CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

A PENSION TRUST FUND OF THE CITY OF HOLLYWOOD, FLORIDA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

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INDEPENDENT AUDITORS' REPORT

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Executive Director
City of Hollywood Employees' Retirement Fund

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hollywood Employees' Retirement Fund (the Plan) which comprise the statement of fiduciary net position as of September 30, 2020, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of September 30, 2020, and the related changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information
We have previously audited the Plan's 2019 financial statements, and our report dated April 7, 2020, 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, 2019, 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, schedule of changes in the City's net pension liability and related ratios, schedule of city contributions, and schedule of investment returns on pages 3 to 7 and 34 to 36 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2021 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

Fort Lauderdale, FL
April 26, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited For The Fiscal Year Ended September 30, 2020)

This narrative discussion and analysis of the City of Hollywood Employees' Retirement Fund's (the Plan) financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2020 and 2019. It is meant to assist the reader in understanding significant changes between fiscal years. This discussion and analysis is intended to be read in conjunction with the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

The following discussion and analysis is intended to serve as an introduction to the Plan's financial statements. The financial statements, which are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements, are as follows:

- **The Statement of Fiduciary Net Position –** presents the financial position of the Plan each fiscal year end. It provides information about the nature and amounts of resources that the Plan presently controls (assets), present and future obligations to sacrifice resources that the Plan has little or no discretion to avoid (liabilities), with the difference between assets and liabilities being reported as net position restricted for pension benefits. Investments, other than money market mutual funds, are shown at fair value. All other assets and liabilities are determined on an accrual basis.

- **The Statement of Changes in Fiduciary Net Positon –** presents the results of activities during each fiscal year. All changes affecting the assets and liabilities of the Plan are reflected on an accrual basis when the activity occurred, regardless of the timing of the related cash flows. In that regard, changes in the fair values of investments are included in each year's activity as net appreciation (depreciation) in fair value of investments.

- **The Notes to the Financial Statements –** provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes present information about the Plan's accounting policies, significant account balances and activities, material risks, obligations, contingencies, and subsequent events, if any.

- **Required Supplementary Information –** as required by GASB is presented after the notes to the financial statements. These schedules consist of information pertaining to the Plan's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contribution, and the Plan's investment return.

FINANCIAL HIGHLIGHTS

- Plan net position restricted for pension benefits exceeded liabilities at the close of fiscal years ended September 30, 2020 and 2019 by $369,667,486 and $333,386,545, respectively.

- As of September 30, 2020, liabilities decreased by $6,982,177 (or -86%) as compared to September 30, 2019. The decrease was caused by payments made throughout fiscal year 2020 of monies owed to retirees in the Deferred Optional Retirement Plan (DROP) and settlement payments made by the Plan relating to the resolution of the lawsuit, City of Hollywood vs. the City of Hollywood Employees' Retirement Fund et al. The total liabilities as of September 30, 2020 consists primarily of amounts owed for members' refund of contributions, and unclaimed checks as well as administrative expenses.

- For the fiscal year ended September 30, 2020, employer contributions to the Plan amounted to $42,284,055, an increase of $15,379,512 (or 57%) over fiscal year 2019. This was primarily due to the remaining receivable of $10.9 million, resulting from the settlement of the lawsuit, City of Hollywood vs. City of Hollywood Employees' Retirement Fund et al, as well as a receivable of $4,662,838 for the 2020 shortfall of City contribution relating to restoration of benefits in the prior year.

- For the fiscal year ended September 30, 2020, employee contributions were $3,665,140, an increase of $76,958 (or 2.1%). This increase is primarily a result of 2% salary increases.

- For the fiscal year ended September 30, 2020, investment income increased by $11,905,014 (or 86%) to $26,509,116 as a result of market conditions. Investment expenses were $710,676 in comparison to $732,217 in fiscal year 2019. Gross return on plan assets in 2020 was 7.80% versus 4.31% in 2019, caused by the increase in investment income noted.

- For the fiscal year ended September 30, 2020, benefit payments, administrative expenses and refund of contributions decreased by $6,687,856 (or -15.9%) to $35,466,694 from fiscal year ended September 30, 2019. The reduction is primarily due to the reduction of DROP payouts compared to 2019 that resulted from retroactive restoration of benefits in 2019.

- Receivables and payables for investments are primarily generated through the timing differences between the trade and settlement dates for investment securities purchased or sold.

PLAN HIGHLIGHTS

For the fiscal year ended September 30, 2020, the relative gross gain of the portfolio was 7.80% for the trailing year lagging the policy index for a portfolio with a similar composition of 8.30%, with net investment gain of $25,798,440 for the year. For the fiscal year ended September 30, 2019, the relative gross gain of the portfolio was 4.31% for the trailing year lagging the policy index for a portfolio with a similar composition of 4.62%, with net investment gain of $13,871,885 for the year.

USING THE AUDITED FINANCIAL STATEMENTS

The financial statements, which reflect the activities of the Plan, are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These statements are presented on an accrual basis and reflect all the Plan's activities as incurred and account balances of investments for the fiscal year then ended.

SUMMARY OF FIDUCIARY NET POSITION

The following condensed comparative summary of fiduciary net position demonstrate the net position of the Plan at September 30, (in thousands):

	2020	2019
Receivables	$ 15,765	$ 181
Investments	354,872	341,159
Prepaid Expenses	142	140
Total Assets	370,779	341,480
Liabilities	1,112	8,094
Net Position Restricted for Pension Benefits	$ 369,667	$ 333,386

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

The summary of changes in fiduciary net position displays the effect of pension fund transactions that occurred during the fiscal year, where additions minus deductions equal net increase or (decrease) in Plan net position. The table below reflects a condensed comparative summary of the changes in net position and reflects the activities of the Plan for the fiscal years ended September 30 (in thousands):

	2020	2019
Additions		
City contributions	$ 42,284	$ 26,905
Other contributions	30	27
Member contributions	3,635	3,561
Net investment income	25,798	13,872
Total Additions	71,747	44,365
Deductions		
Pension benefits	34,235	40,891
Refund of member contributions	425	540
Administrative expenses	806	724
Total Deductions	35,466	42,155
Change in Net Position	36,281	2,210
Net Position Restricted for Pension Benefits		
Beginning of year	333,386	331,176
End of year	$ 369,667	$ 333,386

The Plan's investment activities, measured as of the end of any month, quarter, or year, are a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for the fiscal year ended September 30, 2020 increased from those of fiscal year ended September 30, 2019.

The benefit payments are a function of changing payments to retirees or their beneficiaries (i.e., deceased retiree, new retiree during the period, etc.).

ASSET ALLOCATION

At September 30, 2020, the domestic equity portion comprised approximately 24.7% ($87.7 million) of the total portfolio. The allocation to fixed income securities was 24.3% ($86.2 million), while money market funds comprised 2.6% ($9 million). Real estate partnerships comprised 10.1% ($35.7 million), international equities comprised 21.4% ($76.1 million) and private equity investment comprised 10.6% ($37.8 million), private debt investment comprised 3.5% ($12.3 million), and infrastructure investments comprised 2.8% ($10 million).

