

City of Coral Springs Police Officers' Pension Plan

Financial Report
September 30, 2021

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Independent Auditor's Report

To the Board of Trustees
City of Coral Springs Police Officers' Pension Plan
Coral Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Coral Springs Police Officers' Pension Plan (the Plan), which are comprised of the statement of fiduciary net position as of September 30, 2021, the 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 entity'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 entity'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 Plan 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of contributions from employer and other contributors, schedule of investment returns, and schedule of changes in the employer's net pension liability and related ratios 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, which 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying other supplemental schedule of administrative expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2022, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
April 18, 2022

**City of Coral Springs
Police Officers' Pension Plan**

**Statement of Fiduciary Net Position
September 30, 2021**

Assets

Cash and cash equivalents	<u>\$ 6,863,664</u>
Other assets:	
Accrued investment income	254,332
Other assets	<u>595,810</u>
Total other assets	<u>850,142</u>
Investments:	
Common stocks	113,090,896
Government securities	33,597,146
Corporate bonds and other debt securities	20,308,197
Real-estate commingled funds	37,892,532
Limited partnership	15,348,477
Multi-asset mutual funds	14,724,775
Common stock mutual funds	<u>83,712,981</u>
Total investments	<u>318,675,004</u>
Total assets	<u>326,388,810</u>

Liabilities

Accounts payable	347,461
Accounts payable – securities purchased	<u>1,860,960</u>
Total liabilities	<u>2,208,421</u>
Net position restricted for pension benefits:	
Net position restricted – DROP benefits	18,043,453
Net position restricted for pension benefits	<u>306,136,936</u>
Total net position restricted for pension benefits	<u><u>\$ 324,180,389</u></u>

See notes to financial statements.

City of Coral Springs
Police Officers' Pension Plan

Statement of Changes in Fiduciary Net Position
Fiscal Year Ended September 30, 2021

Additions:	
Contributions:	
Employer	\$ 10,490,455
Employee	1,757,326
State – Chapter 185	1,245,118
Employer – DROP Contributions	3,434,273
Total contributions	<u>16,927,172</u>
Investment income:	
Net appreciation in fair value of investments	49,119,910
Interest and dividend income	7,488,484
Total investment income	<u>56,608,394</u>
Less investment expenses	<u>(1,378,142)</u>
Net investment income	<u>55,230,252</u>
Other income	<u>27,341</u>
Total additions	<u>72,184,765</u>
Deductions:	
Benefit payments	18,147,070
Refund of contributions	23,699
Administrative expenses	270,657
Total deductions	<u>18,441,426</u>
Increase in net position	53,743,339
Net position restricted for pension benefits:	
Beginning of year	<u>270,437,050</u>
End of year	<u>\$ 324,180,389</u>

See notes to financial statements.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 1. Description of Plan

The following description of the City of Coral Springs Police Officers' Pension Plan (the Plan) provides only general information. Participants should refer to the City of Coral Springs, Florida's (the City) ordinance for more complete information.

General: The Plan is a single-employer defined benefit plan, established June 1, 1973 pursuant to the City ordinance, covering all full-time certified police officers of the City. The Plan is also governed by certain provisions of the Florida Statutes Chapters 112 and 185. Since 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.

Management of the Plan is vested in the Board, which consists of 5 members—2 legal residents of the City, to be selected by the City commission, 2 police officers, who are actively employed as full-time law enforcement officers, including Deferred Retirement Option Plan (DROP) participants, to be elected by a majority of the actively employed full-time law enforcement officers at times and places designated by the Board and the fifth member shall be chosen by a majority of the previous 4 members.

Plan participation:

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

Inactive plan participants or beneficiaries currently receiving benefits	163
Inactive plan participants entitled to but not yet receiving benefits	15
Active Plan participants	213
	<hr/>
	391
	<hr/>

Eligibility: All full-time certified police officers are eligible to participate in the Plan.

Benefits: The Plan provides normal retirement, early retirement, delayed retirement, termination, death and disability benefits. The benefit provisions are established and may be amended under the authority of City ordinance. Effective October 1, 2012, Ordinance 2012-112 was adopted which made numerous changes to the Plan's benefits. The benefit changes from ordinance 2012-112 do not apply to participants who had obtained 20 years of services as of September 30, 2012.

Normal retirement: Any participant who has attained the age of 55 with 10 years of credited service, or any age with 25 years (20 years prior to October 1, 2012) of credited continuous service, may retire with a normal retirement benefit.

