

Retirement Income Plan for General Employees of
City of Pembroke Pines
427083

Financial reporting for pension plans

Government Accounting Standards Board (GASB) Statement No. 67 for
plan year ending September 30, 2019

CITY OF PEMBROKE PINES - GENERAL

Accounting and financial reporting for pensions

Government Accounting Standards Board (GASB) Statement No. 68
for fiscal year ending September 30, 2020

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Introduction

General information

Purpose of report

The Governmental Accounting Standards Board (GASB) has published standards for the accounting and financial reporting of pensions by government entities. These standards are defined in Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68, Accounting and Financial Reporting for Pensions.

This report gives you the actuarial information needed to comply with the standards required by Statements No. 67 and 68. The amounts shown in this report are for your accountant's purposes only. They are not to be used for setting plan contributions or plan termination calculations. This report should not be used for other purposes, distributed to anyone other than the plan sponsor and auditor, or relied upon by any other person without prior consent from the Principal Life Insurance Company.

Information you are required to provide

You will need to provide information in addition to what is included in this report to satisfy all the Statement No. 67 and 68 disclosure requirements. Look for the tables labeled **Plan sponsor must disclose** throughout the report for reminders of the additional information needed.

Measurement date

A measurement period of 10/01/2018 to 09/30/2019 has been used for the plan year ending 09/30/2019 for GASB 67 reporting and for the fiscal year ending 09/30/2020 for GASB 68 reporting.

Participant group

The active, deferred vested and retiree census is as of 09/30/2019.

Employee payroll

The Covered employee payroll shown in this report is the reported payroll for the measurement period, as required by GASB Statements 67 and 68.

For additional information

For additional information you may contact your actuarial analyst, Gary R Peffer:

- Phone – 800-557-6627 extension 49379, or 412-394-9379
Email – Peffer.Gary@principal.com

The subject matter in this communication is provided with the understanding that Principal® is not rendering investment, legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to investment, legal, tax, or accounting obligations and requirements.

Statement of actuary

The calculations shown in this report reflect our interpretations of pension related accounting standards published by the Governmental Accounting Standards Board (GASB). The results may not be the most advantageous for your particular financial accounting situation.

In preparing this report, I have relied on:

- reports of participants, salary, and service provided by the plan sponsor.
- information for any retirees, beneficiaries, and alternate payees being paid by Principal Life Insurance Company.
- benefit, contribution, and expense transaction information for the preceding plan year, and the market value of assets reported by Principal and the plan sponsor.
- plan documents on file with Principal, including changes as noted on the Summary of plan provisions section of this report.

In my opinion, each assumption and method chosen by the actuary is reasonable and appropriate for the purposes of this measurement (taking into account the experience of the plan and reasonable expectations). These assumptions and methods, in combination, offer my best estimate of anticipated experience under the plan, with any exceptions noted in the Assumptions and methods section – Appendix 2.

I confirm that as the actuary for this pension plan, I am completely independent of the plan sponsor and any of its officers or key personnel. Neither I nor anyone closely associated with me has any relationship known to me which would impair our independence.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of my knowledge, this report is complete and accurate, and complies with all relevant pension actuarial standards and legal requirements.



12/30/2019

David A Stocklas, EA, MAAA
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Required disclosures

Statement of fiduciary net position

Measurement date	09/30/2019	09/30/2018
Fiscal year end	09/30/2020	09/30/2019
Assets		
Cash and cash equivalents	\$0.00	\$0
Receivables		
Employer contributions receivable	\$6,500,000.00	\$2,000,000.00
Employee contributions receivable	3,652.00	3,221.00
Investment income receivable	0.00	0.00
Total receivables	\$6,503,652.00	\$2,003,221.00
Investments		
Large U.S. Equity	\$67,581,671.15	\$72,093,389.32
Small/Mid U.S. Equity	11,719,639.35	12,319,668.60
International Equity	19,839,568.66	18,376,937.06
Balanced/Asset Allocation	3,834,049.16	3,778,357.00
Short-Term Fixed Income	0.00	0.00
Fixed Income	88,472,402.41	80,305,931.99
Other	0.00	0.00
Assets held outside Principal	0.00	0.00
Total investments	\$191,447,330.73	\$186,874,283.97
Assets used in plan operations	\$0	\$0
Total assets	\$197,950,982.73	\$188,877,504.97
Liabilities		
Benefits payable	\$0.00	\$0.00
Refunds of employee contributions payable	0.00	0.00
Accrued expenses payable	0.00	0.00
Accrued invest fees payable	0.00	0.00
Total liabilities	\$0.00	\$0.00
Fiduciary net position		
Fiduciary net position	\$197,950,982.73	\$188,877,504.97

