

TOWN OF PALM BEACH RETIREMENT SYSTEM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

TOWN OF PALM BEACH RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator
Town of Palm Beach Retirement System

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Palm Beach Retirement System (the Plan), which comprise the statement of fiduciary net position as of September 30, 2021 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

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

Other Matters

Prior Year Comparative Information

We have previously audited the Town of Palm Beach Retirement System's 2020 financial statements, and our report dated March 17, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in the town's net pension liability and related ratios, schedules of town contributions, and schedule of investment returns on pages 4-9 and 40-46 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's financial statements. The accompanying combining statement of fiduciary net position, combining statement of changes in fiduciary net position and the schedules of administrative and investment expenses are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining statement of fiduciary net position, combining statement of changes in fiduciary net position and the schedules of administrative and investment expenses, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the 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 March 7, 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 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.

Marcum LLP

West Palm Beach, FL
March 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Palm Beach (the Town), we offer readers of the Town of Palm Beach Retirement System's financial statements this narrative overview and analysis of the financial activities of the Town of Palm Beach Retirement System for the fiscal year ended September 30, 2021 compared to the fiscal year ended September 30, 2020.

Financial Highlights

- The Net Position held in trust for pension benefits totaled \$288,216,109 as of September 30, 2021, compared to the Net Position as of September 30, 2020, of \$240,907,938.
- The Town of Palm Beach Retirement System (the Plan) recorded an increase in Net Position of \$47,308,171 for fiscal year ended September 30, 2021, compared to the increase in Net Position of \$10,671,601 recorded for the fiscal year ended September 30, 2020.
- The plan fiduciary net position as a percentage of the total pension liability in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans* (funded ratio), as of September 30, 2021 for the General Employees and Lifeguards plan was 82.40%, the Police Officers plan was 84.44% and the Firefighters plan was 75.6%. This compares to the September 30, 2020, ratios of: General Employees and Lifeguards plan 71.66%, Police Officers plan 72.29%, and Firefighters plan 64.90%.
- For fiscal year ended 2021, the Town's contribution to the Plan increased by \$873,896. The Town budgeted and contributed an extraordinary contribution in 2021 of \$5,420,000 in excess of the annual required contribution. In fiscal year 2020, the Town also contributed an extraordinary contribution of \$5,420,000 to reduce the unfunded actuarial accrued liability (UAAL).
- Net investment income for fiscal year 2021 was \$51,285,612 compared to net investment income of 13,290,123 in fiscal year 2020.
- Benefit payments for fiscal year 2021 were \$19,110,148 compared to \$18,622,869 in fiscal year 2020.
- Administrative expense for fiscal year 2021 totaled \$334,060 compared to \$383,850 in fiscal year 2020.

Plan Highlights

The Retirement Board's Investment Consultant, AndCo, worked with the board since being hired and developed an asset allocation policy. For the fiscal year ended September 30, 2021, the net investment return of the portfolio was 17.97% for the year, which was higher than the target index of 6.6%.

Overview of the Financial Statements

The Town of Palm Beach Retirement System financial statements consist of a Statement of Fiduciary Net Position, a Statement of Changes in Fiduciary Net Position and Notes to the Financial Statements.

The Plan presents three types of required supplementary schedules, which provide historical trend information about the Plan. The three schedules are as follows: schedule of changes in the town's net pension liability and related ratios, a schedule of town contributions and a schedule of investment returns.

The Plan prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America as applied to governmental pension plans. These statements provide information about the Plan's overall financial status.

Description of the Financial Statements

The *Statement of Fiduciary Net Position* presents information on the Town of Palm Beach Retirement System's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference between the two reported as *net position held in trust for pension benefits*. This statement is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay retirees and beneficiaries at that point in time. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Palm Beach Retirement System is improving or deteriorating.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the most recent fiscal year. Additions consist of contributions to the Plan and net investment income or loss. Deductions consist of refunds, benefit payments, share plan distributions and administrative expenses.

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

There are also three *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Changes in the Town's Net Pension Liability and Related Ratios* presents historical trend information about the actuarially determined funded status of the Plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Town Contributions* presents historical trend information about the annual contributions of employers and percentage of such contributions in relation to the covered payroll. The *Schedule of Investment Returns* provides historical trend information on the annual money-weighted rate of return.

Additional information is presented as part of the *Supplementary Information*. This section is not required but management has chosen to include it. It includes a Combining Statement of Fiduciary Net Position, a Combining Statement of Changes in Fiduciary Net Position, and the Schedules of Administrative Expenses and Investment Expenses. The Combining Statement of Fiduciary Net Position presents the breakdown of assets, deferred outflows, liabilities, and deferred inflows between the General Employees, Police Officers and Firefighter groups. The Combining Statement of Changes in Fiduciary Net Position presents a breakdown of additions and deductions for each of the employee groups. The Schedule of Administrative Expenses presents the expenses incurred in the administration of the Plan. The Schedule of Investment Expenses presents the expenses incurred in managing and monitoring the investments of the Plan and includes financial management, consultant and custodial fees.

Financial Analysis

The total net position held in trust for pension benefits at September 30, 2021 amounted to \$288,216,109 and a summary of fiduciary net position is shown below.

Summary of Fiduciary Net Position

	FY2021	FY2020	Increase (Decrease) 2020 to 2021	
			Amount	Percent
Assets				
Cash	\$ 4,836,556	\$ 1,856,908	\$ 2,979,648	160%
Receivables	320,003	176,087	143,916	82%
Investments	285,830,651	240,180,226	45,650,425	19%
Prepaid expenses	<u>12,538</u>	<u>12,063</u>	<u>475</u>	4%
Total Assets	290,999,748	242,225,284	48,774,464	20%
Total Liabilities	<u>2,783,639</u>	<u>1,317,346</u>	<u>1,466,293</u>	111%
Net Position Held in Trust for Pension Benefits	<u>\$288,216,109</u>	<u>\$240,907,938</u>	<u>\$ 47,308,171</u>	20%

The largest portion of the Plan's assets (99%) consists of investments at fair value. The balance of total assets includes cash (short-term investments), accrued interest and dividends receivable, and prepaid expenses. Investments increased by \$45,650,425 from FY20 as a result investment gains from interest, dividends, net appreciation in fair value of assets, and the Town's excess contribution to the Plan. Liabilities total \$2,783,639 at September 30, 2021. The liabilities are comprised of accounts payable and accrued liabilities (\$171,083), amounts due to the Town (\$613,243), and amounts due to brokers (\$1,999,313).

The data relating to the change in net position is shown below:

Summary of Changes in Fiduciary Net Position

	FY2021	FY2020	Increase (Decrease) 2020 to 2021	
			Amount	Percent
Additions				
Contributions				
Town	\$ 17,085,547	\$ 16,211,651	\$ 873,896	5%
Member	<u>1,222,273</u>	<u>1,170,103</u>	<u>52,170</u>	4%
Total Contributions	18,307,820	17,381,754	926,066	5%
Investment Income, Net	<u>51,285,612</u>	<u>13,290,123</u>	<u>37,995,489</u>	286%
Total Additions	<u>69,593,432</u>	<u>30,671,877</u>	<u>38,921,555</u>	127%
Deductions				
Benefits paid and distributions	21,702,271	19,489,520	2,212,751	11%
Refunds of participants' contributions	248,930	126,906	122,024	96%
Administrative expense	<u>334,060</u>	<u>383,850</u>	<u>(49,790)</u>	-13%
Total Deductions	<u>22,285,261</u>	<u>20,000,276</u>	<u>2,284,985</u>	11%
Net Increase in Net Position	47,308,171	10,671,601	36,636,570	343%
Net Position - Beginning of Year	<u>240,907,938</u>	<u>230,236,337</u>	<u>10,671,601</u>	5%
Net Position - End of Year	<u>\$ 288,216,109</u>	<u>\$ 240,907,938</u>	<u>\$ 47,308,171</u>	20%

Net position of the Town of Palm Beach Retirement System increased by \$47,308,171 for FY21. This increase was partially due to investment gains from interest and dividends and a net appreciation in fair value of investments amounting to \$51,285,612 net of investment expenses. This amount is more than FY20 due to the performance of the portfolio as a result of market conditions. Contributions by the Town and the employees totaled \$18,307,820. This amount increased \$926,066 from FY20. The Town's actuarially determined contribution increased in FY21 by \$1,000,841 due to retirement activity and smoothing investment losses. This was offset by the use of \$126,945 from the Town's accumulated prepaid contributions. The Town had \$560,945 in accumulated prepaid contributions. In FY20 and FY21 the Town contributed an additional \$5,420,000, per policy. Member contributions increased by \$52,170 in FY21. Deductions for benefit payments, DROP and Share plan distributions amounted to \$21,702,271 in FY21. This amount increased due to greater pension benefit payments and DROP distributions in FY21. Administrative expense amounted to \$334,060, a decrease of \$49,790 from FY20. The decrease is the result of decreases in allocated salary and benefit expenses and the cost of the pension calculator development that occurred in FY20.

