than 3%.

Early retirement – Participants can take early retirement upon attaining age 50 with 10 or more years of credited service. The amount of early retirement income is the monthly accrued benefit earned the early retirement date, reduced by 3% per year for commencement prior to normal retirement date.

Disability retirement – Participants become eligible for disability retirement if, prior to the normal retirement date, the participant becomes totally and permanently disabled as a result of injuries, illness or disease which incapacitates the participant physically or mentally from serving as a firefighter. Participants become eligible to service-incurred disability benefits immediately upon entering the Plan, while they become eligible for non-service disability upon earning 2 years of service. The monthly benefit will equal the greater of the accrued benefits at the time of disability or fifty percent of the rate of monthly earnings in effect at the time of disability. Total benefits paid (including worker's compensation, for example) may not exceed 100% of the participant's salary. Disability benefits are granted only upon approval by the Board and such disability is substantiated medically to the satisfaction of the Board and that the participant cannot perform regular duties as a firefighter.

Pre-retirement service death – The Plan provides benefits for spouses and children of participants for both service-connected death and nonservice-connected death. However, the participant must have been eligible for early or normal retirement to receive a nonservice-connected death benefit. The benefit payable for participants who are killed or die as a direct result of an occurrence arising in the performance of service is a monthly benefit equal to 20% of the participant's rate of monthly earnings at the time of death, or a refund of contributions with interest, if greater.

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Cost-of-Living Adjustment (COLA) benefits – For Tier One participants, effective October 1, 2006 each retiree who was a Tier One participant, (or and any Tier One participant thereafter who is eligible for normal retirement as of November 25, 2019, including all retirees who retired prior to October 1, 2006, will have their monthly retirement benefits increased by a sum equal to 1.5% per year. Provided however, that before any Tier One participant who was a retiree as of October 1, 2006, including all retirees who retired prior to October 1, 2006, and or any Tier One participant who was eligible for normal retirement as of November 25, 2019, is entitled to receive a COLA, the retiree must have been retired for three years. Tier One participants who were not eligible for normal retirement as of November 25, 2019, shall have their monthly retirement benefit increased by a sum equal 1.5% per year for credited service earned on or before October 29, 2018, upon having been retired for three years. Following a retiree's death who was a Tier One participant, the COLA will be paid to each designated beneficiary.

For Tier Two participants regarding credited service earned on or before October 29, 2018, they will have their monthly retirement benefit increased after being retired for three years, by a sum equal to the net return of the Plan per year, with a 1.5% percent cap and 0% percent floor per year. For credited service earned after October 29, 2018, Tier Two participants shall have their monthly retirement benefit increased after five years of separation of service as a firefighter from the City, by a sum equal to 1%, with no more than eight cost of living adjustments to this portion of their monthly retirement benefit during their lifetime. Following the death of a retiree who was a Tier Two participant, the Tier Two COLA will be paid to each designated beneficiary only if a Tier Two COLA for retirees is to be given as a result of a net return being earned for the Plan that year.

Cost-of-Living Adjustment 2 (COLA 2) benefits – Each participant who was a Tier One participant not eligible for normal retirement as of November 25, 2019, or a Tier Two as of October 29, 2018, shall have the monthly retirement benefit increased 1% per year, which is called the "COLA 2" based on credited service earned after October 29, 2018. Provided however, that before any retiree is entitled to a COLA 2 based on any credited service earned after October 29, 2018, the retiree must have been separated from City service for five years. Retirees shall not receive more than eight COLA 2 adjustments to their benefit based on credited service earned after October 29, 2018, during their lifetime.

Deferred Retirement Option Plan (DROP) – The deferred retirement option plan offers active participants an opportunity prior to retirement, to keep working and accumulate pension benefits at the same time. Upon entering the DROP, the participant's monthly retirement benefit is frozen, and their monthly benefit, including any COLA or variable benefits, is paid into their DROP account. Also, participant's contribution cease upon entering the DROP. Upon termination of employment, the balance in the participant's DROP account, including investment earnings, may either be paid in a lump sum, or rolled over to an eligible retirement account.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Deferred Retirement Option Plan (DROP) (Continued)

- *Tier One Participants*

Tier One participants are eligible to enter the DROP on the first day of the month following the completion of 20 years of credited service or upon earning a pension benefit equal to 80%. The maximum participation in the DROP is eighty-four months. The maximum number of months a Tier One participant may participate in the DROP is reduced by one month for each month of eligibility after attaining the 80% accrued benefit during which the participant does not participate in the DROP.