Required disclosures

Statement of changes in fiduciary net position

Measurement date	09/30/2019
Fiscal year end	09/30/2020
Additions	
Contributions	
Employee contributions	202,595
Employer contributions	10,000,000
Other contributions	0
Total contributions	\$10,202,595
Net investment income	
Investment return	10,371,264
Other income	0
Investment expenses	(52,558)
Net investment income	\$10,318,706
Total additions	\$20,521,301
Deductions	
Benefit payments	11,436,533
Administration expenses	11,290
Other expenses	0
Other deductions	0
Total deductions	\$11,447,823
Net change	
Net change	\$9,073,478
Fiduciary net position	
Beginning of period	\$188,877,505
End of period	\$197,950,983

Required disclosures

Statement of changes in net pension liability

A measurement date of 09/30/2019 has been used for the fiscal year ending 09/30/2020.

	Total pension liability	Fiduciary net position	Net pension liability
Balance, beginning of period	\$187,937,127	\$188,877,505	\$(940,378)
Changes for the year, increase/(decrease)			
Service cost	319,441		319,441
Interest	12,298,239		12,298,239
Benefit payments	(11,436,533)	(11,436,533)	0
Differences between expected and actual experience	948,492		948,492
Changes in assumptions	16,358,571		16,358,571
Changes in benefit terms	0		0
Employee contributions		202,595	(202,595)
Employer contributions		10,000,000	(10,000,000)
Other contributions		0	0
Net investment income		10,318,706	(10,318,706)
Administration expenses		(11,290)	11,290
Other expenses		0	0
Other deductions		0	0
Net changes	\$18,488,210	\$9,073,478	\$9,414,732
Balance, end of period	\$206,425,337	\$197,950,983	\$8,474,354

Sensitivity to changes in discount rate

	1% decrease 5.00%	Discount rate 6.00%	1% increase 7.00%
Net pension liability	34,316,740	8,474,354	(12,849,872)

Statement of pension expense

The pension expense for the fiscal year ended 09/30/2020 is \$18,029,464.

See the Components of pension expense topic in the Additional information section for a complete breakdown of the expense components and calculations.

Statement of deferred outflows and (inflows) of resources

	Deferred outflows of resources	Deferred (inflows) of resources
Differences between expected and actual experience	0	0
Effects of changes in assumptions	0	0
Net differences between expected and net investment income	1,700,836	(5,348,062)
Total deferred outflows and (inflows) of resources	\$1,700,836	\$(5,348,062)
Employer contributions made after measurement date	*	

*Plan sponsor must disclose:

- Employer contributions made subsequent to the 09/30/2019 measurement date of the Net Pension Liabilities and before the end of the 09/30/2020 reporting period. GASB 68 paragraph 34 requires these contributions be reported as deferred outflows of resources.
- As of 12/23/2019, \$875,000 in employer contributions and \$36,152 in employee contributions have been received by the plan for the upcoming measurement period.

Amounts reported as deferred outflows and (inflows) of resources related to pensions will be recognized in the pension expense as follows:

Fiscal year ending 09/30	Amount to be recognized
2021	\$(2,072,475)
2022	(1,916,106)
2023	(83,854)
2024	425,209
2025	0
Thereafter	0

See the Schedule of deferred outflows and (inflows) of resources topic in the Additional information section for a more detailed list.

Notes to the financial statements

Summary of significant accounting policies

Method used to value investments

Investments are valued as of the measurement date.

Investments in separate accounts held at Principal are commingled pools, rather than individual securities and are valued at fair market value.

Net fiduciary position

The fiduciary net position and changes in fiduciary net position have been determined on the same basis for both GASB statement 67 and statement 68 reporting purposes.

Plan description

Name and identification

Retirement Income Plan for General Employees of City of Pembroke Pines is a single-employer defined benefit pension plan sponsored by CITY OF PEMBROKE PINES - GENERAL.

There are no nonemployer contributing entities, as defined by GASB 67 and 68, for this plan.

There are no special funding situations, as defined by GASB 67 and 68, for this plan.

Plan administration

Plan sponsor must disclose:

- The authority under which benefit terms are established or may be amended
- The pension plan's board and its composition (for example the number of trustees by source of selection or the types of constituency or credential applicable to selection)

Plan membership

Measurement date	09/30/2019
Fiscal year end	09/30/2020
Active plan members	26
Inactive plan members entitled to but not yet receiving benefits	222
Disabled plan members entitled to benefits	0
Retired plan members or beneficiaries currently receiving benefits	420
Total	668

The active, deferred vested and retiree census is as of 09/30/2019.

The pension plan is closed to new entrants as of 10/01/2014.

The pension benefit accruals are frozen as of 07/01/2010 for those covered under bargaining agreement.

Benefits provided

The pension plan provides for retirement and other benefits as shown in Appendix 1 of this report.

There have been no changes in plan provisions during the measurement period.