Economic Factors and Future Rates

The employer actuarially determined contribution to the Plan for FY2022 decreased by \$46,487. The decrease was due to in part to new mortality tables, offset by reductions in the investment assumption and the inflation assumption. Demographic experience resulted in a net gain for the year these were offset by lower-than-expected investment experience. The Town began contributing the entire contribution in October of each fiscal year beginning in FY17. This early contribution allows for a reduction in interest savings due to the earlier than expected payment timing. In addition, the Town Council adopted a policy to require annual appropriations of the annual required contribution plus \$5,420,000 with the total capped at \$16 million adjusted by 2.75% per annum after 2017. This policy was adopted to reduce the UAAL and improve the funded ratio of the plan.

Beginning with the September 30, 2016 actuarial valuation, the investment return assumption decreased from 7.5% to 7.4% and continued to decrease each year in 0.1% increments until it reaches the ultimate assumption goal of 7.0%. During FY2019, the Retirement Board recommended and the Town Council approved lowering the investment return assumption further. The new policy will continue to lower the assumption by 0.2% increments until it reaches the ultimate assumption goal of 6% in 2024. For the September 30, 2021 actuarial valuation, the investment return assumption is 6.6% as compared to 6.8% for the September 30, 2020 actuarial valuation.

Asset Allocation

At the end of the fiscal year ended September 30, 2021, domestic equity investments comprised 37.5% of the total portfolio, international equity was 16.1% of the total portfolio and emerging markets equity was 4.1% of the total portfolio. The allocation to fixed income securities was 16.9%. Global Macro comprised 5.2% of the portfolio, Alternative assets comprised 2.2% of the portfolio, private equity was 6.9% of the portfolio, real estate comprised 8% of the total portfolio and cash was 3.1% of the total portfolio.

The target asset allocation range versus the actual allocation is shown below:

	<i>Target</i>	<i>2021 Actual</i>
Domestic Equity	35.0%	37.5%
Developed Equity	15.0%	16.1%
Emerging Equity	5.0%	4.1%
Domestic Bonds	17.5%	16.9%
Global Macro	3.0%	5.2%
Alternative	5.0%	2.2%
Real Estate Funds	10.0%	8.0%
Private Equity	7.5%	6.9%
Cash	2.0%	3.1%

Requests for Information

This financial report is designed to provide a general overview of the Town of Palm Beach Retirement System Fund's finances for all those with an interest in the Plan's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Finance Department
Town of Palm Beach
360 South County Road
Palm Beach, Florida 33480
(561) 838-5444**

FINANCIAL STATEMENTS

TOWN OF PALM BEACH RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021

(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

	2021	2020
Assets		
Cash	\$ 4,836,556	\$ 1,856,908
Investments		
Short-term investment fund	12,812,942	23,592,213
Fixed income securities	45,214,634	38,812,207
Common stock	29,719,598	20,894,840
Domestic equity funds	74,449,824	72,893,276
International and emerging market equity funds	62,622,474	31,899,615
Hedge funds	14,564,240	6,838,727
Private equity funds	27,369,432	20,588,304
Real estate funds	<u>19,077,507</u>	<u>24,661,044</u>
Total Investments	<u>285,830,651</u>	<u>240,180,226</u>
Receivables		
Due from Brokers	95,408	--
Interest and dividends	<u>224,595</u>	<u>176,087</u>
Total Receivables	<u>320,003</u>	<u>176,087</u>
Prepaid Expenses	<u>12,538</u>	<u>12,063</u>
Total Assets	<u>290,999,748</u>	<u>242,225,284</u>
Liabilities		
Accounts payable and accrued liabilities	171,083	120,626
Due to Brokers	1,999,313	1,139,884
Due to the Town	<u>613,243</u>	<u>56,836</u>
Total Liabilities	<u>2,783,639</u>	<u>1,317,346</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 288,216,109</u>	<u>\$ 240,907,938</u>

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

TOWN OF PALM BEACH RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

	2021	2020
Additions		
Contributions		
Town	\$ 17,085,547	\$ 16,211,651
Member	<u>1,222,273</u>	<u>1,170,103</u>
Total Contributions	<u>18,307,820</u>	<u>17,381,754</u>
Investment Income		
Net appreciation in fair value of investments	46,811,939	9,656,198
Interest and dividends	5,162,749	4,208,533
Other	<u>16,825</u>	<u>1,407</u>
	51,991,513	13,866,138
Less: investment expenses	<u>(705,901)</u>	<u>(576,015)</u>
Net Investment Income	<u>51,285,612</u>	<u>13,290,123</u>
Total Additions	<u>69,593,432</u>	<u>30,671,877</u>
Deductions		
Benefit payments	19,110,148	18,622,869
Share distributions	92,004	202,961
DROP distributions	2,500,119	663,690
Refunds of participants' contributions	248,930	126,906
Administrative expenses	<u>334,060</u>	<u>383,850</u>
Total Deductions	<u>22,285,261</u>	<u>20,000,276</u>
Net Increase in Net Position	<u>47,308,171</u>	<u>10,671,601</u>
Net Position Held in Trust for Pension Benefits		
Beginning of year	<u>240,907,938</u>	<u>230,236,337</u>
End of year	<u>\$ 288,216,109</u>	<u>\$ 240,907,938</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Town of Palm Beach Retirement System (the Plan or Retirement System) are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) as applied to governmental entities in accordance with Governmental Accounting Standards Board (GASB) pronouncements. Member contributions are recognized in the period in which the contributions are due. Town contributions are recognized when due pursuant to the actuarial valuation. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

METHODS USED TO VALUE INVESTMENTS

Investments are recorded at fair value in the statement of fiduciary net position except for money market funds which are reported at amortized cost. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. For more detail regarding the methods used to measure the fair value of investments refer to the fair value hierarchy in Note 4.

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

DUE TO THE TOWN

The Plan uses the Town as a paying agent for the payment of all investment and administrative expenses, refunds of retirement contributions and payouts of DROP and Share account balances. The Plan reimburses the Town on an annual basis. The amounts due to the Town as of September 30, 2021 and 2020 were \$613,243 and \$56,836, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRIOR YEAR COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2020, from which the information was derived.

NOTE 2 – PLAN DESCRIPTION

The Town of Palm Beach (the Town) is the sponsor of a single-employer Public Employee Retirement System defined benefit pension plan established to provide pension benefits for its employees. The Town of Palm Beach Retirement System board of trustees serves as administrator of the retirement plan. The Town's retirement system was first established on July 1, 1947, by an ordinance of the Town of Palm Beach. The Plan is considered part of the Town's financial reporting entity and is included in the Town's financial statements as a pension trust fund. The Plan was amended by ordinance 4-2012, effective April 1, 2012 providing that the retirement system be administered by a single board of trustees and ordinance No. 6-2012, effective May 1, 2012 amending participant benefits.

Effective April 1, 2012, the general employees and lifeguard employees board of trustees, police officer board of trustees, and firefighter board of trustees were eliminated and a new consolidated board of trustees was created. The existing contracts, investment holdings, assets and liabilities of the general employees' and lifeguard employees', police officers', and firefighters' retirement plans were transferred and became contracts, investment holdings, assets and liabilities of the new board. In conjunction with the new board consolidation, effective May 1, 2012, an amended consolidated hybrid retirement plan with a defined contribution component was established, covering all employees of the Town. The new consolidated plan is known as the Town of Palm Beach Retirement System, effective May 1, 2012. Effective October 1, 2016, non-bargaining public safety employees and DROP participants on and after that date were authorized to retire under normal retirement after reaching age 56, and all service accrued after that date is calculated at an accrual rate of 2.75%. Effective May 1, 2017, all active and DROP participating General Employee and Life Guards on and after that date were authorized to retire under normal retirement after reaching age 62, and all service accrued after that date is calculated at an accrual rate of 1.70%. Effective August 12, 2017, bargaining public safety employees and those participating in DROP on and after that date were authorized to retire under normal retirement after reaching age 56, and all service accrued after that date is calculated at an accrual rate of 2.75% (vested terminated employees on date of enactment continue to qualify for normal retirement at age 65).

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

The Plan is currently administered by the Town of Palm Beach Retirement System Board of Trustees. There are nine members on the board of trustees. The trustees consist of (a) one employee who is a member of the benefit group general or benefit group lifeguard elected by the members of those benefit groups (b) one employee who is a member of the benefit group firefighter elected by the members of that benefit group (c) one employee who is a member of the benefit group police officer elected by the members of that benefit group (d) five residents of the Town who are not officers or employees of the Town, retirees or beneficiaries of the retirement system, appointed by the Town Council and (e) the Town's Finance Director who shall serve as a voting ex-officio member.