For Tier One participants who were in the DROP as of October 29, 2018 and were still in the DROP as of November 25, 2019, they may remain in the DROP for up to five years without making a contribution to the Plan, but must contribute 3% of their base payroll earnings to the Plan for any period that they elect to remain in the DROP beyond five complete years. DROP interest earnings for any period in excess of five years in the DROP, for Tier One participants who were in the DROP as of October 29, 2018, and were still in the DROP as of November 25, 2019, will be variable and based on the actual annual net rate of return earnings (i.e., the gross return of the Plan less the plan's administrative costs) of the Plan, with a floor 0% and a cap of 5% per year. Any actual annual net rate of return earnings for the Plan in excess of 5% will go back into the Plan.

Tier One participants who enter the DROP, but were not eligible to enter the DROP as of November 25, 2019, may participate in the DROP for a maximum of eighty-four months provided that they contribute 3% of their base payroll earnings to the Plan while in the DROP and their DROP interest earnings will be variable and based on the actual annual net rate of return earnings of the Plan, with a floor of 0% and a cap of 5% per year. Any actual annual net rate of return earnings for the Plan in excess of 5% will go back into the Plan.

For Tier One participants who were not eligible to enter the DROP as of October 29, 2018, but subsequently became eligible to enter the DROP prior to November 25, 2019, they may participate in DROP for up to five years without making a contribution to the Plan, but must contribute 3% of their base payroll earnings to the Plan for any period that they remain in the DROP beyond five complete years. DROP interest earnings for any period in excess of five years in the DROP, for Tier One participants who were not eligible to enter the DROP as of October 29, 2018, but subsequently became eligible to enter the DROP prior to November 25, 2019, will be variable and based on the actual annual net rate of return earnings of the Plan, with a floor of 0% and a cap of 5% per year. Any actual annual net rate of return earnings for the Plan in excess of 5% will go back into the Plan.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Benefits (Continued)

Deferred Retirement Option Plan (DROP) (Continued)

- *Tier Two Participants*

Tier Two participants may enter into the DROP on the first day of the month following completion of 20 years of credited service. Participant may participate in the DROP for a maximum of eighty-four months provided they contribute 3% of their base payroll earnings while in the DROP to the Plan. The number of months a Tier Two participant may participate in the DROP shall be reduced by one month for each month of eligibility following the completion of twenty five years of credited service during which the participant does not participate in the DROP. Tier Two participant DROP accounts will be credited at a rate of interest that is variable and based on the actual annual net rate of return earnings of the Plan, with a floor of 0% and a cap of 5% per year. Any actual annual net rate of return earnings for the Plan in excess of 5% will go back into the Plan.

A summary of the changes in the DROP balance for the year ended September 30, 2021 is as follows:

| | | |
|------------------------------------|----|---------------------|
| Beginning balance | \$ | 1,399,569 |
| Contributions | | 997,167 |
| Earnings (net of expenses and adj) | | 87,139 |
| Distributions | | <u>(237,656)</u> |
| Ending balance | | <u>\$ 2,246,219</u> |

Supplemental benefit – In addition to the monthly pension benefit, effective October 1, 2000, all firefighter retirees and firefighter-designated beneficiaries receiving benefits on October 1, 2003 or thereafter, may be eligible for an annual supplemental benefit. Such supplemental benefit shall be seventy-five percent of the Plan's prior year's actuarial gain remaining after the payment of variable benefits provided via a COLA and fifty percent of the annual Chapter 175 premium tax revenues received by the City. The supplemental benefit is to be paid in equal monthly installments, effective October 1. The benefit will be paid to the beneficiaries of eligible retirees who retired on or after October 1, 2000, upon the retiree's death, but only if the retiree had retired or had been eligible to retire as of September 30, 2016. For all others who retire on or after October 1, 2016, and who were not eligible to retire until on or after October 1, 2016, the supplemental benefit terminates upon death. All funds not distributed to retirees remain in the supplemental retirement benefit account to be used for additional future benefits to retirees and their designated beneficiaries. The balance of the supplemental benefits account as of September 30, 2021 was determined by the actuary to be \$2,406,202.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Funding