There have been no changes in plan provisions between the 09/30/2019 measurement date and 12/30/2019.

Plan sponsor must disclose:

- Changes in the plan provisions made after the certification date of this report and before the end of the reporting period.
- Estimated impact of these changes on net pension liability.

Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses

In accordance with the plan's governing document, employees may be required to contribute to the plan.

Employees are currently required to contribute 7.25% of salary.

The actuarially determined employer contribution for the measurement period ending 09/30/2019 is \$2,660,082 and the expected employee contributions are \$217,520.

The actuarially determined employer contribution for the upcoming measurement period ending 09/30/2020 is \$2,243,128 and the expected employee contributions are \$215,003.

As of 12/23/2019, \$875,000 in employer contributions and \$36,152 in employee contributions have been received by the plan for the upcoming measurement period.

Plan sponsor must disclose:

- The authority under which contribution requirements for employer and employees are established.
- The authority under which contribution requirements for employer and employees may be amended.
- All employer contributions made after the 09/30/2019 measurement date of the net pension liabilities and before the end of the 09/30/2020 reporting period as deferred outflows of resources.

Investments

Investment policy

A general listing of plan assets as of the 09/30/2019 measurement date is shown in Detail of plan assets by category topic in the Additional information section.

Plan sponsor must disclose:

- Investment policies and strategies.
- Procedures and authority for establishing and amending investment policy decisions.
- Policies pertaining to asset allocation.
- Description of significant investment policy changes during the reporting period.
- Fair value measurements of these plan assets.

Tools from the Principal® can help with these fair value disclosure requirements. However, because these disclosures require certain interpretations by the plan sponsor, this information is not included in this Governmental Accounting disclosure report.

To access the tool and other helpful resources:

- Log into the employer website at principal.com,
- Go to the “Investments” section
- Click on the Fair Value Measurement of Investments

Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of Principal, has been hired to manage the asset allocation strategy for your plan. They will provide additional information to assist you and your plan auditor in preparing the required disclosures.

Concentrations

As of the measurement date, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represents 5 percent or more of the pension plan’s fiduciary net position. $\$197,950,983 \times 0.05 = \$9,897,549$

Principal	\$191,447,331
Receivables	\$6,503,652

Money-weighted rate of return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expenses. The annual money-weighted rate of return on plan investments for the measurement period of 10/01/2018 to 09/30/2019 is 5.60%.

The actual date and amount of each contribution, benefit payment, and administrative expense payment was used in the calculation of the money-weighted rate of return. Please refer to the List of transactions in the pension plan's fund statement for details.

	Amount	Interest	Amount with interest
Fiduciary net position, beginning	\$188,877,505	\$10,571,575	\$199,449,080
Total benefit payments	(11,436,533)	(339,784)	(11,776,317)
Total contributions	10,202,595	87,362	10,289,957
Total administrative expenses	(11,290)	(447)	(11,737)
Fiduciary net position, ending	\$0		\$197,950,983

Receivables

Plan sponsor must disclose:

- Receivables from any long-term contracts for contributions.
- The terms of these contracts.
- The balances outstanding on any such long-term contracts at the end of the reporting period.
- Description of significant investment policy changes during the reporting period.

Allocated insurance contracts

No annuities were purchased for plan members during the measurement period.

Reserves

Plan sponsor must disclose:

- Reserves set aside for purposes such as benefit increases or reduced employer contributions, a portion of the pension plan's fiduciary net position that otherwise would be available for existing pensions or for pension plan administration.
- A description of the policy related to such reserves.
- The authority under which the policy was established and may be amended.
- The purposes for and conditions under which the reserves are required or permitted to be used.
- The balances of the reserves.

Deferred retirement option program (DROP)

The pension plan provides for DROP benefits as shown in Appendix 1- Plan summary of this report.

The DROP fund balance held by the pension plan as of the measurement date was \$0. These funds are included in the plan's fiduciary net position.

Net pension liability

Cost method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected service.

Measurement date

A measurement period of 10/01/2018 to 09/30/2019 has been used for the plan year ending 09/30/2019 for GASB 67 reporting and for the fiscal year ending 09/30/2020 for GASB 68 reporting.

The net pension liability reported for CITY OF PEMBROKE PINES - GENERAL's fiscal year end of 09/30/2020 was measured as of 09/30/2019, using the total pension liability that was determined by an actuarial valuation as of 09/30/2019.

Assumptions

The end of period total pension liability was determined using the assumptions and methods described in Appendix 2.

The beginning of period total pension liability was determined using the same assumptions and methods, with the exception the interest rates was decreased from 6.75% to 6.00%.

Long-term rate of return

The expected long-term rate of return assumption as of the end of period is 6.00%. The expected long-term rate of return was selected by the City.

The long-term rate of return assumption as of the beginning of period was 6.75%.