All employees working in excess of 1,850 hours per year are covered by the Plan. The Town Council is authorized to establish benefit levels and the Retirement Board of Trustees is authorized to approve the actuarial assumptions used in the determination of contribution levels. Notwithstanding the consolidation of funds, the board provides separate accounting of the assets and liabilities of each employee group and all actuarial valuation studies performed on and after April 1, 2012 include a separate accounting of the assets and liabilities attributable to the groups.

At September 30, 2020, the date of the most recent actuarial valuation, the plan membership consisted of the following:

	General	Police	Fire	Total
Inactive plan members and beneficiaries				
currently receiving benefits	230	106	108	444
Inactive plan members entitled but not yet				
receiving benefits	43	28	28	99
Active plan members	<u>149</u>	<u>55</u>	<u>64</u>	<u>268</u>
Total Plan Membership	<u>422</u>	<u>189</u>	<u>200</u>	<u>811</u>

The following brief description of the Plan is provided for general information purposes only. Participants should refer to Town Ordinances for more complete information.

GENERAL EMPLOYEES

Normal Retirement

Eligibility

Grandfathered and April 30, 2012 frozen accrued benefits.

General: 30 or more years of service, regardless of age; or, age 55 with 10 or more years of credited service.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

GENERAL EMPLOYEES (CONTINUED)

Normal Retirement (continued)

Eligibility (continued)

Lifeguards: Age 50 with 10 or more years of service. The 10 year vesting was waived for active employees frozen benefits as of May 1, 2013. Members with at least 10 years of credited service who retire after 2/9/93 are eligible when the individual's age plus credited service totals 65 years or more.

Plan benefits accrued after April 30, 2012.

General: Age 65 with 10 or more years of service.

Lifeguards: Age 65 with 10 or more years of service.

Plan benefits accrued after April 30, 2017

General and DROP: Age 62 with 10 or more years of service.

Lifeguards and DROP: Age 62 with 10 or more years of service.

Vested terminated employees on date of enactment continue to qualify for normal retirement at age 65 with 10 or more years of service.

Pension Amount

Grandfathered and April 30, 2012 frozen accrued benefits.

General: Average final compensation (AFC) times the sum of a) 2.75% for service earned after 9/30/90, to a maximum of 82.5%, plus 2.35% for service earned on or before 9/30/90 for the first 30 years of service, plus, b) 1.0% for service in excess of 30 years.

Lifeguards: Average final compensation times the sum of a) 2.85% for the first 25 years of service with a maximum of 71.25% of AFC, plus, b) 1.0% for service in excess of 25 years.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

GENERAL EMPLOYEES (CONTINUED)

Normal Retirement (continued)

Pension Amount (continued)

Plan benefits accrued after April 30, 2012.

Average final compensation (AFC) times the sum of 1.25% for service after this date.

Plan benefits accrued after April 30, 2017.

Average final compensation (AFC) times the sum of 1.70% for service earned after this date.

The normal form of pension is a pension payable for life. Member can elect for reduced monthly survivorship benefit.

Type of Average Final Compensation

Grandfathered and April 30, 2012 frozen accrued benefits.

Highest 2 consecutive years within the member's last 5 years of credited service.

Plan benefits accrued after April 30, 2012.

Average final compensation for benefits based on credited service on or after May 1, 2012 means the total amount of base pay paid a member during the final 60 consecutive months of credited service, divided by five.

DROP Retirement

Eligibility – Same as Normal Retirement and completed within 5 years from election of DROP participation.

Pension Amount – Members that entered or eligible for the DROP before May 1, 2012: 98% of the member's accrued benefit at the date of election to participate in DROP. Grandfather DROP participants entering on or after May 1, 2012 receive 98% of member's accrued benefit. Other members that entered the DROP on or after May 1, 2012: 100% of the members accrued benefit at the date of election to participate in DROP. Member contributions must be left on deposit in the System. As of September 30, 2021, there were 24 members in the DROP and the value was \$3,168,169 which is included in the Plan's investment balance in the statement of fiduciary net position.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

GENERAL EMPLOYEES (CONTINUED)

Early Retirement

Eligibility – Grandfathered and frozen benefits at age 50 with 10 or more years of credited service. Frozen accrued benefits as of April 30, 2012 are vested immediately. New Plan provisions eligibility is age 60 with 10 or more years of credited service.

Pension Amount – Grandfathered and frozen benefits computed as a normal retirement benefit but reduced 6/10 of 1% (3/10 of 1% if service credit is 20 or more years) for each month early retirement precedes the member's projected normal retirement date. The new Plan provides for an actuarial equivalent reduction.

Deferred Retirement (Vested Termination Benefit)

Eligibility – 10 or more years of service (waived for frozen benefits). Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the Plan; failure to do so results in forfeiture of the vested benefit.

Pension Amount – Computed as for normal retirement, based upon service and average final compensation at time of termination.

Duty Disability Retirement

Eligibility – No age or service requirements.

Pension Amount – Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement

Eligibility – 10 or more years of credited service (waived for frozen benefits).

Pension Amount – Computed as for normal retirement.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

GENERAL EMPLOYEES (CONTINUED)

Elective Survivor Benefits

Eligibility – The member dies while in the employ of Town with at least 10 years of credited service and not participating in the DROP. Survivor beneficiary shall be in writing and filed with Human Resources Department.

Survivorship Amount – Computed as if the deceased member had elected optional form of payment 100% survivorship payment.

Duty Death Special Provisions

Eligibility – Death while actually performing duty for the Town or was the natural and proximate result, independent of all other causes, of a personal injury or disease arising out of and in the course of the actual performance of duty for the town,

- 1) 10-year credit requirement waived.
- 2) Surviving children is 25% of deceased member's AFC, not to exceed 75% of AFC when four or more surviving children.
- 3) Surviving spouse is paid difference between 75% of deceased AFC and aggregate amount paid surviving children.

Automatic Death After Retirement Pension

Grandfathered and April 30, 2012 frozen accrued benefits.

To Surviving Child(ren): 25% of the retiree's pension payable to age 18, not to exceed an equal share of 75% of the retiree's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

To Surviving Spouse: The difference, if any, between 75% of the deceased retiree's pension and the aggregate amount paid to any surviving children for the month.

Plan benefits accrued after April 30, 2012.

Reduced optional forms of payment are available upon election of survivorship at retirement.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

GENERAL EMPLOYEES (CONTINUED)

Post-Retirement Cost-of-Living Adjustments

Grandfathered and April 30, 2012 frozen accrued benefits.

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Pensions effective after 9/30/90 are increased 2.0% annually based on the total pension payable subsequent to an initial 3-year deferral period.

Plan benefits accrued after April 30, 2012.

None.

POLICE OFFICERS

Normal Retirement

Eligibility

Grandfathered and April 30, 2012 frozen accrued benefits.

20 or more years of service, regardless of age; or, age 50 with 10 or more years of credited service (10-year vesting was waived for active employees frozen benefits as of May 1, 2013); or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Plan benefits accrued after April 30, 2012.

Age 65 with 10 or more years of service.

Plan benefits accrued after September 30, 2016.

Age 56 with 10 or more years of service (if employed on October 1, 2016 or commenced service after September 30, 2016).

Vested terminated employees on date of enactment continue to qualify for normal retirement at age 65 with 10 or more years of service.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

POLICE OFFICERS (CONTINUED)

Normal Retirement (continued)

Eligibility (continued)

Plan benefits effective after October 1, 2019.

Effective October 1, 2019, Normal Retirement eligibility for police officers is the earlier of age 55 with at least 10 years of service or age 52 with at least 25 years of service. Does not apply to members who retired or separated from employment before October 1, 2019.

Pension Amount

Grandfathered and April 30, 2012 frozen accrued benefits.

Average final compensation multiplied by:

- a) 3.5% per year of credited service to a maximum of 25 years, and
- b) 2.0% per year of credited service plus two percent of average final compensation for credited service, if any, in excess of 43.75 years.

The normal form of pension is a pension payable for 10 years certain. Also see Automatic Death after Retirement heading.

Plan benefits accrued after April 30, 2012.

Average final compensation multiplied by 1.25% per year of credited service after April 30, 2012.

The normal form of pension is a pension payable for the life of member. Member may elect on actuarially reduced survivorship benefit.

Plan benefits accrued after September 30, 2016.

Average final compensation multiplied by 2.75% per year of credited service after September 30, 2016.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

POLICE OFFICERS (CONTINUED)

Normal Retirement (continued)

Average Final Compensation

Grandfathered and April 30, 2012 frozen accrued benefits.

Highest 2 consecutive years within the member's last 5 years of credited service.