At September 30, 2019, the domestic equity portion comprised approximately 29.6% ($100.9 million) of the total portfolio. The allocation to fixed income securities was 25.2% ($85.9 million), while money market funds comprised 2.5% ($8.4 million). Real estate partnerships comprised 9.7% ($33.0 million), international equities comprised 18.3% ($62.3 million) and private equity investment comprised 8.6% ($29.5 million), private debt investment comprised 3.4% ($11.5 million), and infrastructure investments comprised 2.8% ($9.6 million).

The authorized investment allocation ranges as of September 30, 2020 and 2019, was as follows:

	Asset Allocation Ranges	
Asset Class	2020	2019
Domestic equities	20 - 35%	25 - 37.5%
Fixed income	25 - 45%	25 - 37.5%
International equities	10 - 25%	15 - 25%
Real estate	0 - 12.5%	7 - 14%
Private Equity	0 - 15%	0 - 15%
Global Infrastructure	0 - 5%	0 - 5%
Cash	0 - 5%	0 - 5%

CITY'S NET PENSION LIABILITY

The fiduciary net position as a percentage of the total pension liability in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, as of September 30, 2020 and 2019 were 60.56% and 58.25% respectively. GASB Statement No. 67 does not impact the fiduciary net position of the Plan. The notes and required supplementary information provide a summary of significant assumptions and other inputs used to calculate the total pension liability, including those about inflation, salary changes, and inputs to the discount rate, as well as certain information about mortality assumptions and investment returns.

PLAN MEMBERSHIP

The following table reflects the Plan membership as of the October 1, 2020 and 2019 as follows:

	2020*	2019
Inactive plan members and beneficiaries currently receiving benefits	1,130	1,117
Inactive plan members entitled but not yet receiving benefits	53	69
Active plan members	608	603
Total Members	1,791	1,789

*The plan membership as of October 1, 2020 is based on the Plan's records as the actuarial valuation as of October 1, 2020 was not yet finalized as of the date of the independent auditors' report.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Board of Trustees, membership, taxpayers, investors, and creditors with a general overview of the Plan finances, and to demonstrate accountability for the money the Plan receives. If you have any questions about this report or need additional financial information, contact the Executive Director Christine Bailey, City of Hollywood Employees' Retirement Fund, 2600 Hollywood Boulevard, City Hall Annex, Room 20, Hollywood, Florida 33020.

FINANCIAL STATEMENTS

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2019)

	2020	2019
Assets		
Receivables		
City contributions	$ 15,572,491	$ --
Member contributions	128,831	155,408
Accrued interest and dividends	63,325	26,413
Total Receivables	15,764,647	181,821
Investments		
Money market mutual funds	9,041,074	8,383,368
Bond mutual fund	32,939,371	31,273,165
Fixed income composites	53,265,623	54,674,645
Domestic stocks	11,921,866	14,174,422
Large cap equity investment funds	57,718,307	68,078,016
Small cap equity investment funds	18,014,698	18,634,325
International equity investment funds	76,088,619	62,310,430
Private equity investment funds	37,793,840	29,510,965
Private debt investment fund	12,315,149	11,512,147
Infrastructure investment fund	10,027,006	9,630,983
Real estate investment funds	35,746,376	32,976,375
Total Investments	354,871,929	341,158,841
Other Assets		
Prepaid expenses	142,428	139,578
Total Assets	370,779,004	341,480,240
Liabilities		
Accounts payable and other accrued liabilities	1,016,591	7,974,140
Due to broker	94,927	119,555
Total Liabilities	1,111,518	8,093,695
Net Position Restricted for Pension Benefits	$ 369,667,486	$ 333,386,545

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

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2019)

	2020	2019
Additions		
Contributions		
City	$ 42,284,055	$ 26,904,543
Other	29,738	26,734
Members	3,635,402	3,561,448
Total Contributions	45,949,195	30,492,725
Investment Income		
Net appreciation in fair value of investments	21,551,651	9,259,446
Interest and dividends	4,957,465	5,344,656
Investment income	26,509,116	14,604,102
Less: investment expenses	710,676	732,217
Net Investment Income	25,798,440	13,871,885
Total Additions	71,747,635	44,364,610
Deductions		
Pension benefits	34,235,265	40,890,788
Refund of member contributions	425,409	539,713
Administrative expenses	806,020	724,049
Total Deductions	35,466,694	42,154,550
Change in Net Position	36,280,941	2,210,060
Net Position Restricted for Pension Benefits		
Beginning of year	333,386,545	331,176,485
End of year	$ 369,667,486	$ 333,386,545

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the City of Hollywood Employees' Retirement Fund (also known as the General Employees' Retirement Fund, or the Plan) 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 units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Contributions from members are recorded in the period the City of Hollywood, Florida (the City, or Employer) makes payroll deductions from participants (members). City contribution requirements are statutorily required contributions which are determined by the Plan's actuary in accordance with State statutes and are generally funded by the employer within the appropriate fiscal year. Benefit payments and refunds to members are recognized when due and payable in accordance with the terms of the Plan. Member contributions and City contributions are recognized in the period in which the contributions are paid.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions in net position restricted for Plan benefits. Actual results could differ from those estimates.

RISKS AND UNCERTAINTIES

Investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect balances and the amounts reported in the statement of fiduciary net position.

INVESTMENTS

Investments are reported at fair value, except for money market mutual funds, which are reported at amortized cost.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

Realized and unrealized gains and losses are reported as net appreciation in fair value of investments on the statement of changes in fiduciary net position. Purchases and sales of securities are reflected on a trade-date basis. Gains or losses on sales of securities are based on average cost. Dividends and interest income are recorded as earned. Refer to Note 3 for more detailed information regarding the methods used to measure the fair value of investments.

The investment policy is determined by the Board of Trustees and is implemented by investment advisors. At September 30, 2020, guidelines permit the following investments:

- Bonds, notes or other obligations of the U.S. government and its agencies;

- Common and preferred stock issued by a corporation created or existing under the laws of the United States or any state, district or territory thereof, provided that such securities shall be listed at the date of the purchase on a major stock exchange with an aggregate limitation of 35% of the total plan assets;

- Fixed income investments, provided that no one security issue of this type of obligation is more than five percent (5%) of the investment manager's portfolio;

- Time deposits or time certificates in any banking institution organized under the laws of the United States, provided that such investments are not more than five percent (5%) of the short-term investment account;

- International equity investments made through the purchase of units of commingled funds or group trusts are limited to a maximum of 25% of plan investments; and

- Real estate investments in pooled real estate vehicles, limited partnerships or other types of real estate investments, limited to a maximum of 12.5% of plan investments, as determined by the Board in consultation with the investment consultant.

- The Board, after consulting with the Investment Consultant, may authorize the use of any other investment for an account provided that such investment is considered prudent for a retirement fund. Assets that provide appropriate diversification (specifically low correlation with existing assets) will be considered.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

Prohibited assets and/or transactions under the Plan's investment policy include selling short, letter stock, options other than covered call writing, and any investments not listed in the investment policy except as noted above.