Discount rate

The discount rate used to determine the end of period Total Pension Liability is 6.00%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2019 to 2053. Benefit payments after 2107 are projected to be \$0.

The long-term rate of return of 6.00% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.55% is used. The municipal bond rate is from Bloomberg Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 09/30/2019 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

The discount rate used to determine the beginning of period Total pension liability is 6.75%.

Required supplementary information

Schedule of changes in net pension liability

Measurement period ending	09/30/2019	09/30/2018	09/30/2017	09/30/2016	09/30/2015
Fiscal year ending	09/30/2020	09/30/2019	09/30/2018	09/30/2017	09/30/2016
Total pension liability					
Service cost	319,441	328,148	366,046	277,835	267,925
Interest	12,298,239	12,180,084	11,561,466	11,678,072	11,551,682
Benefit payments	(11,436,533)	(11,074,842)	(10,560,812)	(10,243,459)	(9,814,147)
Difference between expected and actual	948,492	453,550	1,023,439	562,441	135
Change in assumptions	16,358,571	0	7,170,147	13,441,392	838,952
Change in benefit terms	0	0	0	0	0
Net change in total pension liability	\$18,488,210	\$1,886,940	\$9,560,286	\$15,716,281	\$2,844,547
Total pension liability, beginning of period	\$187,937,127	\$186,050,187	\$176,489,901	\$160,773,620	\$157,929,073
Total pension liability, end of period	\$206,425,337	\$187,937,127	\$186,050,187	\$176,489,901	\$160,773,620
Fiduciary net position					
Employee contributions	202,595	234,516	244,566	249,519	251,779
Employer contributions	10,000,000	5,500,000	2,500,068	6,500,000	9,174,902
Other contributions	0	0	0	0	0
Net investment income	10,318,706	14,389,554	20,165,819	12,366,901	(1,774,130)
Benefit payments	(11,436,533)	(11,074,842)	(10,560,812)	(10,243,459)	(9,814,147)
Administration expenses	(11,290)	(200)	(11,280)	(1,740)	(280)
Other expenses	0	0	0	0	0
Other deductions	0	0	0	0	0
Net change in fiduciary net position	\$9,073,478	\$9,049,028	\$12,338,361	\$8,871,221	(\$2,161,876)
Fiduciary net position, beginning of period	\$188,877,505	\$179,828,477	\$167,490,116	\$158,618,895	\$160,780,771
Fiduciary net position, end of period	\$197,950,983	\$188,877,505	\$179,828,477	\$167,490,116	\$158,618,895
Net pension liability					
Net pension liability	\$8,474,354	\$(940,378)	\$6,221,710	\$8,999,785	\$2,154,725
End of period assumptions					
Long-term rate of return	6.00%	6.75%	6.75%	6.75%	7.50%
Discount rate	6.00%	6.75%	6.75%	6.75%	7.50%
Salary increase assumption	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%
COLA increase assumption	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%
Retirement age assumption	55 + 10	55 + 10	55 + 10	55 + 10	55 + 10
Plan changes	none	none	none	none	none

Required supplementary information

Required supplementary information

Schedule of changes in net pension liability

Measurement period ending	09/30/2014
Fiscal year ending	09/30/2015
Total pension liability	
Service cost	210,178
Interest	11,362,422
Benefit payments	(10,021,946)
Difference between expected and actual	1,255,121
Change in assumptions	3,309,464
Change in benefit terms	0
Net change in total pension liability	\$6,115,239
Total pension liability, beginning of period	\$151,813,83
Total pension liability, end of period	\$157,929,07
Fiduciary net position	
Employee contributions	245,607
Employer contributions	16,474,902
Other contributions	0
Net investment income	12,873,758
Benefit payments	(10,021,946)
Administration expenses	(2,299)
Other expenses	0
Other deductions	0
Net change in fiduciary net position	\$19,570,022
Fiduciary net position, beginning of period	\$141,210,74
Fiduciary net position, end of period	\$160,780,77
Net pension liability	
Net pension liability	\$(2,851,698)
End of period assumptions	
Long-term rate of return	7.75%
Discount rate	7.55%
Salary increase assumption	S5 + 2.50%
COLA increase assumption	2.0% & 3.0%
Retirement age assumption	55 + 10
Plan changes	none

Schedule of pension liability ratios

Measurement period ending	09/30/2019	09/30/2018	09/30/2017	09/30/2016	09/30/2015
Reporting period ending	09/30/2020	09/30/2019	09/30/2018	09/30/2017	09/30/2016
Ratios					
Fiduciary net position as a percentage of total pension liability	95.89%	100.50%	96.66%	94.90%	98.66%
Covered employee payroll	\$2,425,558	\$3,128,143	\$3,148,593	\$3,441,627	\$3,280,160
Net pension liability as a percentage of covered employee payroll	349.38%	-30.06%	197.6%	261.50%	65.69%