Participant Contributions - The Plan provides for participant contributions as a percentage of earnable compensation, which excludes overtime, bonuses and other non-regular payments. The City will withdraw the contribution from pay prior to taxes. Participant contribution rates were 11.72% from October 1, 2019 through September 30, 2021.

State Contributions - Pursuant to Chapters 175 of the Florida Statutes, a premium tax on certain casualty insurance contracts written within the City of Lauderhill is collected by the State and remitted to the City for firefighter retirement systems.

City Contributions - The City shall contribute an amount that, together with the amount received from the State, will be sufficient to pay the normal cost and the amount required to fund over such a period of time as provided for in state law any actuarial deficiency shown by the most recent actuarial valuation.

Rate of Return

For the year ended September 30, 2021, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 20.54%. 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 investment policy statement was last amended on October 2019. The following was the Board's adopted asset allocation policy as of September 30, 2021:

| <u>Type of Investment</u> | <u>Target Allocation</u> |
|---------------------------|--------------------------|
| Domestic equity | 35%-65% |
| International equity | 0%-20% |
| Fixed income | 10%-30% |
| Real assets | 0%-20% |
| Cash equivalents | Minimal |

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 3. INVESTMENTS (Continued)

During the year ended September 30, 2021 the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$18,190,147 (reported as net appreciation in fair value of investments in the accompanying statement of changes in fiduciary net position) as follows:

| | |
|----------------------------|---------------------|
| Common stocks | \$10,552,119 |
| U.S. government securities | (386,545) |
| Corporate bonds | (274,963) |
| Mutual funds | 6,929,844 |
| REIT | 33,040 |
| Farmland fund | 205,483 |
| Real estate funds | <u>1,131,169</u> |
| Total | <u>\$18,190,147</u> |

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 securities had maturities as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Less than 1</u> | <u>1 to 5</u> | <u>6 to 10</u> | <u>More than 10</u> |
|------------------------|----------------------|--------------------|---------------------|--------------------|---------------------|
| Corporate bonds | \$ 10,220,361 | \$ 559,476 | \$ 2,547,280 | \$4,018,226 | \$ 3,095,379 |
| U.S. agency securities | 4,853,998 | - | 59 | 91,367 | 4,762,572 |
| U.S. treasury notes | 1,410,646 | - | - | 1,410,646 | - |
| U.S. treasury bonds | <u>1,840,355</u> | - | - | - | <u>1,840,355</u> |
| Totals | <u>\$ 18,325,360</u> | <u>\$ 559,476</u> | <u>\$ 2,547,339</u> | <u>\$5,520,239</u> | <u>\$ 9,698,306</u> |

The fixed-income portfolio shall have a minimum rating of investment grade as reported by a major crediting service. At September 30, 2021, the Plan's fixed income assets were rated as follows:

| <u>Rating</u> | <u>Fair Value</u> |
|---------------------------|----------------------|
| AAA | \$ 1,420,278 |
| AA | 1,001,003 |
| A | 3,327,685 |
| BBB | 4,278,281 |
| N/R U.S. govt. securities | <u>8,298,113</u> |
| | <u>\$ 18,325,360</u> |

"Credit risk" is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

"Custodial credit risk" is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are held by the counterparty.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan's policy is to maintain its investments in custodial accounts that identify securities held as assets of the Plan by registering securities in the name of the Plan, or in street name or nominee name as the Plan's agent.

“Concentration of credit risk” - 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 the Plan's assets at cost and 5% of the outstanding capital stock of that company. Furthermore, investments in equities shall not exceed 70% of the Plan's assets at market value. For fixed income securities, not more than 5% of the Plan's fixed income portfolio at cost shall be invested in the securities of any single corporate issuer.