The Plan's target asset allocation and authorized ranges as of September 30, 2020, were as follows:

Asset Class	Target (%)	Allowable Range (%)
Fixed income	35%	25 - 45%
Domestic equities	27.5%	20 - 35%
International equities	17.5%	10 - 25%
Private Equity	10.0%	0 - 15%
Real estate	7.5%	0 - 12.5%
Global Infrastructure	2.5%	0 - 5%
Cash	0%	0 - 5%

INCOME TAX STATUS

The Plan is operated in compliance with the Internal Revenue Code and is therefore exempt from Federal income taxes.

NOTE 2 – PLAN DESCRIPTION

The General Employees' Retirement Fund is a defined benefit plan. The Plan was established on October 1, 1958, as set forth in Article X, Section §10.01 of the City of Hollywood, Florida Charter. The Plan currently functions in accordance with the City Code of Ordinances, Section §33.025 - §33.031 and other existing federal and State laws. The Plan is governed by a seven (7) member board of trustees (the Board). The Board is comprised of two (2) persons designated as citizen members who are residents of the City appointed by the City Commission; the City Manager or his/her designee; two (2) members representing the employees, who shall be employee members (including Deferred Retirement Option Plan (DROP) participants) with at least six (6) years of credited service and elected by vote of all employee members (including DROP participants); one (1) member representing the retirees, who shall be a retiree (but not a DROP participant) elected by vote of all retired members (excluding DROP participants); and one (1) member appointed by the City Manager,

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

representing the employees whose positions are not included in a collective bargaining unit who has accounting or investment experience. The Board can recommend to the City changes to the provisions of the Plan.

The City requires that substantially all full-time employees of the City contribute to the Plan. Contributions required from members were at the rate of eight percent (8%) of compensation until June 18, 2019, when it changed to a rate of nine percent (9%) for general fund members hired prior to October 1, 2011 and non-general fund members hired prior to March 5, 2014. These contributions have been on a tax-deferred basis since 1994. The City is required to contribute the remaining amounts necessary to fund the Plan using an actuarial basis as required by State statute. The City's actuarially determined contribution rate for fiscal year 2020, which was determined by the October 1, 2018 actuarial valuation, is 60.56 percent of annual covered payroll. The vesting period for members hired prior to July 15, 2009 is five (5) years of credited service. For members hired on or after July 15, 2009, the vesting period is seven (7) years of credited service.

The Plan is a single-employer public employee retirement system sponsored by the City, and is included as a pension trust fund in the City's Comprehensive Annual Financial Report (Annual Report) as part of the City's financial reporting entity for the year ended September 30, 2020. For further information on the City, please see the Annual Report.

At October 1, 2019, the date of the latest available actuarial valuation, membership in the Plan consisted of:

Inactive plan members and beneficiaries currently receiving benefits	1,117
Inactive plan members entitled but not yet receiving benefits	69
Active plan members	603
Total Members	1,789

NORMAL RETIREMENT

A member hired prior to July 15, 2009 must attain the age of 55 with five (5) years of credited service, or complete 25 years of credited service, regardless of age, in order to be eligible for normal retirement. For members hired on or after July 15, 2009, normal retirement date varies depending on date of hire and date of separation.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

NORMAL RETIREMENT (CONTINUED)

For Employees Hired Prior to July 15, 2009

A member hired prior to July 15, 2009, who is currently employed by the City, who has been contributing to the Plan during their full period of employment, and who exercises normal retirement is entitled to receive a retirement benefit equal to three percent (3%) of their average final compensation (based on the 78 highest consecutive bi-weekly pay periods during employment) multiplied by years of credited service, up to a maximum of 27 years, with a maximum benefit equal to 81 percent of the member's average final compensation.

For members hired prior to July 15, 2009 who retire on or after August 17, 2009 without entering the DROP, a two percent (2%) cost of living adjustment (COLA) will be payable annually three (3) years after retirement benefits begin. For members hired prior to July 15, 2009 who enter the DROP on or after August 17, 2009, a two percent (2%) COLA will be payable annually commencing the later of three (3) years after retirement benefits begin or one (1) year after separation employment following participation in the DROP. Contributions for these employees increased to nine percent (9%) of eligible compensation on June 19, 2019.

For members hired prior to July 15, 2009 who retire or enter the DROP on or after August 17, 2009 compensation excludes all earnings and payouts for blood time and compensatory time. Payouts for accumulated annual leave that may be counted as compensation for such members will not exceed 125 hours per year for employees covered by the general employees' bargaining unit: and will not exceed 60 hours per year for employees who retire from a position not covered by the general employees' bargaining unit.

Members who participated in the Supplemental Retirement System who were hired on or after October 1, 1976 and elected to participate in the contributory plan had the option of keeping their benefit accrual rate of one percent (1%) for credited years of service prior to the date the member started contributions, or paying additional contributions to obtain an increased benefit accrual rate for credited years of service prior to the date the member started contributions. Upon exercising normal retirement, the monthly retirement benefit for such members who elected not to pay the additional contribution would be computed using a combination of a rate of one percent (1%) for credited years of service prior to the date the member started contributions, and currently a benefit accrual rate of three percent (3%) for credited years of service after the date the member started contributions.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

NORMAL RETIREMENT (CONTINUED)

<u>For General Fund Members Hired on or After July 15, 2009 but Prior to October 1, 2011 and Non-General Fund Members Hired on or After July 15, 2009 but Prior to March 5, 2014</u>

For members hired on or after July 15, 2009, normal retirement date and average final compensation varies based on date of hire and date of separation. Normal retirement date is based on a combination of age and years of credited service. Upon reaching normal retirement date, a member is entitled to a normal retirement benefit of two and one-half to three percent (2.5%-3%) of average final compensation for each year of credited service, up to a maximum benefit of 81 percent of average final compensation. Average final compensation is based on the member's highest 104 or 130 consecutive bi-weekly pay periods of credited service.

Vesting period will be seven (7) years of credited service.

Compensation includes only the member's base pay, which includes longevity pay, but no other payments are included.

Eligibility for non-duty disability benefits commences upon the member completing seven (7) years of credited service.

A vested member who separates from City employment prior to his or her normal retirement date and does not receive a refund of contributions will have a right to receive a retirement benefit beginning at their normal retirement date based on the benefit formula in effect on the date of separation from City employment, years of credited service and average final compensation on that date.

Members contribute nine percent (9%) of their compensation to the Plan.

Members are not eligible to participate in the DROP.

Members are not eligible for a COLA after their retirement benefits commence.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

NORMAL RETIREMENT (CONTINUED)

For General Fund Members Hired on or After October 1, 2011 and Non-General Fund Members Hired on or After March 5, 2014

A general fund member hired on or after October 1, 2011, or a non-general fund member hired on or after March 5, 2014, must attain the age of 65 with seven (7) years of credited service, age 62 or older with 25 years of credited service, or 30 years of credited service regardless of age, in order to be eligible for normal retirement.