Plan benefits accrued after April 30, 2012.

Average final compensation for benefits based on credited service on or after May 1, 2012 means the total amount of base pay paid a member during the final 60 consecutive months of credited service, divided by five.

DROP Retirement

Eligibility – Same as Normal Retirement and completed within 5 years of election of participation.

Pension Amount – 100% of the member's accrued benefit at the date of election to participate in DROP.

Member contributions must be left on deposit in the Plan. As of September 30, 2021, there were 13 members in the DROP and the value was \$3,989,613 which is included in the investment balance in the statement of fiduciary net position.

Deferred Retirement (Vested Termination Benefit)

Eligibility – 10 or more years of credited service (waived for frozen benefits). Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the Plan; failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately.

Pension Amount – Computed as for normal retirement, based upon service and average final compensation at time of termination.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

POLICE OFFICERS (CONTINUED)

Duty Disability Retirement

Eligibility – No age or service requirements.

Pension Amount - Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement

Eligibility – 10 or more years of credited service (waived for frozen benefits).

Pension Amount – Computed as for normal retirement, not less than 30% of final average compensation.

Elective Survivor Benefits

Eligibility: The member dies while in the employ of Town with at least 10 years of credited service and not participating in the DROP. Survivor beneficiary shall be in writing and filed with Human Resources Department.

Survivorship Amount: Computed as if the deceased member had elected optional form of payment 100% survivorship payment.

Duty Death Special Provisions:

Eligibility – Death while actually performing duty for the Town or was the natural and proximate result, independent of all other causes, of a personal injury or disease arising out of and in the course of the actual performance of duty for the town.

- 1) 10-year credit requirement waived
- 2) Surviving children is 25% of deceased member's AFC, not to exceed 75% of AFC when four or more surviving children.
- 3) Surviving spouse is paid difference between 75% of deceased AFC and aggregate amount paid surviving children.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

POLICE OFFICERS (CONTINUED)

Automatic Death After Retirement Pension

Grandfathered and April 30, 2012 frozen accrued benefits.

To Surviving Child(ren): 25% of the retirant's pension payable to age 18, not to exceed an equal share of 75% of the retirant's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

To Surviving Spouse: The difference, if any, between 75% of the deceased retirant's pension and the aggregate amount paid to any surviving children for the month.

Plan benefits accrued after April 30, 2012.

Reduced optional forms of payment are available upon election of survivorship at retirement.

Post-Retirement Cost-of-Living Adjustments

Grandfathered and April 30, 2012 frozen accrued benefits.

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Pensions effective after 9/30/90 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

Plan benefits accrued after April 30, 2012.

None.

NON-BARGAINING FIREFIGHTERS

Normal Retirement

Eligibility

Grandfathered and April 30, 2012 frozen accrued benefits.

20 or more years of service, regardless of age; or, age 50 with 10 or more years of credited service (10-year vesting was waived for active employees frozen benefits as of May 1, 2013); or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

NON-BARGAINING FIREFIGHTERS (CONTINUED)

Normal Retirement (continued)

Plan benefits accrued after April 30, 2012.

Age 65 with 10 or more years of service.

Plan benefits accrued after September 30, 2016.

Age 56 with 10 or more years of service (if employed on October 1, 2016 or commenced service after September 30, 2016).

Vested terminated employees not employed on October 1, 2016 continue to qualify for normal retirement at age 65 with 10 or more years of service.

Plan benefits effective after October 1, 2019.

Effective October 1, 2019, Normal Retirement eligibility for non-bargaining unit firefighters is the earlier of age 55 with at least 10 years of service or age 52 with at least 25 years of service. Does not apply to members who retired or separated from employment before October 1, 2019.

Pension Amount

Grandfathered and April 30, 2012 frozen accrued benefits.

Average final compensation multiplied by the greater of,
a) 3.5% per year of credited service to a maximum of 25 years, or
b) 2.0% per year of credited service to a maximum of 50 years.

Plan benefits accrued after April 30, 2012.

Average final compensation multiplied by 1.25% per year of credited service after April 30, 2012.

The normal form of pension is a pension payable for 10 years certain. Also, see Automatic Death after Retirement heading.

Plan benefits accrued after September 30, 2016.

Average Final Compensation multiplied by 2.75% per year of credited service after September 30, 2016.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

NON-BARGAINING FIREFIGHTERS (CONTINUED)

Normal Retirement (continued)

Average Final Compensation

Grandfathered and April 30, 2012 frozen accrued benefits.

Highest 2 consecutive years within the member's last 5 years of credited service.

Plan benefits accrued after April 30, 2012.

Average final compensation for benefits based on credited service on or after May 1, 2012 means the total amount of base pay paid a member during the final 60 consecutive months of credited service, divided by five.

BARGAINING FIREFIGHTERS

Normal Retirement

Eligibility

Grandfathered and April 30, 2012 frozen accrued benefits.

20 or more years of service, regardless of age; or, age 50 with 10 or more years of credited service (10-year vesting was waived for active employees frozen benefits as of May 1, 2012); or, members with at least 10 years of credited service who retire after 9/30/90 are eligible when the individual's age plus credited service totals 65 years or more.

Plan benefits accrued after April 30, 2012.

Age 65 with 10 or more years of service.

Plan benefits accrued after August 12, 2017.

Age 56 with 10 or more years of service (if employed on August 12, 2017 or commenced service after August 12, 2017).

Vested terminated employees not employed on August 12, 2017 continue to qualify for normal retirement at age 65 with 10 or more years of service.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BARGAINING FIREFIGHTERS (CONTINUED)

Normal Retirement (continued)

Plan benefits effective after November 2, 2019.

Effective November 2, 2019, Normal Retirement eligibility for bargaining unit firefighters under Plan B is the earlier of age 55 with at least 10 years of service or age 52 with at least 25 years of service. Does not apply to members who retired or separated from employment before November 2, 2019.

Pension Amount

Grandfathered and April 30, 2012 frozen accrued benefits.

Average final compensation multiplied by the greater of,
a) 3.5% per year of credited service to a maximum of 25 years, or
b) 2.0% per year of credited service to a maximum of 50 years.

Plan benefits accrued after April 30, 2012.

Average final compensation multiplied by 1.25% per year of credited service after April 30, 2012.

The normal form of pension is a pension payable for 10 years certain. Also, see Automatic Death after Retirement heading.

Plan benefits accrued after August 12, 2017.

Average Final Compensation multiplied by 2.75% per year of credited service after August 12, 2017.

Average Final Compensation

Grandfathered and April 30, 2012 frozen accrued benefits.

Highest 2 consecutive years within the member's last 5 years of credited service.

Plan benefits accrued after April 30, 2012.

Average final compensation for benefits based on credited service on or after May 1, 2012 means the total amount of base pay paid a member during the final 60 consecutive months of credited service, divided by five.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BARGAINING FIREFIGHTERS (CONTINUED)

DROP Retirement

Eligibility – Same as Normal Retirement and completed within 5 years of election.

Pension Amount – 100% of the member's accrued benefit at the date of election to participate in DROP. Member contributions must be left on deposit in the Plan. As of September 30, 2021, there were 9 members in the DROP with a value of \$4,466,128, which is included in the Plan's investment balance in the statement of fiduciary net position.

Deferred Retirement (Vested Termination Benefit)

Eligibility – 10 or more years of credited service (waived for frozen benefits). Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the Plan; failure to do so results in forfeiture of the vested benefit. Frozen accrued benefits as of April 30, 2012 are vested immediately.

Pension Amount – Computed as for normal retirement, based upon service and average final compensation at time of termination.

Duty Disability Retirement

Eligibility – No age or service requirements.

Pension Amount – Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement

Eligibility – 10 or more years of credited service (waived for frozen benefits).

Pension Amount – Computed as for normal retirement.

Elective Survivor Benefits

Eligibility – The member dies while in the employ of town with at least 10 years of credited service and not participating in the DROP. Survivor beneficiary shall be in writing and filed with Human Resources Department.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BARGAINING FIREFIGHTERS (CONTINUED)

Elective Survivor Benefits (continued)

Survivorship Amount: – Computed as if the deceased member had elected optional form of payment 100% survivorship payment.

Duty Death Special Provisions

Death while actually performing duty for the Town or was the natural and proximate result, independent of all other causes, of a personal injury or disease arising out of and in the course of the actual performance of duty for the town,

- 1) 10-year credit requirement waived
- 2) Surviving children is 25% of deceased member's AFC, not to exceed 75% of AFC when four or more surviving children.
- 3) Surviving spouse is paid difference between 75% of deceased AFC and aggregate amount paid surviving children.

Automatic Death After Retirement Pension

Grandfathered and April 30, 2012, frozen accrued benefits.