“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 equity investments not to exceed 20% of the Plan's investments at market value. As of year-end, the foreign investments were 13% 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 as 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.

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

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

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.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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 a private market real estate for which no liquid public market exists.

Farmland fund: Valued at the net asset value of shares held by the Plan at year end.

Money market funds: Valued at the floating net asset value of shares held by the Plan at the end of the year.

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CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

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, 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) |
| <u>Investments by fair value level</u> | | | | |
| Equity securities: | | | | |
| Common stocks | \$ 43,054,846 | \$ 43,054,846 | \$ - | \$ - |
| REIT | 142,170 | 142,170 | - | - |
| Equity mutual funds | 5,179,776 | 5,179,776 | - | - |
| Total equity securities | <u>48,376,792</u> | <u>48,376,792</u> | <u>-</u> | <u>-</u> |
| Debt securities: | | | | |
| U.S. treasury securities | 3,251,001 | 1,410,646 | 1,840,355 | - |
| U.S. agency securities | 4,853,998 | - | 4,853,998 | - |
| Corporate bonds | 10,220,361 | - | 10,220,361 | - |
| Total debt securities | <u>18,325,360</u> | <u>1,410,646</u> | <u>16,914,714</u> | <u>-</u> |
| Total investments by fair value level | <u>66,702,152</u> | <u>\$ 49,787,438</u> | <u>\$ 16,914,714</u> | <u>\$ -</u> |
| Investments measured at the <u>net asset value (NAV)</u> ^(a) | | | | |
| Commingled equity funds | 28,115,667 | | | |
| Farmland investment fund | 2,472,410 | | | |
| Real estate funds | 13,587,661 | | | |
| Total investments measured at the NAV | <u>44,175,738</u> | | | |
| Money market funds (exempt) | <u>2,360,826</u> | | | |
| Total investments | <u>\$ 113,238,716</u> | | | |

^(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 this table are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

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:

| <u>Investments Measured at the NAV</u> | <u>Fair Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (if Currently Eligible)</u> | <u>Redemption Notice Period</u> |
|---|----------------------|---------------------------------|---|-------------------------------------|
| Commingled equity funds ⁽¹⁾ | \$ 28,115,667 | \$ - | Daily | Same day |
| Farmland investment fund ⁽²⁾ | 2,472,410 | - | Yearly | 5 months |
| Real estate fund ⁽³⁾ | 5,812,359 | - | Quarterly | 10 days |
| Real estate fund ⁽⁴⁾ | <u>7,775,302</u> | - | Quarterly | 90 days |
| Total investments measured at the NAV | <u>\$ 44,175,738</u> | <u>\$ -</u> | | |

⁽¹⁾ Commingled equity funds: This commingled investment consists of participation in three equity mutual funds. The investment is valued at NAV based on the participant's share of the total fund. Redemption requests are permitted daily.

⁽²⁾ Farmland investment fund: This fund is an open-ended comingled investment fund that identifies, acquires and manages productive agricultural land in the Midwestern United States. The investment is valued at NAV and written notice must be provided for redemption 5 months prior to the redemption date, which is the last day of February. Additionally, no redemption notice may be filed until the participant's capital has been invested in the farmland fund for twelve months.

⁽³⁾ Real estate fund: The fund is an open-end diversified core real estate commingled fund that invests primarily in core institutional office, retail, industrial, and multi-family properties located throughout the United States. The investment is valued at NAV and its redemptions must be received by the fund 10 days prior to quarter end.

⁽⁴⁾ Real estate fund: This fund is an open-end comingled real estate fund that invests in a pool of real estate assets that are diversified by geography and property type, with a focus of yield-driven investments and, to a lesser extent, on value-added investments. The investment is valued at NAV and redemption requests must be received by the fund 90 days prior to quarter end.

NOTE 5. RISKS AND UNCERTAINTIES

The Plan invests in various securities. Investment securities are exposed to various 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 available for benefits.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 5. RISKS AND UNCERTAINTIES (Continued)

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 participant 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.