General fund members hired on or after October 1, 2011 will receive the same retirement benefits as members hired on or after July 15, 2009 but prior to October 1, 2011 subject to the amendments below:

Non-general fund members hired on or after March 5, 2014 will receive the same retirement benefits as members hired on or after July 15, 2009 but prior to March 5, 2014 subject to the amendments below:

- Normal retirement date will be age 65 or older with seven (7) years credited service; age 62 or older with 25 years of credited service; or 30 years of credited service.
- Vesting period is seven (7) years of credited service
- Upon reaching normal retirement date, a member is entitled to a normal retirement benefit of two and one-half to three percent (2.5%-3%) of average final compensation for each year of credited service, up to a maximum benefit of 81 percent of average final compensation.
- Average final compensation will be based on the member's highest 130 consecutive bi-weekly pay periods of the last 260 bi-weekly pay periods of credited service.
- Eligibility for non-duty disability benefits commences after completing seven (7) years of credited service.
- Members are not eligible to participate in the DROP.
- Members are not eligible for a COLA.
- Members who separate from the City prior to their normal retirement date having completed seven (7) years of credited service, and having not received a refund of contributions, will have the right to receive a service retirement benefit beginning at age 65 based on the benefit formula in effect on the date of separation from City, years of credited service and average final compensation on that date.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

NORMAL RETIREMENT (CONTINUED)

For General Fund Members Hired Prior to October 1, 2011 Who Separate from the City on or After that Date but Before June 19, 2019 and Non-General Fund Members Hired Prior to March 5, 2014 Who Separate from the City on or After that Date but Before June 19, 2019

As of September 30, 2011, benefits under the previously existing plan were frozen for general fund members. As of March 4, 2014, benefits under the previously existing plan were frozen for non-general fund members. (Note: For members in active service on June 19, 2019, benefits were restored.). The plan had numerous changes that impacted future benefits for members. Benefits were frozen and immediately vested for all members.

Member who was eligible to retire with normal retirement benefits on or before the plan freeze date were not frozen.

Under the benefit structure effective after the freeze date the normal retirement date was determined by hire date, age, amount of credited service on the freeze date, and date of separation.

Upon reaching normal retirement date, a member is entitled to a normal retirement benefit equal to the frozen benefit plus two and one-half percent (2.5%) of average final compensation for each year of credited service after the freeze date, up to a maximum benefit of 81 percent of average final compensation.

Average final compensation for future benefits after the freeze date will be based on the member's highest 130 consecutive bi-weekly pay periods of the last 260 bi-weekly pay periods of credited service.

Eligibility for non-duty disability benefits commences based on date of hire after completing five (5) or seven (7) years of credited service.

Members are not eligible to participate in the DROP.

Members are not eligible for a COLA for future benefits after the freeze date.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

DISABILITY RETIREMENT

After five (5) years of credited service, a member hired prior to July 15, 2009 who becomes totally and permanently disabled, as defined by the Plan, may retire on a nonservice incurred disability retirement benefit. For members hired on or after July 15, 2009, eligibility for non-duty disability benefits commences upon the member completing seven (7) years of credited service.

A member under a disability retirement will be entitled to receive a retirement benefit equal to 75 percent of the member's salary if the disability occurred in the performance of an act of duty as an active employee of the City. A member under a disability retirement will be entitled to receive a retirement benefit equal to the member's accrued benefits, but not less than 20 percent of the member's average monthly compensation, which is payable until the member's death or recovery, if the disability occurred in the performance of an act other than duty as an active employee of the City.

PRERETIREMENT DEATH BENEFITS

When an active member, who is vested, dies before retirement, his or her designated beneficiary (or beneficiaries) will have the option of receiving the member's contribution to the Plan, plus simple interest at the rate of four percent (4%) per year, or benefit payments until his or her own death equal to the benefit payments the deceased member would have received had he or she retired on the day of his or her death having selected to receive his or her annuity as joint and last survivor, whereby the retired member will receive a reduced monthly benefit for life, and following the retired member's death, the same monthly benefit is paid to the member's designated beneficiary for life.

When a vested member, dies after separation from City employment but before retirement and having elected an optional form of benefit, his or her designated beneficiary (or beneficiaries) will have the option of receiving the member's contribution to the Plan, plus simple interest at the rate of four percent (4%) per year, or benefit payments based on the elected option commencing on the date the vested member would have become eligible for benefit payments. If the deceased vested member, did not elect an optional form of benefit, his or her designated beneficiary (or beneficiaries) will have the option of receiving the member's contribution to the Plan, plus simple interest at the rate of four percent (4%) per year in lieu of any other benefit. If the vested member did not designation a beneficiary, the member's contribution to the Plan, plus simple interest at the rate of four percent (4%) per year will be paid to the member's estate.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

DEFERRED RETIREMENT OPTION PLAN (DROP)

This option is available to all members hired before July 15, 2009 and it may be elected on or after the member attains the age of 55, with at least 10 years of credited service, or 25 years of credited service, regardless of age, but prior to the completion of 30 years of credited service. The maximum participation in the DROP is the lesser of five (5) years or until the member's credited service plus DROP participation period equals 32 years. Members hired on or after July 15, 2009 are not eligible to participate in the DROP.

A member's credited service, accrued benefits and compensation calculation are frozen upon participation in the DROP. The monthly benefit amount is calculated based on credited service, average final monthly compensation, and retirement option selected.

Upon participation in the DROP, the member's contribution and the City's contribution to the Plan for the member cease as the member will not earn further credited service for pension purposes. For each member electing participation in the DROP, an individual DROP account will be created. Payment will be made by the Plan into the member's DROP account in an amount equal to the normal monthly retirement benefit, which the member would have received had the member separated from service and commenced receipt of pension benefits. Payments received by the member in the DROP account are tax deferred. DROP payments earn interest at the same rate as the net rate of investment returns on Plan assets except that in no event will DROP payments earn interest at a rate less than zero percent (0%) per annum. These amounts are included in the Plan's net position restricted for pension benefits.

Upon termination of employment, members will receive normal monthly retirement benefits as well as their funds from the DROP account in combination of a lump-sum distribution, and a rollover of the balance to another qualified retirement plan.

DROP participation does not affect any other death or disability benefits provided to members under federal law, State law, City ordinance or any rights or benefits under any applicable collective bargaining agreement. As of September 30, 2020, there were 61 members in the DROP and the estimated fair value of DROP investment was approximately $6,013,000, which is included in the Plan's net position.

NOTE 2 – PLAN DESCRIPTION (CONTINUED)

COST-OF-LIVING ADJUSTMENT (COLA)

On an annual basis, members hired before July 15, 2009 will receive an increase in the monthly retirement benefit of two percent (2%) for COLA starting three (3) years after retirement benefits begin. For members who enter the DROP, a two percent (2%) COLA will be paid annually, commencing the later of three (3) years after retirement benefits begin or one year after separation from employment following participation in the DROP. Members hired on or after July 15, 2009 are not eligible for a COLA.