Upon retirement, a participant will receive a monthly benefit determined based on 3.0% (3.5% prior to October 1, 2012, and 3.375% prior to November 16, 2006) of the Average Monthly Earnings times continuous service credits. Only base pay is included in pensionable earnings. The maximum monthly retirement benefits is an amount equal to the greater of 87.5% (84.375% prior to November 16, 2006) of Average Monthly Earnings or 2.0% of Average Monthly Earnings multiplied by continuous service. The benefit limitation for benefits earned after September 30, 2012, is the lesser of 75% of average monthly compensation or \$110,000 per year instead of 87.5% of average monthly compensation.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 1. Description of Plan (Continued)

Average Monthly Earnings is equal to 1/12th of the average annual earnings for the highest four consecutive years (three years prior to October 1, 2012) out of the ten full years immediately preceding the determination. Members who were hired prior to 1980 and who joined the Plan within one year of becoming eligible have been given continuous service credit from their date of employment.

Early retirement: A participant who has attained age 50 and completed 10 continuous years of credited service may retire with an early retirement benefit.

Upon early retirement, a participant will receive either a deferred monthly benefit, payable at normal retirement age with average monthly earnings and continuous service determined as of the early retirement date, or an immediate monthly benefit based upon the normal pension benefit reduced by 5/9% for each month by which the participant's early retirement age precedes age 55.

Deferred retirement option plan (DROP): The Plan provides for a DROP. A participant shall become eligible for participation in the DROP on the first day of the month coincident with or next following the completion of twenty years of continuous service.

Upon entry into the DROP, an amount equal to the participant's monthly retirement benefit plus any cost-of living adjustments granted to retirees shall be transferred to an account designated by the participant for investment. Participants may direct their DROP money to any of the investment options available. The election to participate in the DROP is irrevocable and allows participants to continue employment with the City for up to seven years.

There is no guaranteed rate of investment return on DROP deposits.

Disability retirement: Any participant who, after ten years of credited service, becomes totally and permanently disabled, as certified by medical examination, may retire on a non-service incurred disability retirement benefit. A participant may retire on a service incurred disability retirement benefit if disabled as a result of the performance of duty, without regard to credited service at the time of disability.

The monthly non-service incurred disability retirement benefit is the greater of the accrued pension benefit or 25% of Average Monthly Earnings. The monthly service incurred disability retirement benefit is the greater of the accrued pension benefit, 42% of Average Monthly Earnings or the difference between 70.00% of Average Monthly Earnings and the workers' compensation income received as a result of the disability.

Termination benefit: Any participant whose employment is terminated at any age with at least 5 years of continuous service is eligible for a termination benefit equal to the monthly accrued benefit multiplied by the participant's vested interest, payable at age 55.

Death benefit: Upon the death of any participant prior to retirement, his or her beneficiary will receive a 10-year certain annuity determined as if the participant had retired on the day before his death and elected a 10-year certain and life annuity. In any event, the participant's beneficiary will receive an amount that is at least equal to the participant's accumulated contributions.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 1. Description of Plan (Continued)

Cost-of-living adjustment: All retirement benefits are increased by 1% (2.5% prior to October 1, 2012) per year except during the first five years after retirement.

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

Funding: Effective December 16, 2015, all participants who do not have 20 years of service are required to contribute 9.8% of earnings on a pick-up basis, 9.785% if the participant has over 20 years, and each participant's actual contributions are individually accumulated. If a participant terminates their employment before they become eligible to receive benefits, the accumulated contributions plus 3% interest will be returned to the participant.

Pursuant to Florida law, the City is ultimately responsible for making sure the Plan remains actuarially sound. Therefore, each year, the City must contribute an amount determined by the Board in conjunction with their actuary to be sufficient, along with the employee's contribution and the State contribution, to fund the benefits under the Plan. The employer's contribution will vary from year to year.

Buybacks: An ordinance was adopted July 17, 2001, adding a provision whereby active participants as of April 1, 2001 could purchase up to 2 years of additional service credit for non-covered military or sworn law enforcement service once the participant has earned at least 10 years of continuous service by paying the full actuarial costs as determined by the Plan's actuary.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

Use of estimates: The preparation of financial statements in conformity with GAAP, requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue/additions and expenses/deductions during the reported period. Actual results could differ from those estimates.

Risks and uncertainties: The Plan invests in various investment 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.