NOTE 6. NET PENSION (ASSET) LIABILITY OF THE PLAN

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

| | |
|---|---------------------|
| Total pension liability | \$114,886,732 |
| Plan fiduciary net position | <u>115,038,531</u> |
| City's net pension asset | <u>\$ (151,799)</u> |
| | |
| Plan fiduciary net position as a percentage of the total pension asset | 100.13% |

The total pension liability was determined by an actuarial valuation as of October 1, 2021, using certain actuarial assumptions, the most significant of which were inflation of 2.20%, projected salary increases of 8.25% to 4.11% graded by service, and investment rate of return of 7.20% net of investment expense and including inflation.

Mortality rates used from July 1, 2019 and 2020 actuarial valuations for Special Risk members in the FRS, as required by State Statute.

The following sex distinct tables are used with fully generational mortality improvements using sex distinct Scale MP-2018:

- Active: Male: PubS.H-2010(B) male set forward 1 year
 Female: PubS.H-2010 female set forward 1 year
- Healthy Retiree: Male: PubS.H-2010(B) male healthy retiree set forward 1 year
 Female: PubS.H-2010 female healthy retiree set forward 1 year

The following sex distinct tables are used with no mortality improvement projection:

- Disabled Retiree: Male: 80% PubG.H-2010 male disabled retiree + 20% PubS.H-2010 male disabled retiree
 Female: 80% PubG.H-2010 female disabled retiree + 20% PubS.H-2010 female disabled retiree.

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.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 6. NET PENSION (ASSET) LIABILITY OF THE PLAN (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation, as provided by the Plan's investment monitor, as of September 30, 2021 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Large cap | 35.0% | 8.28% |
| Mid cap | 7.5% | 10.22% |
| Small cap | 7.5% | 9.28% |
| International | 10.0% | 5.57% |
| Emerging markets | 5.0% | 11.31% |
| Real assets | 12.0% | 6.45% |
| Farmland | 3.0% | 6.45% |
| Fixed income | <u>20.0%</u> | 2.19% |
| | <u>100.0%</u> | |

A single discount rate of 7.20% was used to measure the total pension (asset) liability. This single discount rate was based on the expected rate of return on Plan investments of 7.20%. The projection of cash flows used to determine this single discount rate assumed that Plan participant contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the participant rate.

Based on these 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 (7.20%) was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

The net pension (asset) liability of the City was calculated using the discount rate of 7.20%. It was also calculated using a discount rate that was 1-percentage-point lower (6.20%) and 1-percentage-point higher (8.20%) and the different computations were compared.

| | 1% decrease | Current discount rate | 1% increase |
|-------------------------------|----------------|--------------------------|----------------|
| | <u>(6.20%)</u> | <u>(7.20%)</u> | <u>(8.20%)</u> |
| Net pension (asset) liability | \$13,676,936 | \$ (151,799) | \$(11,552,752) |

NOTE 7. COMMITMENTS

The Plan is obligated for payments under an operating lease for office space that expires February 28, 2022. The lease requires a monthly rent of \$530. Rent expense was \$6,920 for the fiscal year ended September 30, 2021.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 8. RELATED PARTIES

The Plan has a note receivable from the City of Lauderhill Housing Authority with the City of Lauderhill, Plan Sponsor as guarantor. The original note was for \$1,000,000 with a 7% interest rate. Commencing on July 1, 2010 and continuing on the first day of each quarter thereafter, with consecutive quarterly payments of interest only on the outstanding principal balance. The note matured on July 1, 2020 at which time the remaining indebtedness was due. Effective September 9, 2020, the loan was re-negotiated to grant an extension on the debt to January 2021 for a 6-year promissory note with a 4% interest rate. In the interim, a 6.25% percent was to be paid from July 2020 to December 2020. This interim interest amount, totaling \$31,250, was added to and made part of the loan for a total principal balance of \$1,031,250. The re-negotiated loan will be paid in quarterly payments of interest only of \$10,312.50 commencing on January 1, 2021, and continuing on the 1st day of each quarter thereafter.

During the year ended September 30, 2021, the Plan recorded interest income of \$46,562.