To Surviving Child(ren): 25% of the retirant's pension payable to age 18, not to exceed an equal share of 75% of the retirant's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

To Surviving Spouse: The difference, if any, between 75% of the deceased pension and the aggregate amount paid to any surviving children for the month.

Plan benefits accrued after April 30, 2012.

Reduced optional forms of payment are available.

Post-Retirement Cost-of-Living Adjustments

Grandfathered and April 30, 2012, frozen accrued benefits.

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after 9/30/90 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

BARGAINING FIREFIGHTERS (CONTINUED)

Post-Retirement Cost-of-Living Adjustments (continued)

Plan benefits accrued after April 30, 2012.

None.

Share Account

Effective October 1, 2003, the Town Council authorized the establishment of individual member Share accounts for firefighters actively employed by the Town. These accounts were funded annually using Chapter 175 monies that have not been otherwise committed for benefits for firefighter members. As of September 30, 2021, \$647,671 was held in Share accounts included in the investment balance in the statement of fiduciary net position.

On July 22, 2009, the Board passed and adopted a resolution that permits the plan participants to self-direct their Share accounts. The Board approved that the self-directed Share accounts be administered by ICMA Retirement Corporation (ICMA). As of September 30, 2021, \$3,031,187 reflects the amount of self-directed investments held outside the Plan. Members are eligible to take distributions after separation from service. No new member accounts shall be established as of May 1, 2012.

NOTE 3 – CONTRIBUTIONS

GENERAL MEMBER CONTRIBUTIONS

The contribution requirement of the plan members are established and may be amended by the Town Council. All General employees, except grandfathered hired on or after May 1, 1992, are required to contribute 3.5% of their compensation after May 1, 2017. Grandfathered employees contribute 6.47% of their compensation.

FIRE MEMBER CONTRIBUTIONS

Effective for the first full pay period after October 1, 2019 for non-bargaining and December 14, 2019 for bargaining firefighters, the contribution rate is fixed at 8.5% per year.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3 – CONTRIBUTIONS (CONTINUED)

POLICE MEMBER CONTRIBUTIONS

Effective October 1, 2019, police officers contribution is fixed at 8.5%.

TOWN CONTRIBUTIONS

The Town is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost and to amortize the unfunded actuarial accrued liability.

Prior to March 14, 2012, pursuant to Florida Statutes, Chapters 175 and 185, contributions from the State of Florida Department of Insurance consisted of an excise tax imposed by the Town upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the Town. The allowable portion of the State contribution was used to reduce the Town's contribution when received. Effective March 14, 2012, the Town withdrew from participation under Chapters 175 and 185.

Effective October 1, 2017, the Town amended the funding policy to the plan to contribute additional funds totaling \$5,420,000 each year in an effort to reduce the Town's unfunded actuarial accrued liability until the plan is fully funded. The total Town contribution will be capped at a maximum contribution of \$16 million (indexed after 2017 at 2.75% per annum), including the actuarially determined employer contribution, each year.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS

TYPES OF INVESTMENTS

Florida statutes and the Plan investment policy authorize the Trustees to invest funds in various investments. The Plan’s investment policy establishes asset classes and stipulates the following maximum portfolio percentages:

Authorized Investments	Allowable Range %	Target %
Domestic equity funds	30%-40%	35%
International equity	10%-20%	20%
Global Macro	0%-15%	3%
Fixed income securities	10%-25%	17.5%
Alternative assets	0%-15%	5%
Real estate funds	0%-20%	10%
Private equity funds	0%-15%	7.5%
Cash	0%-10%	2%

INTEREST RATE RISK

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

Information about the sensitivity of the fair values of the Plan’s investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan’s fixed income securities by maturity at September 30, 2021:

	Fair Value	Remaining Maturity			
		Less Than 1 Year	1 - 5 Years	6 - 10 Years	Greater Than 10 Years
U.S. Treasuries	\$ 18,285,786	\$ 2,789,883	\$ 677,905	\$ 12,502,320	\$ 2,315,678
U.S. Government agency obligations	15,055,741	--	--	--	15,055,741
Corporate bonds	11,873,107	--	3,658,212	8,214,895	--
	<u>\$ 45,214,634</u>	<u>\$ 2,789,883</u>	<u>\$ 4,336,117</u>	<u>\$ 20,717,215</u>	<u>\$ 17,371,419</u>

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS (CONTINUED)

CREDIT RISK

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

The following tables disclose credit ratings of the fixed income securities, at September 30, 2021, as applicable:

Credit Rating by Standard & Poor's	Fair Value
AA +	\$ 15,495,902
A-1+	2,789,883
A-	6,679,063
BBB+	5,194,044
Not rated	<u>15,055,742</u>
Total Fixed Income Securities	<u>\$ 45,214,634</u>

CONCENTRATION OF CREDIT RISK

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

CUSTODIAL CREDIT RISK

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS (CONTINUED)

CUSTODIAL CREDIT RISK (CONTINUED)

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by the Plan's custodial banks and registered in the Plan's name. All of the Plan's investments are insured and/or collateralized by a financial institution separate from the Plan's financial institution used for deposits.

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 change could materially affect the amounts reported in the statement of fiduciary net position. The Plan, through its investment advisor, monitors the Plan's investment and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

RATE OF RETURN

For the year ended September 30, 2021, the annual money-weighted rate of return on Plan investments, net of pension plan investment expenses was 18.32%.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return valuation are determined on a monthly basis.

FAIR VALUE HIERARCHY

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Level 1 – Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 – Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 – Investments' fair values based upon unobservable inputs.

The following is a description of the fair value techniques for the Plan's investments. Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian bank:

Short-term investments, which consist of money market funds, are reported at amortized cost.

Equity securities traded on national or international exchanges are valued at the last reported sales price or current exchange rates (Level 1). This includes common stock.

Debt securities are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity (Level 2). This includes U.S. Treasury bonds and notes, inflation-indexed bonds, U.S. federal agencies, mortgage backed and collateralized securities, municipal bonds, mutual bond funds and corporate obligations, including asset backed, foreign bonds and notes.

The Plan has investments in alternative asset classes including hedge funds, private equity funds and real estate funds which hold a variety of investment vehicles that do not have readily available market quotations. These investments are measured at net asset value based on their proportionate share of the value of the investments as determined by the fund managers and are valued according to methodologies which include pricing models, discounted cash flow models and similar techniques.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

The following is a summary of the fair value hierarchy of the fair value of investments as of September 30, 2021:

	9/30/2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Equity Securities				
Common stock	\$ 29,719,598	\$ 29,719,598	\$ --	\$ --
Total Equity Securities	<u>29,719,598</u>	<u>29,719,598</u>	<u>--</u>	<u>--</u>
Debt Securities				
U.S. Treasury	18,285,786	--	18,285,786	--
U.S. Agencies	15,055,741	--	15,055,741	--
Corporate bonds	11,873,107	--	11,873,107	--
Total Debt Securities	<u>45,214,634</u>	<u>--</u>	<u>45,214,634</u>	<u>--</u>
Mutual Funds				
Domestic equity	74,449,822	74,449,822	--	--
International	45,032,800	45,032,800	--	--
Multi-asset income	20,790,727	20,790,727	--	--
Total Mutual Funds	<u>140,273,349</u>	<u>140,273,349</u>	<u>--</u>	<u>--</u>
Total Investments by Fair Value Level	<u>215,207,581</u>	<u>\$ 169,992,947</u>	<u>\$ 45,214,634</u>	<u>\$ --</u>
Investments Measured at the Net Asset Value (NAV)				
Commingled funds - emerging markets	11,363,189			
Commingled funds - real estate	7,596,672			
Private equity - secondary markets	2,119,018			
Private equity - real estate	14,848,964			
Hedge funds				
Venture capital	9,359,972			
Hybrid	12,522,313			
Total investments measured at NAV	<u>57,810,128</u>			
Money market funds (exempt)	12,812,942			
Total Investments	<u>\$ 285,830,651</u>			

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

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

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (Days)
Commingled funds - emerging markets ¹	\$ 11,363,189	\$ --	Weekly	10 days
Commingled funds - real estate ¹	7,596,672	--	Quarterly	45 days
Private equity - secondary markets ²	2,119,018	3,800,796	N/A	N/A
Private equity - real estate ³	14,848,964	654,375	N/A	N/A
Hedge funds				
Venture capital ⁴	9,359,972	6,946	N/A	N/A
Hybrid ⁵	<u>12,522,313</u>	1,186,250	N/A	N/A
Total Investments Measured at NAV	<u>\$ 57,810,128</u>			

- 1 *Commingled funds* – Consists of an emerging market fund and a strategic property fund which are considered commingled in nature. The funds are valued at net asset value (NAV) of the units held at the end of the period based on the fair value of the underlying investments.
- 2 *Private Equity – secondary markets* – consists of two funds invested in private equity investments through secondary markets. One of the funds focuses on acquiring high quality, mature assets with near term liquidity. These investments are valued at NAV.
- 3 *Private Equity – real estate* – consists of four funds. Two of the funds are closed end funds targeting high growth markets in urban, modern, green properties by acquiring undercapitalized properties and adding value through enhancements. These funds have very limited redemption rights. Another fund pursues distressed and opportunistic real estate investment opportunities. The final real estate fund focuses on acquiring assets well located but with operationally impaired assets with distressed capital structures. These funds are valued at NAV.
- 4 *Venture Capital* – Consists of one fund which focuses primarily on early stage investments in start-up companies and later stage investments. A majority of the companies in the fund focus on information technology, software, media, and life sciences. Redemptions in this fund are not permitted.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4 – INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

- 5 *Hybrid* – Consists of three closed end investment vehicles. One fund focuses on partnership investments in U.S. based buyout, recapitalization and turnaround; one fund consists of global partnership investments in mezzanine debt, distressed debt, and venture debt and; the third fund consists predominantly of partnership investments in U.S. based venture capital and growth equity.