Schedule of pension liability ratios

Measurement period ending	09/30/2014
Reporting period ending	09/30/2015
Ratios	
Fiduciary net position as a percentage of total pension liability	101.81%
Covered employee payroll	\$3,163,848
Net pension liability as a percentage of covered employee payroll	-90.13%

Required supplementary information

Schedule of employer (ER) contributions for GASB 67

Measurement period ending	09/30/2019	09/30/2018	09/30/2017	09/30/2016	09/30/2015
Fiscal year ending	09/30/2020	09/30/2018	09/30/2017	09/30/2016	09/30/2015
Contributions					
Actuarially determined ER contributions	\$2,660,082	\$2,378,931	\$566,798	\$758,577	\$2,707,856
ER contributions received by the plan	10,000,000	5,500,000	2,500,068	6,500,000	9,174,902
Contribution deficiency/(excess)	(7,339,918)	(3,121,069)	(1,933,270)	(5,741,423)	(6,467,046)
Ratios					
Covered employee payroll	\$2,425,558	\$3,128,143	\$3,148,593	\$3,441,627	\$3,280,160
ER contributions received as a percentage of covered employee payroll	412.28%	175.82%	79.40%	188.86%	279.71%
ADC assumptions					
Long-term rate of return on assets	6.00%	6.75%	6.75%	6.75%	7.50%
Interest rate	6.00%	6.75%	6.75%	6.75%	7.50%
Salary increase assumption	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%
COLA increase assumption	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%
Retirement age assumption	55 + 10	55 + 10	55 + 10	55 + 10	55 + 10
Plan changes	none	none	none	none	none

A complete list of assumptions and methods used to calculate the Actuarially Determined Contribution is found in the annual Actuarial Valuation Report.

Schedule of employer (ER) contributions for GASB 67

Measurement period ending 09/30/2014

Fiscal year ending 09/30/2014

Contributions

Actuarially determined ER contributions	\$3,892,070
ER contributions received by the plan	16,474,902
Contribution deficiency/(excess)	(12,582,832)

Ratios

Covered employee payroll	\$3,163,848
ER contributions received as a percentage of covered employee payroll	520.72%

ADC assumptions

Long-term rate of return on assets	7.75%
Interest rate	7.75%
Salary increase assumption	S5 + 2.50%
COLA increase assumption	2.0% & 3.0%
Retirement age assumption	55 + 10
Plan changes	none

A complete list of assumptions and methods used to calculate the Actuarially Determined Contribution is found in the annual Actuarial Valuation Report.

Schedule of money-weighted investment returns

Measurement period ending	09/30/2019	09/30/2018	09/30/2017	09/30/2016	09/30/2015
Fiscal year ending	09/30/2020	09/30/2018	09/30/2018	09/30/2017	09/30/2016
Annual money-weighted rate of return on plan investments, net of investment	5.60%	8.20%	12.37%	8.01%	-1.12%

Schedule of money-weighted investment returns

Measurement period ending	09/30/2014
Fiscal year ending	09/30/2015
Annual money-weighted rate of return on plan investments, net of investment	14.04%

Additional information

Detail of plan assets by category

A measurement date of 09/30/2019 has been used for the fiscal year ending 09/30/2020.

Asset class/Investment advisor	Investment option	as of 09/30/2019 measurement date
Large U.S. Equity		
Principal Global Investors	Equity Income Sep Acct-I3	\$28,107,090.92
Principal Global Investors	LargeCap S&P 500 Index SA-I5	11,789,989.80
T. Rowe Price/Brown Advisory	LargeCap Growth I Sep Acct-I2	27,684,590.43
Small/Mid U.S. Equity		
LA Capital Mgmt/Victory	MidCap Value I Sep Acct-Z	4,002,982.13
Robert Baird/Eagle Asset Mgmt	MidCap Growth III Sep Acct-I2	3,995,703.81
Vaughan Nelson/LA Capital/H&W	SmallCap Value II Sep Acct-I2	1,881,128.56
AB/Brown/Emerald	SmallCap Growth I Sep Acct-I2	1,839,824.85
International Equity		
Principal Global Investors	Intl Emerging Mkts SA-I5	3,409,054.33
Causeway / Barrow Hanley	Overseas Sep Acct-Z	6,465,069.56
Principal Global Investors	Diversified Intl Sep Acct-Z	6,501,794.19
Principal Global Investors	Intl SmallCap Separate Acct-Z	3,463,650.58
Balanced/Asset Allocation		
Multiple Sub-Advisors	Diversified Real Asset SA-I3	3,834,049.16
Short-Term Fixed Income		
Fixed Income		
Mellon/DDJ/Post	High Income Separate Acct-I2	3,827,517.73
Principal Global Investors	Bond Market Index Sep Acct-I3	29,832,243.29
Principal Global Investors	Income Separate Acct-I5	43,304,200.26
Principal Real Estate Inv	U.S. Property SA-I5	11,508,441.13
Ending Balance		<u>\$191,447,330.73</u>

A general listing of plan assets as of the measurement date is shown here, but additional disclosure may be appropriate. You should obtain information on investment options from the applicable investment manager or sponsor.