SUPPLEMENTAL PENSION BENEFIT DISTRIBUTION

Effective October 1, 2002, a supplemental pension benefit program was established for eligible members employed by the City on October 1, 2002, and members receiving benefits from the Plan on that date, or the spouses of such members if the members are deceased and the spouses are receiving benefits from the Plan. The benefit is payable for each year in which the net market rate of return on Plan assets exceeds the assumed rate of investment return by four and one-half percent (4.5%). The net market rate of return on Plan assets did not reach the threshold require to pay this benefit in fiscal year 2020.

OTHER

Investment expenses incurred by the Plan for investment management services totaled approximately $711,000 for the year ended September 30, 2020.

Administrative expenses incurred by the Plan for expenses with the Pension Office, employee wages, legal fees and custodian fees totaled approximately $806,000 for the year September 30, 2020.

NOTE 3 – DEPOSITS AND INVESTMENTS

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Plan's investment policy limits interest rate risk, as a result of changes in interest rates on its investments, by attempting to match investment maturities with known cash needs and anticipated cash flow requirements.

As a means of limiting its exposure to interest rate risk, the Plan limits the majority of its debt type investments to a maximum of 10 years.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INTEREST RATE RISK (CONTINUED)

At September 30, 2020, the Plan had the following fixed income investments and maturities, with the exception of the fixed income composites and the private debt investment fund which have no maturity dates:

		Investment Maturities (In Years)			
Investment	Fair Value	Less Than 1	1-5 Years	6-10 Years	More Than 10 Years
Bond Mutual Fund	$ 32,939,371	$ --	$ --	$ 32,939,371	$ --

CREDIT RISK

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

The following table discloses credit ratings by fixed income investment type for the Plan at September 30, 2020 as applicable:

	2020	
Investment	Fair Value	Percentage of Portfolio
Not Rated	$ 98,520,143	100.00%
Total Plan Fixed Income Investments	$ 98,520,143	100.00%

CUSTODIAL CREDIT RISK

For investments, this is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2020, the Plan's investments are held by third-party safekeeping custodians selected by the Board and registered in the Plan's name.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

CONCENTRATION OF CREDIT RISK

The investment policy of the Plan contains a limitation on the amount that can be invested in any one issuer, as well as portfolio allocation ranges and maximum percentages by types of investments.

At September 30, 2020, the Plan held certain investments that represent 5 percent or more of the Plan's net position. The investments included:

Investment	% of Plan Net Position
Wellington Trust Company – CTF International	16.0%
S&P 500 Index Fund – Non Lending	15.6%
Baird Core Plus Bond Fund	8.9%
Neuberger Berman - Short Duration	6.0%
Neuberger Berman – Crossroads XXI Fund	5.8%
Morgan Stanley – Prime Property Fund, LLC	5.7%

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 within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1
Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2
Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Level 3
Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

The Plan has established a framework to consistently measure the fair value of the Plan's assets and liabilities in accordance with applicable accounting, legal and regulatory guidance. This framework has been provided by establishing a valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

Bond Mutual Fund – Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Fixed Income Composites – Valued by using one or more of the following methods: securities exchange quotations/listed market prices, by using pricing services, by obtaining broker-dealer quotations, using independent review of good-faith estimates of fair value through third party appraisers, and lastly by utilizing a pricing method approved by the pricing committee.

Domestic Stocks – Valued at the closing price reported for similar assets in active markets.

Equity Investment Funds – Valued at market prices for similar assets in active markets.

The Plan invests in private equity investments and real estate investment funds which hold a variety of investment vehicles that do not have readily available market quotations. These investments are measured at net asset value (NAV) based on their proportionate share of the value of the investments as determined by the fund manager and are valued according to methodologies which include pricing models, property valuations (appraisals), discounted cash flow models, and similar techniques. Investments measured at NAV as a practical

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the investments' reported NAV as a matter of convenience.

At present the Plan does not value any of its investments using Level 3 inputs.

The following table summarize the valuation of the Plan's investments in accordance with the above mentioned fair value hierarchy levels as of September 30, 2020:

Investment by Fair Value Level	Reported Value	Quoted Price in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual fund	$ 32,939,371	$ 32,939,371	$ --	$ --
Fixed income composites	53,265,623	14,374,755	38,890,868	--
Domestic stocks	11,921,866	10,703,232	1,218,634	--
Large Cap equity investment funds	57,718,307	--	57,718,307	--
Small Cap equity investment funds	18,014,698	--	18,014,698	--
International equity investment funds	76,088,619	16,823,807	59,264,812	--
Total Investments by Fair Value Level	249,948,484	$ 74,841,165	$ 175,107,319	$ --
Investments Measured at the Net Asset Value (NAV)				
Private equity investment funds	37,793,840			
Private debt investment fund	12,315,149			
Infrastructure investment fund	10,027,006			
Real estate investment funds	35,746,376			
Total Investments Measured at NAV	95,882,371			
Money market mutual funds (exempt)	9,041,074			
Total Investments	$ 354,871,929			

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

FAIR VALUE HIERARCHY (CONTINUED)

Investments Measured at NAV	Reported Value at September 30, 2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Equity Investment Funds				
NB Crossroads Fund XXI - Asset Allocation, LP	$ 21,513,012	$ 5,400,000	Not eligible	N/A
HarbourVest Dover Fund IX, LP	8,363,293	2,100,000	Not eligible	N/A
GoldPoint Partners Co-Investment VI, LP	7,917,535	3,249,371	Not eligible	N/A
Total Private Equity Funds	37,793,840	10,749,371		
Private Debt Investment Fund				
AG Direct Lending Fund II LP	12,315,149	576,146	Not eligible	N/A
Real Estate Investment Funds				
AG Realty Value Fund X, LP	3,032,928	7,025,000	Not eligible	N/A
Morgan Stanley - Prime Property Fund, LLC	21,119,282	--	Quarterly	90 Days
Principal Enhanced Property Fund, LP	11,594,166	--	Quarterly	90 Days
Total Real Estate Funds	35,746,376	7,025,000		
Infrastructure Investment Fund				
IFM Global Infrastructure Investment Fund	10,027,006	--	Quarterly	90 Days
Total Investments Measured at NAV	$ 95,882,371	$ 18,350,517		

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT VALUATION

NB Crossroads Fund XXl - Assets Allocation, LP was formed in January 15, 2015 as a Delaware limited partnership for the purpose of acquiring, holding, selling and exchanging, either directly or indirectly, interest in limited partnerships or other pooled investment vehicles that are organized to make investments in large-cap buyout, mid-cap buyout, special situations and venture/growth capital investment funds, as well as securities, including co-investments. The general partner of the fund uses the best information it has reasonably available to determine or estimate fair value. Valuations of the investments are reviewed and approved quarterly by the general partner. Valuation methods employed are comparable public company valuation, comparable transaction valuation analysis and other methodologies, as appropriate. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

HarbourVest Dover Fund IX, LP is a closed-end fund. The goal is to provide investors with attractive risk adjusted returns by leveraging the firm's proven strategy of constructing a well diversified portfolio of secondary investments with a focus on the less efficient segments of the secondary market. HarbourVest's investment and accounting teams measure fair value on a quarterly basis. The following methods are used for partnership investments fair value principles and are applied by managers in their financial reports in accordance with U.S. GAAP; publicly traded and quoted securities shall be valued at the closing price at the end of the valuation period; for non-marketable securities and direct investments the value is most likely to be an existing price in an orderly arm's length transaction between market participants as of the valuation date, using one of the acceptable valuation methods under U.S. GAAP (Guideline Company Method, Similar Transaction Method or Discounted Cash Flow). Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