NOTE 5 – NET PENSION LIABILITY OF THE TOWN

The components of the net pension liability at September 30, 2021:

	General Employees	Police Officers	Firefighters	Total
Total pension liability	\$ 130,218,246	\$ 109,199,061	\$ 117,325,510	\$ 356,742,817
Plan fiduciary net position	(107,301,564)	(92,211,209)	(88,703,336)	(288,216,109)
Net Pension Liability	<u>\$ 22,916,682</u>	<u>\$ 16,987,852</u>	<u>\$ 28,622,174</u>	<u>\$ 68,526,708</u>
Plan fiduciary net position as a percentage of total pension liability	82.40%	84.44%	75.60%	80.79%
Net pension liability as a percentage of covered payroll	225.60%	413.51%	549.92%	351.94%

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined, by rolling forward the September 30, 2020 actuarial valuation, using the following actuarial assumptions:

Interest rates:

Single discount rate 6.60%

Long-term expected rate of return 6.60%

Inflation 2.25%

Salary increases (including inflation):

General Employee and Ocean Rescue 5.50%

Police Officers 6.00%

Firefighters 6.00%

Mortality Rates RP-2000, Scale BB

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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 pension plan's target asset allocation as of September 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity funds	35.0%	7.50%
International equity	20.0%	8.50%
Domestic bonds	19.5%	2.50%
International bonds	0.0%	3.50%
Real estate funds	10.0%	4.50%
Alternative assets	<u>15.5%</u>	6.32%
	<u>100.0%</u>	

DISCOUNT RATE

A single discount rate of 6.60% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.60%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF PALM BEACH RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)

SENSITIVITY OF NET PENSION LIABILITY TO THE SINGLE DISCOUNT RATE ASSUMPTION

The table below provides the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease 5.60%	Current Single Discount Rate Assumption 6.60%	1% Increase 7.60%
General employees	\$ 38,043,166	\$ 22,916,682	\$ 10,275,564
Police officers	30,202,040	16,987,852	6,124,542
Firefighters	43,434,019	28,622,174	16,557,736

NOTE 6 – TAX STATUS

Management believes that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES AND LIFEGUARDS

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 1,133,679	\$ 1,080,087	\$ 913,152	\$ 977,761	\$ 750,112	\$ 636,740	\$ 739,734	\$ 733,095
Interest on the total pension liability	8,335,237	8,516,974	8,246,713	8,198,739	7,948,875	7,664,270	7,096,090	7,058,622
Benefit changes	--	--	--	--	1,932,700	--	39,572	--
Difference between expected and actual experience	(4,553)	(1,066,898)	842,186	(222,903)	529,542	961,731	499,433	--
Assumption changes	2,709,676	1,649,212	2,427,319	1,280,204	1,253,789	2,296,388	7,152,240	--
Benefit payments	(7,881,960)	(7,169,660)	(6,890,890)	(8,931,671)	(6,243,450)	(6,476,789)	(9,215,159)	(5,289,162)
Refunds	(49,981)	(71,470)	(54,244)	(73,812)	(20,235)	(37,241)	(70,488)	(16,118)
Net Change in Total Pension Liability	4,242,098	2,938,245	5,484,236	1,228,318	6,151,333	5,045,099	6,241,422	2,486,437
Total Pension Liability - Beginning	125,976,148	123,037,903	117,553,667	116,325,350	110,174,017	105,128,918	98,887,496	91,884,309
Prior Period Adjustment	--	--	--	--	--	--	--	4,516,750
Total Pension Liability - Ending (a)	\$ 130,218,246	\$ 125,976,148	\$ 123,037,903	\$ 117,553,668	\$ 116,325,350	\$ 110,174,017	\$ 105,128,918	\$ 98,887,496
Plan Fiduciary Net Position								
Employer contributions	\$ 5,489,209	\$ 5,240,710	\$ 6,256,450	\$ 4,582,576	\$ 3,531,685	\$ 2,210,609	\$ 2,008,406	\$ 2,018,621
Employee contributions	367,687	359,848	362,987	391,275	332,457	289,317	282,284	289,425
Pension plan net investment income	19,486,420	5,241,399	4,052,639	6,397,526	8,813,057	5,708,914	(3,076,859)	5,799,299
Investment expense	(264,572)	(217,734)	(247,244)	(232,883)	(198,929)	(223,064)	(241,461)	(243,389)
Benefit payments	(7,881,960)	(7,169,660)	(6,890,890)	(8,931,671)	(6,243,450)	(6,476,789)	(9,215,159)	(5,289,162)
Refunds	(49,981)	(71,470)	(54,244)	(73,812)	(20,235)	(37,241)	(70,488)	(16,118)
Pension plan administrative expense	(125,205)	(145,095)	(174,965)	(159,812)	(166,261)	(175,570)	(175,900)	(162,070)
Net Change in Plan Fiduciary Net Position	17,021,598	3,237,998	3,304,733	1,973,199	6,048,324	1,296,176	(10,489,177)	2,396,606
Plan Fiduciary Net Position - Beginning	90,279,966	87,041,968	83,737,235	81,764,036	75,715,712	74,419,536	84,908,713	77,995,357
Prior Year Adjustment	--	--	--	--	--	--	--	4,516,750
Plan Fiduciary Net Position - Ending (b)	\$ 107,301,564	\$ 90,279,966	\$ 87,041,968	\$ 83,737,235	\$ 81,764,036	\$ 75,715,712	\$ 74,419,536	\$ 84,908,713
Net Pension Liability Ending (a)	\$ 22,916,682	\$ 35,696,182	\$ 35,995,935	\$ 33,816,433	\$ 34,561,314	\$ 34,458,305	\$ 30,709,382	\$ 13,978,783
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.40%	71.66%	70.74%	71.23%	70.29%	68.72%	70.79%	85.86%
Covered Payroll	\$ 10,158,087	\$ 10,109,445	\$ 10,499,412	\$ 11,086,494	\$ 10,714,252	\$ 9,856,405	\$ 10,075,310	\$ 9,698,419
Net Pension Liability as a Percentage of Covered Payroll	225.60%	353.10%	342.84%	305.02%	322.57%	349.60%	304.80%	144.13%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL EMPLOYEES AND LIFEGUARDS

SCHEDULE OF TOWN CONTRIBUTIONS

Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2021	\$ 3,776,151	\$ 5,489,209	\$ (1,713,058)	\$ 10,158,087	54.04%
2020	3,487,055	5,240,710	(1,753,655)	10,109,445	51.84%
2019	3,122,468	6,256,450	(3,133,982)	10,499,412	59.59%
2018	3,063,127	4,582,576	(1,519,449)	11,086,494	41.33%
2017	2,578,403	3,531,685	(953,282)	10,714,252	32.96%
2016	2,066,276	2,210,609	(144,333)	9,856,405	22.43%
2015	2,013,723	2,008,406	5,317	10,075,310	19.93%
2014	1,994,388	2,018,621	(24,233)	9,698,419	20.81%

Notes to Schedule of Contributions

Valuation Date: September 30, 2019
 Notes: Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for fiscal year ended September 30, 2021:

Actuarial Cost Method: Entry-Age Normal
 Amortization Method: Level Percent-of-Payroll, Closed
 Remaining Amortization Period: 12-20 years
 Asset Valuation Method: 5-Year smoothed market
 Inflation and Other General Increases: 2.50%
 Salary Increases: 5.5% including inflation
 Investment Rate of Return: 7.10%

Retirement Age: Age-based table of rates that are specific to the type of eligibility condition.