Additional information

Components of pension expense

For fiscal year ending	09/30/2020
Pension expense	
Service cost	\$319,441
Interest cost	12,298,239
Contributions from employees	(202,595)
Expected investment income	(12,444,751)
Administrative expenses	11,290
Other expenses	0
Other deductions	0
Changes in benefit provisions	0
Recognition of deferred outflows and (inflows) due to:	
Differences between expected and actual experience	948,492
Changes in assumptions	16,358,571
Differences between expected and actual investment earnings	740,777
Total pension expense	\$18,029,464
Rates used to determine pension expense	
Discount rate	6.75%
Long-term rate of return	6.75%

Additional information

Development of components of pension expense

For fiscal year ending

09/30/2020

Interest cost

Using 6.75% discount rate ...

On \$187,937,127 total pension liability	\$12,685,756
On \$319,441 service cost	21,562
Adjustment for benefit distributions of \$11,436,533	(409,079)
Interest cost	\$12,298,239

Expected investment income

Using 6.75% long-term rate of return...

On \$188,877,505 fiduciary net position	\$(12,749,232)
Adjustment for benefit distributions of \$11,436,533	409,079
Adjustment for administration expenses of \$11,290	538
Adjustment for other expenses of \$0	0
Adjustment for other deductions of \$0	0
Adjustment for employee contributions \$202,595	(6,716)
Adjustment for employer contributions \$10,000,000	(98,420)
Expected investment income	\$(12,444,751)

Additional information

The following deferred outflows and (inflows) are recognized in Pension expense:

- Differences between expected and actual experience, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).
- Changes in assumptions, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).
- Differences between projected and actual earnings on pension plan investments, over a closed five-year period.

Recognition of deferred outflows and inflows

Date established	Type	Initial or prior year balance	Current amount recognized	Deferred balance	Upcoming amount recognized	Years remaining
09/30/2020	Experience	\$948,492	\$948,492	\$0	\$0	0.00
09/30/2020	Assumption	16,358,571	16,358,571	0	0	0.00
09/30/2020	Investment Income	2,126,045	425,209	1,700,836	425,209	4.00
09/30/2019	Investment Income	(2,036,255)	(509,064)	(1,527,191)	(509,064)	3.00
09/30/2018	Investment Income	(5,496,755)	(1,832,252)	(3,664,503)	(1,832,252)	2.00
09/30/2017	Investment Income	(312,736)	(156,368)	(156,368)	(156,368)	1.00
09/30/2016	Investment Income	2,813,252	2,813,252	0	0	0.00
		\$14,400,614	\$18,047,840	\$(3,647,226)	\$(2,072,475)	

Additional information

Appendices

Appendix 1- Plan summary

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401 in effect on the first day of each plan year.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document

Plan eligibility

Class	<p>Any general or utility employee whose customary employment with the employer is at least 30 hours per week or an elected official subject to the provisions of Chapter 112.048 of the Florida Statutes.</p> <p>Bargaining - no employee hired on and after 02/01/2010 will become an active participant and no inactive participant or former participant will again become an active participant.</p> <p>Non-collective bargaining - no employee hired on and after 10/01/2014 will become an active participant and no inactive participant or former participant will again become an active participant.</p>
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Normal retirement benefit

Age	The later of attained age 55 or ten years vesting service.
Form	Monthly annuity payable for life with payments guaranteed to be at least equal to the participant's accumulation on the normal retirement date (optional forms may be elected in advance of retirement).
Amount (accrued benefit)	<p>2.85% of average compensation multiplied by accrual service. Maximum benefit is 80% of average compensation (28.07 years). Reduce by the amount of deferred monthly retirement benefit in which the participant has received a single sum payment under the plan.</p> <p>Benefit is frozen effective 07/01/2010 for those covered under the bargaining agreement.</p>

Early retirement benefit

Age	Attained age 50.
Service	Completed 5 years of service.
Form	Same as normal retirement benefit.
Amount	Accrued Benefit on Early Retirement Date reduced by 6 2/3% for each year that the Early Retirement Date precedes Normal Retirement Date.

Late retirement benefit

Age	No maximum age.
Form	Same as normal retirement benefit.
Amount	Greater of Accrued Benefit on Late Retirement Date or Accrued Benefit on Normal Retirement Date increased to recognize that annuity commences subsequent to normal retirement.