GoldPoint Partners Co-Investment VI, LP was formed in July 24, 2017 as a Delaware limited partnership. The Fund will seek a highly diversified portfolio of middle market transactions by primarily targeting Co-investments alongside Core Partners with fund sizes less than $5 billion. The Fund will typically invest $10 million to $40 million in any given transaction, although smaller or larger investments may be made where appropriate. The Fund targets opportunities where the sponsor has relevant expertise, a quantifiable history of successful investing, and a proven ability to add tangible value to the target company. The Fund seeks to invest in companies that have proven management teams, strong and sustainable cash flows, and competitive advantages in industries with barriers to entry.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

A high priority will be placed on companies that have minimal exposure to cyclical downturns, a low threat of obsolescence or rapid technological change, and limited customer and geographic concentrations. The fund's limited partners include public and private pension funds, financial institutions, insurance companies, endowments, family offices and high-net worth individuals. The partners of the fund uses the best information it has reasonably available to determine or estimate fair value. Valuation methods employed are comparable public company valuation, comparable transaction valuation analysis and other methodologies, as appropriate.

AG Direct Lending Fund II, LP is a Delaware limited partnership which commenced operations on November 14, 2016. The Partnership has been established to capitalize on investment opportunities available in middle market direct lending. The Partnership intends to provide corporate financing support to North American middle-market companies, focusing on senior secured debt and other debt instruments, including unitranche facilities, second lien debt, mezzanine loans and equity co-investments. The fair value of the investment in this fund has been determined using the NAV per unit of the ownership interest in the partners' capital. This fund is not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

AG Realty Value Fund X, LP is a Delaware limited partnership which was formed on February 5, 2018, and commenced operations on August 2, 2018. Investments in real estate limited partnerships/companies include equity interests in limited partnerships and limited liability companies for the purpose of investing in real estate. The General Partner primarily utilizes an income valuation approach methodology including discounted cash flow analyses or direct capitalization analyses to value the Partnership's real estate investments. Unlevered cash flows utilized in discounted cash flow analyses are derived from property rental revenue less operating expenses, real estate taxes and capital and other costs, plus projected sales proceeds in the year of exit.

Morgan Stanley Prime Property Fund, LLC (The Fund) is an open-end fund established for the purpose to acquire, own, hold for investment and ultimately dispose of investments in real estate and real estate related assets with the intention of achieving current income, capital appreciation or both. All properties invested in as September 30, 2018 were located throughout the United States. An independent appraiser will perform quarterly appraisals of

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

the Funds underlying properties and is reviewed by asset managers. The Fund determines individual investment values based on such appraisals. These processes are designed to assure that valuation is prepared using reasonable inputs and assumptions which are consistent with market data or with assumptions that would be used by a third party participant and assume highest and best use of the real estate investment. The fair value of the investment in this Fund has been determined using the NAV per unit of the ownership interest in the fund.

Principal Enhanced Property Fund, LP is an open-end fund that will seek to make investments in stabilized, income producing assets, plus value-added and development projects in accordance with the investment guidelines. All properties invested in at September 30, 2020 were located throughout the United States. Principal will use a third-party appraisal firm, with approximately 25% of the portfolio appraised each quarter. Principal will use the appraised value and updated quarterly valuations for purpose of determining the fund's gross asset value and net asset value. The fair value of the investment in this fund has been determined using the NAV per unit of the ownership interest in the partners' capital.

IFM Global Infrastructure Investment Fund seeks to acquire and maintain a well-diversified portfolio of infrastructure investments. The strategy is to subject investment decisions to rigorous fundamental analysis and a disciplined investment process. The goal is to construct and maintain portfolios which consist of long-term, core infrastructure assets. Infrastructure investments are valued at the end of each quarter by independent valuation firms. The valuation method is employed for each asset at the discretion of the appointed independent valuer but must fall within the standards prescribed under AASB 139, U.S. GAAP ASC 820 and ASC 825 as appropriate. IFM Investors' infrastructure investments are typically valued on a discounted cash flow approach by the independent valuers. Discount rates are also determined by the valuer. Valuations are cross-checked with public market information and recent transactions.

RATE OF RETURN

For the year ended September 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.63%. The annual money-weighted rate of return expresses investment performance, net of investment manager and consultant expenses adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

NOTE 4 – RECEIVABLES

As of September 30, 2020, the Plan recorded a total City contributions receivable in the amount of $15,572,491. The City contributions receivable consists of the following:

Settlement Agreement – Supplemental Pension Distributions

On October 2, 2019, the City and the Plan reached a settlement agreement relating to the payment and prefunding of prior years' supplemental benefit distributions. Pursuant to the settlement terms, the City was due to pay the Plan for the supplemental pension benefit distributions that were retroactively owed in the amounts of $4,299,167 for the fiscal year 2012 and $12,364,225 in prefunding of future supplemental pension distributions owed for the fiscal years 2015 through 2019. The supplemental pension benefit distributions in the amount of $4,299,167 were paid by the City to the Plan in fiscal year 2019.

The remaining balance owed to the Plan in the amount of $12,364,225 (includes interest through July 2019) was agreed to be paid by the City plus interest at the actuarial assumed rate of investment return, amortized over five (5) consecutive years or until fully paid, commencing in the fiscal year 2021. The Plan accrued for $10,909,643 in City contributions receivable as of September 30, 2020, which accounts for the City's partial prepayment on their first installment payment made in August 2020 and interest incurred through the fiscal year then ended September 30, 2020. The Plan will record the remaining future interest portion of the settlement in the year in which it is incurred.

The Plan's calculation of the settlement receivable balance as of September 30, 2020 is as follows:

Amount owed through September 30, 2019	$ 12,486,624
Interest incurred through September 30, 2020	936,497
Less: prepayment made by the City as of September 30, 2020	(2,495,119)
Less: interest savings as a result of prepayment as of September 30, 2020	(18,359)
Total settlement receivable as of September 30, 2020	$ 10,909,643

The remaining City contributions receivable balance in the amount of $4,662,848 pertains to the remaining balance owed by the City for the actuarially determined contribution for fiscal year 2020.

NOTE 5 – CITY'S NET PENSION LIABILITY

The components of the net pension liability for the City (employer) at September 30, 2020 are as follows:

Total Pension Liability		$ 588,234,002
Less: Plan fiduciary net position	*	(356,262,722)
Net Pension Liability		$ 231,971,280
Plan Fiduciary Net Position as a % of the Total Pension Liability		60.56%

* Amount does not agree to the Plan's ending fiduciary net position reflected on the statement of changes in fiduciary net position as a result of the Plan recording a City contribution receivable in the amount of $10,909,643 pertaining to supplemental pension benefits owed to the Plan as a result of settlement agreement reached with the City of Hollywood in 2020 (see Note 4) and a reclass of $2,495,119 to recognize contribution revenue for prepayment received on first payment due pursuant settlement agreement.