The City of Lauderhill Housing Authority and the City, expressly granted to the Plan a continuing first lien security interest in any and all money, general or specific deposits, or property of any such parties in their possession.

NOTE 9. INCOME TAXES

The Plan is exempt from federal income taxes under the Internal Revenue Code 401(a), and therefore, no provision for income taxes has been made. 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 10. COVID-19 CONSIDERATIONS

The Plan's ongoing funding may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the Plan's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through February 8, 2022, the date the financial statements were available to be issued.

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2021

**CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM**

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|--------------------------|--------------------------|
| INVESTMENT EXPENSES: | | |
| Financial management fees | \$ 517,229 | \$ 450,635 |
| Performance monitoring fees | 56,032 | 45,381 |
| Custodial fee | <u>13,394</u> | <u>10,442</u> |
| TOTAL INVESTMENT EXPENSES | <u>\$ 586,655</u> | <u>\$ 506,458</u> |
| | | |
| ADMINISTRATIVE EXPENSES: | | |
| Audit | \$ 13,800 | \$ 17,000 |
| Actuarial | 43,650 | 51,975 |
| Administrative fees | 52,547 | 53,376 |
| Trustee conferences | 5,010 | 8,522 |
| Insurance | 12,830 | 12,830 |
| Legal | 25,323 | 50,165 |
| Rent | 7,159 | 5,559 |
| Miscellaneous | <u>619</u> | <u>275</u> |
| TOTAL ADMINISTRATIVE EXPENSES | <u>\$ 160,938</u> | <u>\$ 199,702</u> |

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

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2021

CITY OF LAUDERHILL

FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined employer contribution | \$ 3,247,169 | \$ 3,409,066 | \$ 3,887,214 | \$ 3,772,575 | \$ 3,716,888 |
| Actual employer contribution | <u>3,247,169</u> | <u>3,417,891</u> | <u>3,893,701</u> | <u>3,772,575</u> | <u>3,719,029</u> |
| Annual contribution deficiency (excess) | <u>\$ -</u> | <u>\$ (8,825)</u> | <u>\$ (6,487)</u> | <u>\$ -</u> | <u>\$ (2,141)</u> |
| Covered-employee payroll | <u>\$ 8,580,684</u> | <u>\$ 8,056,817</u> | <u>\$ 7,990,310</u> | <u>\$ 7,634,463</u> | <u>\$ 7,651,439</u> |
| Actual contributions as a percentage of covered-employee payroll | 37.8% | 42.4% | 48.7% | 49.4% | 48.6% |
| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Actuarially determined employer contribution | \$ 3,985,678 | \$ 4,231,795 | \$ 4,331,942 | \$ 4,369,844 | \$ 3,691,300 |
| Actual employer contribution | <u>3,989,982</u> | <u>4,231,795</u> | <u>4,331,942</u> | <u>4,369,844</u> | <u>3,691,300</u> |
| Annual contribution deficiency (excess) | <u>\$ (4,304)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | <u>\$ 7,136,191</u> | <u>\$ 6,884,383</u> | <u>\$ 6,945,643</u> | <u>\$ 6,716,257</u> | <u>\$ 6,445,935</u> |
| Actual contributions as a percentage of covered-employee payroll | 55.9% | 61.5% | 62.4% | 65.1% | 57.3% |

Notes to Schedules of Contributions from Employer and Other Contributors

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 25 years effective October 1, 2016. Prior to this change, a 30 year period was used. |
| Asset valuation method | 4-year smoothed market |
| Inflation | 2.0% |
| Salary increases | Graded by service from 8.25% to 4.11%, including inflation |
| Investment rate of return | Effective October 1, 2020, the investment return is 7.2%, net of investment expenses, including inflation. Effective October 1, 2018, the investment return was 7.3%, net of investment expenses, including inflation. Effective October 1, 2016, the investment return is 7.85%, net of investment expenses, including inflation. Prior to the change the assumption was 8% gross of investment expenses, including inflation. |
| Mortality | <p><u>Healthy Pre-Retirement:</u> Males: PubS.H-2010(B) male employee set forward 1 year. Females: PubS.H-2010 female employee set forward 1 year . Both sex distinct tables are used with fully generational mortality improvements using sex distinct Scale MP-2018.</p> <p><u>Healthy Post-Retirement:</u> Males: PubS.H-2010(B) male healthy retiree set forward 1 year. Females: PubS.H-2010 female healthy retiree set forward 1 year. Both sex distinct tables are used with fully generational mortality improvements using sex distinct Scale MP-2018.</p> <p><u>Disabled mortality:</u> Males: 80% PubG.H-2010 male disabled retiree + 20% PubS.H-2010 male disabled retiree. Females: 80% PubG.H-2010 female disabled retiree + 20% PubS.H-2010 female disabled retiree. No mortality improvement is assumed for disabled lives.</p> |