Plan contributions are made and the actuarial present value of projected benefit payments (total pension liability) are reported based on certain assumptions pertaining to investment and discount 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.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Investment valuation and income recognition: Investments are reported at fair value. 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. Purchase 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.

Common stock mutual funds and multi-asset mutual funds are valued based on the underlying fair value of the investments (mutual funds, stocks, debt obligations, etc.) held by the funds.

Partnerships and real-estate commingled funds fair values are established by using the net asset value (NAV) per share of each investment, as provided by the investment fund manager. The Plan is permitted to establish the fair value of an investment in a nongovernmental entity that does not have a readily determinable fair value by using the NAV per share (or its equivalent), such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. This method of determining fair value is permitted if the NAV per share (or its equivalent) of the investment is calculated as of the Plan's measurement date.

Money market funds are measured at amortized cost. The Plan is allowed to report money market investments at amortized cost if the investment has a remaining maturity at time of purchase of one year or less and the fair value of those investments are not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Partnerships are valued based on the fair value of investments held by the partnership which are measured using inputs which represents unadjusted quoted prices in active markets that the General Partner has the ability to access at the Plan's net position date.

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

Payment of benefits: Benefit payments to participant are recognized upon distribution.

Actuarial present value of projected benefit payments: The actuarial present value of projected benefit payments also known as the total pension liability, are those future periodic payments, including lump-sum distributions that are attributable under the Plan's provisions to the service employees have rendered. Accumulated Plan benefits include benefits expected to be paid to: (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' compensation and years of credited service. Benefits payable under all circumstances – retirement, death, disability and termination of employment – are included, to the extent they are deemed attributable to employee service rendered to the valuation date. Benefits to be provided via annuity contracts excluded from Plan assets are excluded from accumulated Plan benefits.

The total pension liability is determined by an actuary and is the amount that results from applying actuarial assumptions to adjust the accumulated Plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment. The total pension liability, less the amount of the Plan's fiduciary net position at year-end is reported as the net pension liability or asset. See Note 4 for actuarial assumptions used for valuation of the net pension liability or asset as year-end.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 3. Investments

Investment policy: 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 in August 2016.

The Board's adopted asset allocation policy as of September 30, 2021, follows:

Type of Investment	Target Allocation
Fixed income	5-30%
Domestic equity	40-60%
International equity	5-25%
Real estate	0-30%
Global asset allocation	0-10%
Infrastructure	0-10%

Interest rate risk: 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 debt securities had maturities as follows:

Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Government Securities	\$ 32,477,066	\$ 1,399,942	\$ 10,620,616	\$ 5,457,273	\$ 14,999,235
Money Market Mutual Fund	6,863,664	6,863,664	-	-	-
Asset-Backed Securities	1,120,080	-	-	3,134	1,116,946
Corporate Bonds	12,285,848	1,330,539	7,207,454	3,642,447	105,408
Investments in Money Market and Bond Mutual Funds for 401(a) Plans	8,022,349	-	6,074,116	1,948,233	-
Totals	\$ 60,769,007	\$ 9,594,145	\$ 23,902,186	\$ 11,051,087	\$ 16,221,589

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 net position. There were no investments that represent more than 5% of the Plan's net position in any one issuer requiring disclosure.

Credit risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). U.S. government and U.S. government guaranteed securities are not considered to have credit risk.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 3. Investments (Continued)

The Plan limits corporate fixed income securities to the top four ratings classification by a NRSRO and limits money market funds to a rating of "A1" or higher by Standard & Poor's or "P1" by Moody's. At September 30, 2021, the portfolio met the credit rating limitations of the investment policy.

Rating	Fair Value
AAA	\$ 17,626,336
AA+	516,155
AA-	387,508
A+	229,936
A-	3,120,180
A	2,008,082
BBB+	5,062,775
BBB-	77,405
BBB	883,808
Unrated Government Securities	15,038,857
Unrated Asset-Backed Securities	931,952
Unrated Money Market Funds	6,863,664
Unrated Bond Mutual Funds	8,022,349
Total	<u><u>\$ 60,769,007</u></u>

Foreign investments: The investment policy limits the foreign investments to no more than 25% of any manager's total Plan portfolio. As of year-end, the Plan had no foreign investments.