The total pension liability was determined by an actuarial valuation as of October 1, 2019 with updated asset information as of September 30, 2020, using the following actuarial assumptions in the measurement:

Actuarial Assumptions

Assumed rate of return on investments	7.50% per annum
Annual salary increases	3.0% to 8.0% depending on service, including inflation
Inflation rate	2.50%
Cost-of-living adjustments	2% per year for eligible members

NOTE 5 – CITY'S NET PENSION LIABILITY (CONTINUED)

Actuarial Assumptions (continued)

Mortality Tables (MT's)	Mortality tables RP-2000 Combined Health Participant and RP-2000 Mortality Table for Annuitants, with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Regular Class members of the Florida Retirement System (FRS) in their July 1, 2018 actuarial valuation report, as mandated by Chapter 112.63, Florida Statutes.
Other	The City's total pension liability as of September 30, 2020 reflects the benefit changes under Ordinance No. O-2019-14, adopted on June 19, 2019. Please refer to the Actuarial Impact Statement dated June 17, 2019 for a description of the changes in plan provisions and actuarial assumptions.

NOTE 5 – CITY'S NET PENSION LIABILITY (CONTINUED)

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments are developed for each major asset class by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Long-term Expected Real Rates of Return
Fixed Income	1.11%
Domestic Equity	6.15%
International Equity	6.78%
Real Estate	4.33%
Private Credit	6.87%
Private Equity	9.99%
Infrastructure	5.53%
Emerging Markets Equity	8.65%

DISCOUNT RATE

A single discount rate of 7.50% was used to measure the City's total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. 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 the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension 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 (7.50%) was applied to all periods of projected benefit payments to determine the City's total pension liability.

The following table illustrates the impact of discount rate sensitivity on the net pension liability as of September 30, 2020:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
City's Net Pension Liability	$ 298,004,399	$ 231,971,280	$ 176,687,150

NOTE 6 – SUBSEQUENT EVENTS

In January 2021, the City made a final installment payment to fully fund the Plan's fiscal year 2020 actuarially determined contribution. The final payment made by the City included interest through January 2021.

On September 22, 2020, the Board of Trustees approved several changes to the underlying actuarial assumptions to be utilized for the October 1, 2020 Actuarial Valuation Report as recommended by the Plan's actuary. The changes consisted of decreasing the assumed investment rate of return to 7.3%, lowering the amortization period to a 25-year duration by reducing the amortization period by one year, each year and including a new-mandated mortality table.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION

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

September 30,		2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost		$ 6,616,301	$ 5,887,828	$ 5,738,426	$ 5,017,634	$ 4,493,709	$ 4,587,285	$ 4,152,898
Interest		42,123,898	38,173,241	35,698,698	33,809,853	33,373,524	33,065,052	32,492,291
Benefit changes		--	51,225,518	--	--	665,893	--	--
Differences between expected and actual experience		1,791,933	(3,670,131)	2,221,979	(2,204,530)	1,986,958	1,839,725	333,165
Changes of assumptions		--	5,212,188	31,374,925	23,474,009	4,147,745	4,976,256	--
Benefit payments		(34,242,206)	(41,161,931)	(30,896,779)	(29,804,293)	(38,120,911)	(31,649,219)	(28,191,052)
Refunds		(425,409)	(539,713)	(448,377)	(166,465)	(271,849)	(434,468)	(231,708)
Net Change in Total Pension Liability		15,864,517	55,127,000	43,688,872	30,126,208	6,275,069	12,384,631	8,555,594
Total Pension Liability - Beginning		572,369,485	517,242,485	473,553,613	443,427,405	437,152,336	424,767,705	416,212,111
Total Pension Liability - Ending (a)		$ 588,234,002	$ 572,369,485	$ 517,242,485	$ 473,553,613	$ 443,427,405	$ 437,152,336	$ 424,767,705
Plan Fiduciary Net Position								
Contributions - employer		$ 28,879,293	$ 26,904,543	$ 22,101,019	$ 20,562,868	$ 9,767,849	$ 23,216,393	$ 23,160,583
Contributions - non-employer contributing entity		29,738	26,734	12,694	11,723	10,433	8,469	--
Contributions - member		3,635,402	3,561,448	3,277,081	3,185,801	3,088,620	2,604,831	2,671,277
Net investment income		25,730,381	13,819,384	21,635,666	33,218,838	29,224,225	5,108,678	28,051,900
Benefit payments		(34,242,206)	(41,161,932)	(30,896,779)	(29,804,293)	(38,120,911)	(31,649,219)	(28,191,052)
Refunds		(425,409)	(539,713)	(448,377)	(166,465)	(271,849)	(434,468)	(231,708)
Administrative expense		(731,022)	(671,545)	(497,898)	(486,528)	(298,730)	(287,053)	(282,797)
Net Change in Plan Fiduciary Net Position		22,876,177	1,938,919	15,183,406	26,521,944	3,399,637	(1,432,369)	25,178,203
Plan Fiduciary Net Position - Beginning		333,386,545	* 331,447,626	316,264,220	289,742,276	286,342,639	287,775,008	262,596,805
Plan Fiduciary Net Position - Ending (b)	**	$ 356,262,722	$ 333,386,545	$ 331,447,626	$ 316,264,220	$ 289,742,276	$ 286,342,639	$ 287,775,008
Net Pension Liability - Ending (a-b)		$ 231,971,280	$ 238,982,940	$ 185,794,859	$ 157,289,393	$ 153,685,129	$ 150,809,697	$ 136,992,697
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		60.56%	58.25%	64.08%	66.79%	65.34%	65.50%	67.75%
Covered Payroll		$ 40,869,983	$ 41,243,666	$ 40,963,513	$ 39,822,513	$ 38,607,750	$ 32,560,388	$ 33,390,963
Net Pension Liability as a Percentage of Covered Payroll		567.58%	579.44%	453.56%	394.98%	398.07%	463.17%	410.27%

*Amount does not agree to the Plan's beginning fiduciary net position reflected on the statement of changes in fiduciary net position as a result of a late accrual of $271,141 made by the Plan relating to benefit payments in 2018.

**Amount does not agree to the Plan's ending fiduciary net position reflected on the statement of changes in fiduciary net position as a result of the Plan recording a City contribution receivable in the amount of $10,909,643 pertaining to prefunding of supplemental pension benefits owed to the Plan as a result of settlement agreement reached with the City of Hollywood in 2020 (see Note 4) and a reclass of $2,495,119 to recognize contribution revenue for prepayment received on first payment due pursuant settlement agreement.