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

CITY OF LAUDERHILL
FIREFIGHTERS' RETIREMENT SYSTEM

SCHEDULE OF INVESTMENT RETURNS
(UNAUDITED)

| Year ended <u>September 30,</u> | Annual money- weighted rate of return net of investment <u>expense</u> |
|------------------------------------|--|
| 2021 | 20.54% |
| 2020 | 9.26% |
| 2019 | 3.65% |
| 2018 | 9.31% |
| 2017 | 12.89% |
| 2016 | 10.02% |
| 2015 | (0.66%) |
| 2014 | 8.83% |
| 2013 | 15.70% |
| 2012 | 20.21% |

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

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY: | | | | |
| Service cost | \$ 2,349,588 | \$ 2,490,774 | \$ 2,694,312 | \$ 2,756,657 |
| Interest | 7,678,778 | 7,504,557 | 7,308,376 | 7,212,219 |
| Changes in benefit terms | 1,833,450 | 207,840 | (2,411,361) | 324,964 |
| Difference between actual and expected experience | 978,239 | 863,344 | (115,374) | (1,803,585) |
| Assumption changes | - | (1,614,183) | - | 4,732,870 |
| Benefit payments | (5,229,226) | (5,507,220) | (4,668,908) | (4,794,601) |
| Contribution refunds | (79,742) | (5,600) | (84,793) | (107,919) |
| Other | (7,156) | (34,142) | (63,736) | (47,435) |
| NET CHANGE IN TOTAL PENSION LIABILITY | <u>7,523,931</u> | <u>3,905,370</u> | <u>2,658,516</u> | <u>8,273,170</u> |
| TOTAL PENSION LIABILITY - BEGINNING | <u>107,362,801</u> | <u>103,457,431</u> | <u>100,798,915</u> | <u>92,525,745</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>114,886,732</u> | <u>107,362,801</u> | <u>103,457,431</u> | <u>100,798,915</u> |
| PLAN FIDUCIARY NET POSITION: | | | | |
| Contributions - employer | 3,018,920 | 3,210,740 | 3,695,375 | 3,586,180 |
| Contributions - state | 456,497 | 414,303 | 396,652 | 372,790 |
| Contributions - employee | 977,337 | 978,989 | 1,044,815 | 1,072,585 |
| Net investment income | 19,567,980 | 8,274,160 | 3,094,554 | 7,325,447 |
| Benefit payments | (5,229,226) | (5,507,220) | (4,668,908) | (4,794,601) |
| Contribution refunds | (79,742) | (5,600) | (84,793) | (107,919) |
| Administrative expenses | (160,938) | (199,702) | (184,320) | (216,523) |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | <u>18,550,828</u> | <u>7,165,670</u> | <u>3,293,375</u> | <u>7,237,959</u> |
| PLAN FIDUCIARY NET POSITION - BEGINNING | <u>96,487,703</u> | <u>89,322,033</u> | <u>86,028,658</u> | <u>78,790,699</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>115,038,531</u> | <u>96,487,703</u> | <u>89,322,033</u> | <u>86,028,658</u> |
| NET PENSION (ASSET) LIABILITY | <u>\$ (151,799)</u> | <u>\$ 10,875,098</u> | <u>\$ 14,135,398</u> | <u>\$ 14,770,257</u> |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY | 100.1% | 89.9% | 86.3% | 85.3% |
| COVERED EMPLOYEE PAYROLL | \$ 8,580,684 | \$ 8,056,817 | \$ 7,990,310 | \$ 7,634,463 |
| NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL | -1.8% | 135.0% | 176.9% | 193.5% |

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 required supplementary schedule.