Termination benefit

Vesting percentage	Subsequent to five years of service, 50%, plus 10% for each year of service thereafter, up to 100%. However, vesting shall be 100% on or subsequent to the earliest of normal retirement date, date when first eligible to early retire or the date of total and permanent disability.
Form	Same as normal retirement benefit with income deferred until normal retirement date.
Amount	Equal to the sum of <ul style="list-style-type: none">(a) The amount of retirement annuity which could be purchased on his normal retirement date by his participant's required contribution account.(b) Vesting percentage times the excess of the pension benefit as of the date of termination over (a) above. At any time on or after termination, the participant may elect to receive his participant's required contribution account in cash in lieu of any and all retirement benefits that could be provided by his participant's required contribution account.

Disability benefit

Eligibility	An active participant who becomes totally and permanently disabled prior to his retirement date. Ten years of vesting service is required for a non-service related disability benefit to be payable.
Form	Monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date.
Amount	For a service related disability, the greater of his accrued benefit on date of disability or 40% of his current monthly compensation on such date. For a non-service related disability, the accrued benefit on date of disability.

Contributions

Salary reduction contribution Tax deductible contributions made by the employer on behalf of the employee. This is 7.25% of monthly earnings that have been deducted from the employees pay.
Effective 07/01/2010, 0% of monthly earnings will be deducted for those covered under the bargaining agreement.

Death benefit

Greater of A or B

A. Single sum death benefit

Form Single sum.
Amount Participant's accumulation on date of death.

B. Pre-retirement death benefit

Age Attained age 50.
Service Five years of service.
Form Monthly annuity payable to spouse.
Amount If death occurs between Early Retirement Date and Normal Retirement Date, the benefit is an annuity to the spouse for an amount no less than would have been received had the participant elected a joint and 50% survivorship benefit option and early retired the day before death.

Deferred retirement option plan

Eligibility	An active participant first becomes eligible to elect the DROP on the first day of the month on or after reaching normal retirement date.
Election	An election to participate in the DROP shall constitute an irrevocable election to resign from service not later than sixty (60) months of reaching the start of the DROP eligibility period. An election to participate must be made within the first five years of eligibility. The period of participation in the DROP cannot exceed a period ending sixty months from first becoming eligible for the DROP or when the participant ceases to be an employee.
Form	Same as normal retirement benefit. While the employee is in the DROP the pension benefit payments will be credited to a separate account that will earn a return based on investments chosen by the employee.
Amount	<p>Accrued benefit on retirement date. No additional accrual service will accumulate after entry into the DROP. Any changes in pension benefits shall not apply to participants in the DROP.</p> <p>Once the DROP period expires or the participant ceases to be an employee, any subsequent pension benefit payments will be paid to the employee. The accumulation in the DROP account will be paid to the employee based on his payment option once the participant ceases to be an employee.</p>

Optional forms of benefit

- A monthly income to the employee for life. No benefits are payable at death.
- A monthly income to the employee for life, with a 5, 10, or 15 year period where payments continue to the beneficiary.
- A monthly income to the employee for life. If the employee dies before the amount paid equals the employee account on the retirement date, payments continue to the beneficiary until the totals equal that amount.
- A monthly income to the employee for life, with a 50%, 66 2/3%, 75%, or 100% of the monthly benefit paid to the surviving spouse.

Cost of living adjustment

Amount	<p>Annual 2% cost of living adjustment effective 10/01/2003 to active participants and DROP participants on and after 10/01/2003 and to participants who started receiving retirement or disability benefits on or after 10/01/2001.</p> <p>Effective 10/01/2004 the cost of living adjustment was increased to 3.0%.</p> <p>Effective 02/01/2010 the cost of living adjustment is decreased to 2% for any plan participant who attains normal retirement date or becomes a participant in the DROP after 02/01/2010.</p> <p>Effective 07/01/2010 the cost of living adjustment shall not apply for those who are covered under the bargaining agreement and have not reached normal retirement date by 07/01/2010.</p>
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Early retirement window

Available to any participant who is employed with the city of Pembroke in the position of Assistant City Manager, Director Community Services, Assistant Director Community Services, Administrative Services Director, has attained age 50, has 14 years of vesting service, and elected an early retirement date between September 3, and September 12, 2008.

The retirement benefit will not be reduced for the application of the early retirement reduction factors. In addition, for the Assistant City Manager position, the retirement benefit will be calculated as if the participant was employed until Normal Retirement Date.

Definitions

Average compensation	The monthly average of total pay received for the two years out of all compensation years prior to retirement date which gives the highest average.
Participant's required contribution account	Participant's contributions, accumulated to the date of determination with interest of 5% compounded annually, plus salary reduction contributions not previously paid out or applied.
Required contribution accrued benefit	Monthly retirement benefit under normal form accrued by an active participant payable at normal retirement date that is derived from their required contributions.
Accrual service	An employee's current and all prior periods of continuous service expressed in whole years and fractional parts of a year.