The Plan categorizes its investments according to the fair value hierarchy levels established by Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted market prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations where there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 3. Investments (Continued)

At September 30, 2021, the Plan's investments were categorized as follows:

Investments	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Debt Securities:				
U.S. Government Obligations	\$ 32,477,066	\$ -	\$ 32,477,066	\$ -
Asset-Backed Securities	1,120,080	-	1,120,080	-
Corporate Bonds	12,285,848	-	12,285,848	-
Funds for 401(a) Plans	8,022,349	8,022,349	-	-
Equity Securities:				
Common Stocks	113,090,896	113,090,896	-	-
Common Stock Mutual Funds	83,712,981	14,241,441	69,471,540	-
Multi-Asset Mutual Funds	14,724,775	-	14,724,775	-
Total investments by fair value level	265,433,995	\$ 135,354,686	\$ 130,079,309	\$ -

Other Investments:

Measured at net asset value:

Real-Estate Commingled Funds

American Core Realty Fund	22,371,836
JPMCB Special Situations Property Fund	15,520,696
	<u>37,892,532</u>

Limited Partnerships

Vontobel Global Emerging Markets Fund	13,978,941
Tortoise Direct Opportunities Fund	5,223
Gerding Edlen Green Cities II, LP	1,364,313
	<u>15,348,477</u>

Measured at amortized costs:

Money Market Funds	6,863,664
Total investments	\$ 325,538,668

The American Core Realty Fund is a real-estate fund whose purpose is to actively manage a core portfolio of primarily equity real-estate investments located in the United States. The fund is a diversified open-end commingled fund invested in high-quality core office, industrial, retail and multi-family properties nationwide emphasizing strong income and the potential for long-term appreciation. The fund targets major metropolitan markets that are innovation hubs, have a concentration of globally competitive industries, and highly educated populations. Requests for redemptions of units in the fund may be made at any time, with 10 business day's notification by submitting a redemption notice form signed by a representative of the Plan, and are effective at the end of the calendar quarter in which the request is received.

JPMCB Special Situation Property Fund is a real-estate fund whose purpose is to actively manage a core and value-added portfolio of primarily equity real-estate investments located in the United States. The fund targets real estate investments that seek to provide a moderate level of current income and high residual property appreciation. The fund's investment portfolio spans major markets and property types and includes a balanced mix of stabilized properties and value-added properties with appreciation potential. Requests for redemptions of units in the fund may be made at any time, with 60 business day's notification by submitting a redemption notice form signed by a representative of the Plan, and are effective at the end of the calendar quarter in which the request is received.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 3. Investments (Continued)

Gerding Edlen Green Cities II, LP is a private investment partnership. The partnership's objective is to identify and invest in real-estate opportunities in apartment and office properties for value add and opportunistic returns to investors.

Tortoise Direct Opportunities Fund investment strategy is to seek returns by investing principally in the equity of energy related companies with a focus on MLP and C-Corp Securities. The fund's investments in Midstream functions typically include oil and natural gas pipelines, storage facilities, natural gas processing and fractionation plants, and storage of finished products. Using a flexible strategy, the fund seeks to use its differentiated position and expertise within the energy sector to identify different opportunities across the North American energy value chain.

Vontobel Global Emerging Markets Fund's investment objective is capital appreciation through investing in a diversified portfolio consisting primarily of equity securities. Equity securities consist of common stocks and securities convertible into common stocks, such as warrants, rights, convertible bonds, debentures or convertible preferred stock. Under normal market conditions, the Fund will invest at least 75% of its assets in equity securities issued by companies that are in "developing countries" or "emerging markets."

There are no unfunded commitments for any investments as of the fiscal year end.

Note 4. Net Pension Liability

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

Total pension liability	\$ 314,490,616
Plan fiduciary net position	(306,136,936)
City's net pension liability	<u>\$ 8,353,680</u>

Plan fiduciary net position as a percentage of the total pension liability	97.34%
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Above amounts do not include net position restricted for DROP participant benefits, since such amounts are not available to offset the total pension liability.

Actuarial assumptions: The total pension liability was based on an actuarial valuation dated October 1, 2020 and rolled-forward to September 30, 2021, using certain actuarial assumptions, the most significant of which were 7.5% for the investment rate of return and discount rate, 4.75% for projected salary increases, 2.5% for inflation.

Mortality basis: Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Employee Mortality Table for public safety employees (Below Median table for males), with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year (pre-retirement mortality); for non-disabled retirees, sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Healthy Retiree Mortality Table for public safety employees (Below Median table for males), with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year; for disabled retirees, sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Disabled Retiree Mortality Table (80% general employee rates plus 20% public safety employee rates), with full generational improvements in mortality using Scale MP-2018.