CITY OF LAUDERHILL FIREFIGHTERS' RETIREMENT SYSTEM

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

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| TOTAL PENSION LIABILITY: | | | | |
| Service cost | \$ 2,619,073 | \$ 2,527,101 | \$ 2,558,195 | \$ 2,440,094 |
| Interest | 6,818,819 | 6,519,385 | 6,289,742 | 5,928,052 |
| Changes in benefit terms | 268,422 | 338,414 | 357,454 | 345,399 |
| Difference between actual and expected experience | (326,449) | (749,900) | (1,715,691) | (551,848) |
| Assumption changes | 224,755 | 1,946,542 | 101,056 | 96,389 |
| Benefit payments | (4,512,657) | (5,500,238) | (3,730,013) | (3,982,063) |
| Contribution refunds | (35,787) | (52,793) | (69,592) | (4,028) |
| Other | (71,203) | (114,118) | (39,152) | (19,920) |
| NET CHANGE IN TOTAL PENSION LIABILITY | <u>4,984,973</u> | <u>4,914,393</u> | <u>3,751,999</u> | <u>4,252,075</u> |
| TOTAL PENSION LIABILITY - BEGINNING | <u>87,540,772</u> | <u>82,626,379</u> | <u>78,874,380</u> | <u>74,622,305</u> |
| TOTAL PENSION LIABILITY - ENDING | <u>92,525,745</u> | <u>87,540,772</u> | <u>82,626,379</u> | <u>78,874,380</u> |
| PLAN FIDUCIARY NET POSITION: | | | | |
| Contributions - employer | 3,521,811 | 3,822,621 | 4,064,434 | 4,164,581 |
| Contributions - state | 394,437 | 391,657 | 485,663 | 492,840 |
| Contributions - employee | 1,065,791 | 986,417 | 972,711 | 970,011 |
| Net investment income | 8,980,612 | 6,286,349 | (507,362) | 5,036,474 |
| Benefit payments | (4,512,657) | (5,500,238) | (3,730,013) | (3,982,063) |
| Contribution refunds | (35,787) | (52,793) | (69,592) | (4,028) |
| Administrative expenses | (220,226) | (219,180) | (176,928) | (169,317) |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | <u>9,193,981</u> | <u>5,714,833</u> | <u>1,038,913</u> | <u>6,508,498</u> |
| PLAN FIDUCIARY NET POSITION - BEGINNING | <u>69,596,718</u> | <u>63,881,885</u> | <u>62,842,972</u> | <u>56,334,474</u> |
| PLAN FIDUCIARY NET POSITION - ENDING | <u>78,790,699</u> | <u>69,596,718</u> | <u>63,881,885</u> | <u>62,842,972</u> |
| NET PENSION (ASSET) LIABILITY | <u>\$ 13,735,046</u> | <u>\$ 17,944,054</u> | <u>\$ 18,744,494</u> | <u>\$ 16,031,408</u> |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY | 85.2% | 79.5% | 77.3% | 79.7% |
| COVERED EMPLOYEE PAYROLL | \$ 7,651,439 | \$ 7,136,191 | \$ 6,884,383 | \$ 6,945,643 |
| NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL | 179.5% | 251.5% | 272.3% | 230.8% |

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 required supplementary schedule.

**CITY OF LAUDERHILL
FIREFIGHTERS'
RETIREMENT SYSTEM**

COMPLIANCE REPORT

SEPTEMBER 30, 2021



**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 of Lauderhill Firefighters' Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City of Lauderhill Firefighters' Retirement System, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Lauderhill Firefighters' Retirement System's basic financial statements, and have issued our report thereon dated February 8, 2022.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lauderhill Firefighters' Retirement 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.



**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)

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 of Lauderhill Firefighters' Retirement System'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 City of Lauderhill Firefighters' Retirement System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Weston, Florida
February 8, 2022