Appendix 2 – Assumptions and methods

Assumptions and methods prescribed by GASB - used to determine the total pension liability and the discount rate

Asset method	Market value of assets, as of the measurement date.
Discount rate and basis	Beginning of period 6.75% Long-term rate of return assumption. End of period 6.00% Long-term rate of return assumption.
Municipal bond rate and basis	3.55% Bloomberg Barclays Municipal GO Long Term (17+ Y) Index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
Cost method	Entry age normal cost method, level percent of pay. Attribution is made on an individual basis, beginning with the first period in which the employee's service accrues pension benefit through all assumed exit ages, through retirement.
Participant group	The active, deferred vested and retiree census is as of 09/30/2019.

Assumptions and methods selected by actuary - used to determine the total pension liability and the discount rate

Long-term rate of return on plan assets	6.00%. The rate was selected by the City.
Interest rate for employee accumulations	5.00% As defined in the plan document.
Retirement cost of living adjustment (COLA)	2.00% and 3.00% increase per year depending on location. See Plan Provisions for additional information.
Retirement	Age 55 and 10 years of service.
Inflation	2.25% increase per year. See Long-Term Capital Market Assumptions link.

Upcoming salary increases

Table S-5 from the Actuary's Pension Handbook plus 2.50%.
Selected rates of increase are shown below.

Age	Upcoming increase
25	6.68%
40	5.22%
55	4.38%

Expected salary increase is composed of salary inflation, a real wage growth and a merit increase.

Compensation limit increase

2.25% increase per year
Compensation limit increase should be consistent with the inflation assumption.

Mortality

Mortality rates
RP-2000 – 50% Blue Collar, 50% White Collar for males and 100% white collar for females – Mortality
Mortality improvement (MI)
Scale BB
This table is what the State of Florida is using in their valuation.

Disability mortality

Florida Disability Mortality 2016 – Males set back 4 years & Females set forward 2 years.

Disability

1987 Commissioner’s Group Disability Table, six month elimination period, male and female.
We rely on a publicly published table due to the limited size of the plan. The 1987 CGDT was recommended by the Society of Actuaries for pension valuation purposes.

Withdrawal

2003 Society of Actuaries Small Plan Age Table, multiplied by 0.75.
We rely on a publicly published table due to the limited size of the plan. The SOA Small Age Table is the most recent withdrawal experience table published by the Society of Actuaries. A multiplier of 0.75 is applied to this table to reflect the results of the most recent experience analysis and anticipated future experience.

Marriage

75% married; male is 3 years older than the female.
This assumption does not have material impact on the results of this report and has been selected based on our best estimate of active workforce.

Form of benefit	<p>Participants are assumed to receive their benefits on the normal form at the assumed retirement age.</p> <p>The optional forms of payment available under the plan are considered to be actuarially equivalent.</p>
Retirees	Assets and liabilities for current and future retirees are included.
Funding policy for employer contributions	Assume 100% of the estimated actuarially determined contribution amount is contributed midway during each projection period.
Future employer contributions	<p>Assumed employer contributions are equal to:</p> <ul style="list-style-type: none"> • Employer Normal Cost assumed to continue at 73.85% of payroll throughout the projection period. This is based on the 10/01/2019 Actuarial valuation report. • Current bases as of the 10/01/2019 Actuarial valuation report will continue to be amortized over their remaining periods. No future experience bases will be established as experience is assumed to match projection assumptions. No future assumption bases will be established as no assumption changes are made during the projection period. No future benefit change bases will be established as no future benefit changes are assumed. • Expenses assumed to start at 64,000 and grow with the inflation assumption throughout the projection period. This is the best estimate available of upcoming years' expenses.
Future employee contributions	Employee contributions continue at 7.25% during the projection period.

Appendix 3 – GASB 40 information

GASB No. 3, as amended by GASB No. 40, requires government entities to disclose certain risks associated with the plan's deposits and investments. GASB 53 requires investment derivative instruments be reported at fair value and disclosed according to GASB 40 requirements. Effective Durations are updated annually.

Deposits

The plan held no deposits as of the measurement date.

Investment rate risk

The effective duration is shown in years. A general listing of plan assets as of the current measurement date is shown in Additional Information – Detail of plan assets by category.

Fixed income investment options	Effective duration
High Income Separate Account-I2	3.57
Bond Market Index Separate Account - I3	5.47
Income Separate Account-I5	5.53

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center at www.Principal.com, or contact your representative of Principal, or call our Client Contact Center at 1-800-547-7754.

Credit risk

Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated. Accounts held at The Principal Financial Group are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.

Derivatives

Separate accounts held at The Principal Financial Group may use derivatives as part of their investment strategy. These accounts are comingled pools, rather than individual securities.



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