City of Coral Springs Police Officers' Pension Plan

Notes to Financial Statements

Note 4. Net Pension Liability (Continued)

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, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.50%
International equity	8.50%
Fixed income	2.50%
Real Estate	4.50%
Alternative investments	6.29%

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 7.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate: The discount rate used to measure the total pension liability was 7.5%. 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.

Sensitivity of the net pension liability to changes in the discount rate: The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the City was calculated using the discount rate of 7.5%. It was also calculated using a discount rate that was 1-percentage-point lower (6.5%) and 1-percentage-point higher (8.5%).

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	\$ 45,647,462	\$ 8,353,680	\$ (21,870,784)

**City of Coral Springs
Police Officers' Pension Plan**

**Required Supplementary Information
Schedule of Contributions from Employer and Other Contributions – Unaudited
Last Ten Years**

Year	2021	2020	2019	2018	2017
Actuarially determined employer contribution	\$ 11,697,770	\$ 11,534,214	\$ 11,310,398	\$ 10,220,960	\$ 9,194,365
Actual employer contribution (a)	11,735,573	11,194,923	11,518,268	10,330,313	9,533,875
Annual contribution deficiency (excess)	<u>\$ (37,803)</u>	<u>\$ 339,291</u>	<u>\$ (207,870)</u>	<u>\$ (109,353)</u>	<u>\$ (339,510)</u>
Covered payroll	\$ 17,481,543	\$ 17,006,487	\$ 17,751,985	\$ 16,479,660	\$ 14,558,858
Actual contributions as a percentage of covered payroll	67.13%	65.83%	64.88%	62.69%	65.49%
Year	2016	2015	2014	2013	2012
Actuarially determined employer contribution	\$ 9,015,031	\$ 9,248,652	\$ 9,164,486	\$ 9,513,178	\$ 11,349,019
Actual employer contribution (a)	9,533,875	9,218,730	9,393,477	9,591,781	11,349,019
Annual contribution deficiency (excess)	<u>\$ (518,844)</u>	<u>\$ 29,922</u>	<u>\$ (228,991)</u>	<u>\$ (78,603)</u>	<u>\$ -</u>
Covered payroll	\$ 14,881,215	\$ 14,375,815	\$ 13,987,337	\$ 13,474,217	\$ 15,342,616
Actual contributions as a percentage of covered payroll	64.07%	64.13%	67.16%	71.19%	73.97%

Note to Schedule:

(a) Actual employer contribution only includes contributions towards current pension benefits and does not include DROP and other amounts restricted for future benefit enhancements.

This schedule is presented to illustrate the requirement to show 10 years of information in accordance with GASB Statement No. 67.

**City of Coral Springs
Police Officers' Pension Plan**

**Required Supplementary Information
Schedule of Contributions from Employer and Other Contributions – Unaudited (Continued)**

Methods and Assumptions

Fiscal Year Ended September 30, 2021

Methods and assumptions used to determine the actuarially determined contribution as of October 1, 2019:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	The actuarial value of assets is equal to the market value of assets, adjusted to reflect a five-year phase-in of the net investment appreciation (depreciation)
Inflation:	2.50%
Salary increases	4.75%
Investment rate of return	7.50%
Mortality	Sex distinct PUB 2010 safety employees headcount weighted mortality table with generational mortality improvement scale MP-2018.

Note to Schedule:

This schedule is presented to illustrate the requirements of GASB Statement No. 67.

**City of Coral Springs
Police Officers' Pension Plan**

**Required Supplementary Information
Schedule of Investment Returns – Unaudited
Last Ten Years**

Years Ended September 30:	Annual Money-Weighted Rate of Return, Net of Investment Expense
2021	7.50%
2020	7.42%
2019	5.14%
2018	10.54%
2017	12.11%
2016	9.58%
2015	1.60%
2014	11.14%
2013	12.72%
2012	17.32%

Note to Schedule:

This schedule is presented to illustrate the requirements of GASB Statement No. 67. Currently, only data for the fiscal years presented are available.