Mortality: The mortality tables used are the same as those used in the July 1, 2018 Pension Actuarial Valuation of the Florida Retirement System (FRS) for other than Special Risk members (General) and Special Risk members (Ocean Rescue). These tables are based on the RP-2000 mortality tables with white and blue collar adjustments and with mortality improvements projected for healthy lives to all future years using Scale BB.

Other Information:

Cost-of-Living Adjustment: Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members who retire after 9/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

POLICE OFFICERS

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 950,293	\$ 919,349	\$ 585,084	\$ 643,300	\$ 571,802	\$ 229,514	\$ 274,361	\$ 311,681
Interest on the total pension liability	7,063,366	7,278,642	7,149,681	7,014,540	6,940,855	6,571,902	6,343,197	6,321,297
Benefit changes	--	--	145,828	--	--	1,149,473	83,392	--
Difference between expected and actual experience	(596,176)	(11,374)	(343,932)	(95,342)	(978,835)	489,883	637,285	--
Assumption changes	1,837,268	(421,043)	1,314,379	1,137,472	1,110,893	3,077,576	2,464,150	--
Benefit payments	(6,817,590)	(5,910,802)	(5,595,110)	(5,223,687)	(5,509,488)	(5,492,306)	(7,918,798)	(4,690,744)
Refunds	(89,548)	(30,276)	(70,225)	(29,648)	(9,583)	(27,651)	(22,377)	(12,726)
Net Change in Total Pension Liability	2,347,613	1,824,496	3,185,705	3,446,635	2,125,644	5,998,391	1,861,210	1,929,508
Total Pension Liability - Beginning	106,851,448	105,026,952	101,841,247	98,394,612	96,268,968	90,270,577	88,409,367	82,415,628
Prior Period Adjustment	--	--	--	--	--	--	--	4,064,231
Total Pension Liability - Ending (a)	\$ 109,199,061	\$ 106,851,448	\$ 105,026,952	\$ 101,841,247	\$ 98,394,612	\$ 96,268,968	\$ 90,270,577	\$ 88,409,367
Plan Fiduciary Net Position								
Employer contributions	\$ 5,161,524	\$ 4,884,745	\$ 5,800,452	\$ 4,214,624	\$ 3,747,478	\$ 2,306,795	\$ 2,144,662	\$ 1,979,219
Employee contributions	377,048	360,556	415,736	388,770	368,777	122,231	98,530	108,250
Pension plan net investment income	16,668,477	4,445,485	3,397,864	5,127,108	7,060,834	4,574,146	(2,464,621)	4,966,209
Investment expense	(226,312)	(184,670)	(207,297)	(186,638)	(159,377)	(178,714)	(193,415)	(193,228)
Benefit payments	(6,817,590)	(5,910,802)	(5,595,110)	(5,223,687)	(5,509,488)	(5,492,306)	(7,918,798)	(4,690,744)
Refunds	(89,548)	(30,276)	(70,225)	(29,648)	(9,583)	(27,651)	(22,377)	(12,726)
Pension plan administrative expense	(107,100)	(123,062)	(146,696)	(128,078)	(133,206)	(140,951)	(140,899)	(128,668)
Net Change in Plan Fiduciary Net Position	14,966,499	3,441,976	3,594,724	4,162,451	5,365,435	1,163,550	(8,496,918)	2,028,312
Plan Fiduciary Net Position - Beginning	77,244,710	73,802,734	70,208,010	66,045,559	60,680,123	59,516,573	68,013,491	61,920,948
Prior Year Adjustment	--	--	--	--	--	--	--	4,064,231
Plan Fiduciary Net Position - Ending (b)	\$ 92,211,209	\$ 77,244,710	\$ 73,802,734	\$ 70,208,010	\$ 66,045,558	\$ 60,680,123	\$ 59,516,573	\$ 68,013,491
Net Pension Liability Ending (a)	\$ 16,987,852	\$ 29,606,738	\$ 31,224,218	\$ 31,633,237	\$ 32,349,054	\$ 35,588,845	\$ 30,754,004	\$ 20,395,876
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.44%	72.29%	70.27%	68.94%	67.12%	63.03%	65.93%	76.93%
Covered Payroll	\$ 4,108,195	\$ 4,232,212	\$ 3,603,005	\$ 3,865,012	\$ 3,559,337	\$ 3,668,239	\$ 3,354,258	\$ 3,453,957
Net Pension Liability as a Percentage of Covered Payroll	413.51%	699.56%	866.62%	818.45%	908.85%	970.19%	916.86%	590.51%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

POLICE OFFICERS

SCHEDULE OF TOWN CONTRIBUTIONS

Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2021	\$ 3,653,689	\$ 5,161,524	\$ (1,507,835)	\$ 4,108,195	125.64%
2020	3,303,037	4,884,745	(1,581,708)	4,232,212	115.42%
2019	2,835,728	5,800,452	(2,964,724)	3,603,005	160.99%
2018	2,870,523	4,214,624	(1,344,101)	3,865,012	109.05%
2017	2,642,757	3,747,478	(1,104,721)	3,559,337	105.29%
2016	2,233,214	2,306,795	(73,581)	3,668,239	62.89%
2015	2,144,662	2,144,662	--	3,354,258	63.94%
2014	1,881,949	1,979,219	(97,270)	3,453,957	57.30%

Notes to Schedule of Contributions

Valuation Date: September 30, 2019
 Notes: Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for fiscal year ended September 30, 2021:

Actuarial Cost Method: Entry-Age Normal
 Amortization Method: Level Percent-of-Payroll, Closed
 Remaining Amortization Period: 7-20 years
 Asset Valuation Method: 5-Year smoothed market
 Inflation and Other General Increases: 2.50%
 Salary Increases: 6.0% including inflation
 Investment Rate of Return: 7.10%
 Retirement Age: Age-based table of rates that are specific to the type of eligibility condition.
 Mortality: The mortality tables used are the same as those used in the July 1, 2018 Pension Actuarial Valuation of the Florida Retirement System (FRS) for Special Risk members. These tables are based on the RP-2000 mortality tables with white and blue collar adjustments and with mortality improvements projected for healthy lives to all future years using Scale BB.

Other Information:

Cost-of-Living Adjustment: Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members who retire after 9/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

FIREFIIGHTERS

SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS

September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 1,226,110	\$ 998,383	\$ 683,825	\$ 621,134	\$ 342,206	\$ 187,387	\$ 238,556	\$ 281,248
Interest on the total pension liability	7,489,146	7,670,059	7,446,115	7,336,841	6,927,564	6,601,468	6,396,715	6,324,999
Benefit changes	--	138,701	259,657	--	1,163,805	370,169	35,550	--
Difference between expected and actual experience	35,675	115,537	524,778	224,786	3,372,587	1,133,752	(299,119)	--
Assumption changes	2,609,188	(19,161)	1,846,848	1,202,733	1,167,456	3,049,237	2,324,039	--
Benefit payments	(7,002,720)	(6,409,058)	(6,399,388)	(6,500,328)	(5,861,110)	(5,679,431)	(6,098,229)	(5,101,421)
Refunds	(109,401)	(25,160)	(59,346)	(47,423)	(39,427)	(66,548)	(36,034)	(21,692)
Net Change in Total Pension Liability	4,247,998	2,469,301	4,302,489	2,837,743	7,073,081	5,596,034	2,561,478	1,483,134
Total Pension Liability - Beginning	113,077,512	110,608,211	106,305,722	103,467,979	96,394,898	90,798,864	88,237,386	82,218,000
Prior Period Adjustment	--	--	--	--	--	--	--	4,536,252
Total Pension Liability - Ending (a)	\$ 117,325,510	\$ 113,077,512	\$ 110,608,211	\$ 106,305,722	\$ 103,467,979	\$ 96,394,898	\$ 90,798,864	\$ 88,237,386
Plan Fiduciary Net Position								
Employer contributions	\$ 6,434,814	\$ 6,086,196	\$ 6,747,179	\$ 5,282,052	\$ 3,607,922	\$ 2,359,519	\$ 2,269,117	\$ 2,071,503
Employee contributions	477,535	449,699	451,845	481,910	262,473	129,585	210,233	154,199
Pension plan net investment income	15,836,619	4,179,254	3,184,465	4,868,112	6,706,324	4,346,954	(2,285,815)	4,308,313
Investment expense	(215,018)	(173,611)	(194,277)	(177,210)	(151,375)	(169,741)	(179,383)	(182,692)
Benefit payments	(7,002,720)	(6,409,058)	(6,399,388)	(6,500,328)	(5,861,110)	(5,679,431)	(6,098,229)	(5,101,421)
Refunds	(109,401)	(25,160)	(59,346)	(47,423)	(39,427)	(66,548)	(36,034)	(21,692)
Pension plan administrative expense	(101,755)	(115,693)	(137,483)	(121,607)	(126,518)	(133,874)	(130,676)	(121,652)
Net Change in Plan Fiduciary Net Position	15,320,074	3,991,627	3,592,995	3,785,506	4,398,289	786,464	(6,250,787)	1,106,558
Plan Fiduciary Net Position - Beginning	73,383,262	69,391,635	65,798,640	62,013,134	57,614,845	56,828,381	63,079,168	57,436,358
Prior Year Adjustment	--	--	--	--	--	--	--	4,536,252
Plan Fiduciary Net Position - Ending (b)	\$ 88,703,336	\$ 73,383,262	\$ 69,391,635	\$ 65,798,640	\$ 62,013,134	\$ 57,614,845	\$ 56,828,381	\$ 63,079,168
Net Pension Liability Ending (a)	\$ 28,622,174	\$ 39,694,250	\$ 41,216,576	\$ 40,507,082	\$ 41,454,845	\$ 38,780,053	\$ 33,970,483	\$ 25,158,218
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.60%	64.90%	62.74%	61.90%	59.93%	59.77%	62.59%	71.49%
Covered Payroll	\$ 5,204,780	\$ 4,446,646	\$ 4,146,355	\$ 3,736,398	\$ 3,457,670	\$ 3,242,811	\$ 3,403,307	\$ 3,671,337
Net Pension Liability as a Percentage of Covered Payroll	549.92%	892.68%	994.04%	1084.12%	1198.92%	1195.88%	998.16%	685.26%