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

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS

September 30,	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution*	$ 28,879,293	$ 25,225,862	$ 24,702,602	$ 23,189,007	$ 22,716,242	$ 22,547,585	$ 19,834,090
Actual Contributions**	28,909,031	26,931,277	22,113,713	20,574,591	9,778,282 ***	23,224,862	23,160,583
Contribution Deficiency (Excess)**	$ (29,738)	$ (1,705,415)	$ 2,588,889	$ 2,614,416	$ 12,937,960	$ (677,277)	$ (3,326,493)
Covered Payroll	$ 40,869,983	$ 41,243,666	$ 40,963,513	$ 39,822,513	$ 38,607,750	$ 32,560,388	$ 33,390,963
Contributions as a Percentage of Covered Payroll	70.73%	65.30%	53.98%	51.67%	25.33%	71.33%	69.36%

Notes to Schedule of Contributions

* Reflects the 5.7% liability load to prefund the supplemental pension distributions starting in the fiscal year ended September 30, 2015.

** Contribution deficiencies are due to actual contributions excluding the supplemental pension distribution starting in fiscal year ending September 30, 2015. The actual contributions in fiscal year 2019 include a payment for the supplemental pension distributions owed for the fiscal year 2012 in the amount of $4,299,167.

*** The City accumulated prepaid employer contributions of approximately $10.4 million as of September 2015.

Valuation Date: October 1, 2018

Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	30 years
Asset valuation method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return	7.50%
Assumed annual salary increase	3.0% to 8.0%, depending on service, including inflation
Inflation	2.50%
Cost-of-living adjustment	2% per year for those members hired on or before July 15, 2009
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Health Participant Mortality Table (for pre-retirement mortality) and the RP 2000 Mortality Table for Annuitants (for post-retirement mortality)

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

CITY OF HOLLYWOOD
EMPLOYEES' RETIREMENT FUND

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

September 30,	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.63%	4.12%	6.69%	10.93%	10.53%	1.60%	10.95%

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

REPORTING UNDER *GOVERNMENT AUDITING STANDARDS*

MARCUM
ACCOUNTANTS ▲ ADVISORS

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 Executive Director
City of Hollywood Employees' Retirement Fund

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Hollywood Employees' Retirement Fund (the Plan), as of and for the year ended September 30, 2020, and related notes to the financial statements, and have issued our report thereon dated April 26, 2021.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

MARCUMGROUP
MEMBER

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002.

Management's Response to Finding

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Plan's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we expressed no opinion on it.

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

Fort Lauderdale, FL
April 26, 2021

2020-001 – NON-COMPLIANCE WITH 112.66, FLORIDA STATUTES

Criteria

Each retirement system or plan subject to the provisions of Chapter 112, Florida Statute are required to have regularly scheduled actuarial reports prepared and certified by an enrolled actuary. The actuarial report provides a calculated actuarial determined contribution amount for purposes of adequate funding of the Plan in order to ensure meeting future projected member benefits. The auditor noted that the actuarially determined contribution amount for the fiscal year ended September 30, 2020, for the Plan was not fully funded by the City of Hollywood, Florida (City).

Condition, Cause, and Effect

On April 22, 2019, the Plan's actuary prepared their October 1, 2018 Actuarial Valuation Report (Actuarial Valuation) which calculated the City's actuarially determined contribution in the amount of $24,216,445 for the fiscal year 2020 which was paid by the City on October 3, 2019. Subsequent to preparation of the Actuarial Valuation, the Plan requested the actuary prepare an Actuarial Impact Statement (Impact Statement) dated June 17, 2019 to measure the first year financial impact resulting from the adoption of ordinance no. O-2019-14, which restored benefits to certain general fund members. The Impact Statement increased the City's contribution to $28,553,978 if paid as of October 1, 2019. The Plan did not formally advise the City of the additional funding required by the Impact Statement which superseded the Actuarial Valuation, resulting in an underpayment of $4,662,848 (interest included) as of September 30, 2020. The City fully funded their fiscal year 2020 actuarially determined contribution subsequent to the year ended September 30, 2020, with an installment payment in January 2021 (interest included).

Recommendation

Marcum recommends the Plan implement an internal policy to provide formal communication on the Plan's letterhead to the City for significant changes affecting the City's actuarially determined contribution in order to ensure the Plan adheres to section 112.66 of the Florida Statutes.

Views of Responsible Officials and Planned Corrective Actions

See accompanying response letter.

2020-002 – NON-COMPLIANCE WITH TIMELY UPDATE OF SUMMARY PLAN DESCRIPTION

Criteria

Pursuant the provisions of Chapter 112 of the Florida Statutes, the Plan is required to maintain a written summary plan description, to be published on a biennial basis, in a manner calculated to be understood by the average plan participant and sufficiently accurate and comprehensive to apprise participants of their rights and obligations under the Plan and which shall include a report of pertinent financial and actuarial information on the solvency and actuarial soundness of the plan. Such summary plan description shall be furnished to a member of the Plan upon initial employment or participation in such Plan and, thereafter, with each new biennial publication by the Plan.

Condition, Cause, and Effect

During the fiscal year 2020 audit, Marcum noted that the Plan's most current summary plan document was dated October 2017 and as such is subject to issue a new biennial publication to its members. The Plan has encountered several delays in the publication of their updated summary plan document due to a transition to new management, the passing of the restoration of benefits (ordinance no. O-2019-1), and the COVID-19 pandemic. The Plan has prepared a revised summary plan document draft as of the date of our independent auditors' report and anticipates Board approval in July 2021.

Recommendation

Marcum recommends the Plan implement an internal policy establishing formal procedures for tracking the biennial deadlines in relation to their summary plan document as stipulated in section 112.66 of the Florida Statutes. Timely publication of the Plan's summary plan document ensures that participants are kept informed of any significant changes to their rights and obligations under the Plan.

Views of Responsible Officials and Planned Corrective Actions

See accompanying response letter.

CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

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Marcum LLP
450 East Las Olas Boulevard, Ninth Floor
Fort Lauderdale, FL 33301

We are in receipt of your recommendations regarding the Financial Statements for the year ended September 30, 2020 and advise the following:

Recommendation 2020-001 – Non-Compliance With 112.66, Florida Statutes
Marcum recommends the Plan implement an internal policy to provide formal communication on the Plan's letterhead to the City for significant changes affecting the City's actuarially determined contribution in order to ensure the Plan adhered to section 112.66 of the Florida Statutes.

Management Response
The Fund concurs with this recommendation. Going forward, the Fund will provide formal communication on the Fund's letterhead to City Management specifying the City's actuarially determined contribution and any changes there to.

Recommendation 2020-002 – Non-Compliance With 112.66, Florida Statutes
Marcum recommends the Plan implement an internal policy establishing formal procedures for tracking the biennial deadlines in relation to their summary plan document as stipulated in section 112.66 of the Florida Statutes. Timely publication of the Plan's summary plan document ensures that participants are kept informed of any significant changes to their rights and obligations under the Plan.

Management Response
The Fund concurs with this recommendation. An updated Summary Plan Description has been drafted and will be published in Fiscal Year 2021.

The Fund is committed to ensuring the fair presentation of the Financial Statements in accordance with accounting principles generally accepted in the United States of America. We thank the Auditors for their vigilance and efforts to enhance our operations.

If you have any questions, or concerns about our responses, please let us know.

Sincerely,

Christine Bailey
Executive Director