City of Coral Springs
Police Officers' Pension Plan

Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability and Related Ratios – Unaudited
Last Eight Years

	2021	2020	Updated For 2019 (b)	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 5,391,509	\$ 5,576,478	\$ 5,661,618	\$ 4,345,351	\$ 3,848,387	\$ 4,026,131	\$ 3,960,640	\$ 5,129,594
Interest	24,012,383	20,890,435	18,286,849	19,486,843	17,972,364	17,276,218	16,386,234	14,808,396
Demographic experience	2,826,277	10,883,337	3,882,200	2,993,912	612,903	(1,619,349)	4,343,366	134,405
Difference between actual and expected experience	-	-	-	-	-	-	1,850,931	-
Assumption changes	(7,167,314)	-	21,233,529	-	6,988,272	-	(22,826,617)	-
Change in benefit terms	-	1,498,101	-	235,180	-	-	-	-
Benefit payments	(14,736,491)	(14,678,781)	(13,401,666)	(12,239,961)	(11,908,412)	(10,884,662)	(10,002,824)	(9,224,785)
Net change in total pension liability	10,326,364	24,169,570	35,662,530	14,821,325	17,513,514	8,798,338	(6,288,270)	10,847,610
Total pension liability – beginning	304,164,252	279,994,682	244,332,152	229,510,827	211,997,313	203,198,975	209,487,245	198,639,635
Total pension liability – ending	314,490,616	304,164,252	279,994,682	244,332,152	229,510,827	211,997,313	203,198,975	209,487,245
Plan fiduciary net position:								
Contributions – employer and state	11,735,573	11,194,923	11,518,268	10,330,313	8,766,068	9,533,875	9,218,730	9,393,477
Contributions – member	1,757,326	1,880,013	1,846,201	1,754,523	1,511,546	1,514,657	1,198,413	1,199,916
Net investment and other income	55,257,590	17,280,976	11,969,160	21,825,091	22,518,129	16,635,024	2,794,517	16,754,911
Benefit payments and refunds	(14,736,491)	(14,678,781)	(13,401,666)	(12,239,961)	(11,908,412)	(10,884,662)	(10,002,824)	(9,224,785)
Administrative expenses	(270,657)	(206,918)	(198,714)	(164,989)	(166,619)	(166,709)	(121,308)	(61,970)
Net change in plan fiduciary net position	53,743,341	15,470,213	11,733,249	21,504,977	20,720,712	16,632,185	3,087,528	18,061,549
Plan fiduciary net position – beginning	252,393,595	236,923,382	225,190,133	203,685,156	182,964,444	166,332,259	163,244,731	145,183,182
Plan fiduciary net position – ending (a)	306,136,936	252,393,595	236,923,382	225,190,133	203,685,156	182,964,444	166,332,259	163,244,731
Net pension liability – ending	\$ 8,353,680	\$ 51,770,657	\$ 43,071,300	\$ 19,142,019	\$ 25,825,671	\$ 29,032,869	\$ 36,866,716	\$ 46,242,514
Plan fiduciary net position as a percentage of total pension liability	97.34%	82.98%	84.62%	92.17%	88.75%	86.31%	81.86%	77.93%
Covered payroll	\$ 17,481,543	\$ 17,006,487	\$ 17,751,985	\$ 16,479,660	\$ 14,558,858	\$ 14,881,215	\$ 14,375,815	\$ 13,987,337
Net pension liability as a percentage of covered payroll	47.79%	304.42%	242.63%	116.16%	177.39%	195.10%	256.45%	330.60%

Notes to Schedule:

- The fiduciary net position excludes net position amounts restricted for DROP benefits, since such amounts are not available to offset the total pension liability.
- The total pension liability was previously calculated using a discount rate of 8.79% for the fiscal year ended September 30, 2019. The balance above was revised to calculate the total pension liability using a discount rate of 7.5%. Additionally, the mortality basis was updated to use the Sex distinct PUB 2010 safety employees headcount weighted mortality table with generational mortality improvement scale MP-2018.

This schedule is presented to illustrate the requirements of GASB Statement No. 67. Currently, only data for the fiscal years presented are available.

City of Coral Springs
Police Officers' Pension Plan

Supplementary Information
Schedule of Administrative Expenses
Fiscal Year Ended September 30, 2021

Administrative expenses:	
Member fees – Capital One	\$ 5
Travel, meals and meetings	83
Communications	1,606
Office supplies	4,312
Registration fees – FPPTA	3,394
Auditing fees	15,000
Actuary fees	25,625
Legal fees	79,423
Other professional services	141,209
Total administrative expenses	\$ 270,657

**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***

Independent Auditor's Report

Board of Trustees
City of Coral Springs Police Officers' Pension Plan
Coral Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of fiduciary net position of the City of Coral Springs Police Officers' Retirement Plan (the Plan), which comprise the statements of fiduciary net position as of September 30, 2021, the statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

RSM US LLP

Fort Lauderdale, Florida
April 18, 2022