NOTE (1): Transfers from ICMA Shares included in benefit payments

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

FIREFIGHTERS

SCHEDULE OF TOWN CONTRIBUTIONS

Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2021	\$ 4,362,652	\$ 6,434,814	\$ (2,072,162)	\$ 5,204,780	123.63%
2020	4,001,559	6,086,196	(2,084,637)	4,446,646	136.87%
2019	3,344,186	6,747,179	(3,402,993)	4,146,355	162.73%
2018	3,262,296	5,282,052	(2,019,756)	3,736,398	141.37%
2017	2,629,230	3,607,922	(978,692)	3,457,670	104.35%
2016	2,285,579	2,359,519	(73,940)	3,242,811	72.76%
2015	2,223,584	2,223,584	--	3,403,307	65.34%
2014	2,040,491	2,071,503	(31,012)	3,671,337	56.42%

Notes to Schedule of Contributions

Valuation Date:

September 30, 2019

Notes

Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for fiscal year ended September 30, 2021:

Actuarial Cost Method

Entry-Age Normal

Amortization Method

Level Percent-of-Payroll, Closed

Remaining Amortization Period

12-20 years

Asset Valuation Method

5-Year smoothed market

Inflation and Other General Increases

2.50%

Salary Increases

6.0% including inflation

Investment Rate of Return

7.10%

Retirement Age

Age-based table of rates that are specific to the type of eligibility condition.

Mortality

The mortality tables used are the same as those used in the July 1, 2018 Pension Actuarial Valuation of the Florida Retirement System (FRS) for Special Risk members. These tables are based on the RP-2000 mortality tables with white and blue collar adjustments and with mortality improvements projected for healthy lives to all future years using Scale BB.

Other Information:

Cost-of-Living Adjustment

Members who retire after 9/30/68 and prior to 10/1/90 receive an annual 1.0% increase computed on the base benefit. Members who retire after 9/30/90 will be increased 2.0% annually based on total pension after a 3-year deferral period. Benefits accrued after 4/30/12 are not adjusted for those not eligible for normal retirement as of 5/1/12. Other adjustments have been made periodically.

TOWN OF PALM BEACH RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

September 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	18.32%	6.43%	4.59%	7.52%	11.20%	7.80%	-4.22%	7.09%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the plan will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

TOWN OF PALM BEACH RETIREMENT SYSTEM

COMBINING STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2021

	General	Police Officers	Firefighters	Total
Assets				
Cash	\$ 1,800,628	\$ 1,547,396	\$ 1,488,532	\$ 4,836,556
Investments				
Short term investment fund	4,770,201	4,099,343	3,943,398	12,812,942
Fixed income securities	16,833,205	14,465,868	13,915,561	45,214,634
Common stock	11,064,473	9,508,421	9,146,704	29,719,598
Domestic equity funds	27,717,335	23,819,309	22,913,180	74,449,824
International equity funds	23,314,066	20,035,293	19,273,115	62,622,474
Hedge funds	5,422,201	4,659,650	4,482,389	14,564,240
Private equity funds	10,189,517	8,756,514	8,423,401	27,369,432
Real estate funds	7,102,470	6,103,615	5,871,422	19,077,507
Total Investments	<u>106,413,468</u>	<u>91,448,013</u>	<u>87,969,170</u>	<u>285,830,651</u>
Receivables				
Due from brokers	35,521	30,523	29,364	95,408
Interest and dividends	83,616	71,856	69,123	224,595
Total Receivables	<u>119,137</u>	<u>102,379</u>	<u>98,487</u>	<u>320,003</u>
Prepaid Expenses	<u>4,667</u>	<u>4,012</u>	<u>3,859</u>	<u>12,538</u>
Total Assets	<u>108,337,900</u>	<u>93,101,800</u>	<u>89,560,048</u>	<u>290,999,748</u>
Liabilities				
Accounts payable and accrued liabilities	63,693	54,736	52,654	171,083
Due to Brokers	744,335	639,656	615,322	1,999,313
Due to the Town	228,308	196,199	188,736	613,243
Total Liabilities	<u>1,036,336</u>	<u>890,591</u>	<u>856,712</u>	<u>2,783,639</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 107,301,564</u>	<u>\$ 92,211,209</u>	<u>\$ 88,703,336</u>	<u>\$ 288,216,109</u>

TOWN OF PALM BEACH RETIREMENT SYSTEM

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General	Police Officers	Firefighters	Total
Additions				
Contributions				
Town	\$ 5,489,209	\$ 5,161,524	\$ 6,434,814	\$ 17,085,547
Member	<u>367,687</u>	<u>377,048</u>	<u>477,538</u>	<u>1,222,273</u>
Total Contributions	<u>5,856,896</u>	<u>5,538,572</u>	<u>6,912,352</u>	<u>18,307,820</u>
Investment Income				
Net appreciation in fair value of investments	17,545,115	15,007,908	14,258,916	46,811,939
Interest and dividends	1,934,998	1,655,177	1,572,574	5,162,749
Other	<u>6,307</u>	<u>5,394</u>	<u>5,124</u>	<u>16,825</u>
	19,486,420	16,668,479	15,836,614	51,991,513
Less: investment expenses	<u>(264,572)</u>	<u>(226,311)</u>	<u>(215,018)</u>	<u>(705,901)</u>
Net Investment Income	<u>19,221,848</u>	<u>16,442,168</u>	<u>15,621,596</u>	<u>51,285,612</u>
Total Additions	<u>25,078,744</u>	<u>21,980,740</u>	<u>22,533,948</u>	<u>69,593,432</u>
Deductions				
Benefit payments	7,047,680	5,906,747	6,155,721	19,110,148
Share distributions	--	--	92,004	92,004
DROP distributions	834,280	910,843	754,996	2,500,119
Refunds of participants' contributions	49,982	89,548	109,400	248,930
Administrative expenses	<u>125,206</u>	<u>107,099</u>	<u>101,755</u>	<u>334,060</u>
Total Deductions	<u>8,057,148</u>	<u>7,014,237</u>	<u>7,213,876</u>	<u>22,285,261</u>
Net Increase in Net Position	<u>17,021,596</u>	<u>14,966,503</u>	<u>15,320,072</u>	<u>47,308,171</u>
Net Position Held in Trust for Pension Benefits				
Beginning of year	<u>90,279,968</u>	<u>77,244,706</u>	<u>73,383,264</u>	<u>240,907,938</u>
End of year	<u>\$ 107,301,564</u>	<u>\$ 92,211,209</u>	<u>\$ 88,703,336</u>	<u>\$ 288,216,109</u>

TOWN OF PALM BEACH RETIREMENT SYSTEM

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

SUPPLEMENTARY INFORMATION

Administrative Expenses

Administrator fees	\$	120,000
Salaries and employee benefits		53,776
Actuarial services		56,364
Audit fees and accounting fees		27,000
Legal fees		30,479
Fiduciary insurance		24,599
Software		11,200
Postage, office and miscellaneous expense		<u>10,642</u>

Total Administrative Expenses **\$ 334,060**

Investment Expenses

Investment management fees	\$	513,154
Investment consultant services		130,000
Custodial fees		<u>62,747</u>

Total Investment Expenses **\$ 705,901**

REPORTING SECTION

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

To the Board of Trustees and Plan Administrator
Town of Palm Beach Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Palm Beach Retirement System (the Plan), as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated March 7, 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 Plan's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

West Palm Beach, FL
March 7, 2022