



**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Trustees

City of Boca Raton General Employees' Pension Plan

Boca Raton, Florida

We have audited the accompanying statements of plan net assets of the City of Boca Raton General Employees' Pension Plan (the Plan) as of September 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets as of September 30, 2012 and 2011, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions on pages 3 through 9 and pages 25 to 27, respectively, 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, which 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 principally of inquiries of management regarding 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.

Marcum LLP

West Palm Beach, FL
March 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Boca Raton General Employees' Pension Plan's (the "Plan") performance provides an overview of the financial activities and funding conditions for the years ended September 30, 2012 and 2011. Readers are encouraged to consider the information presented in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- A net increase of \$22.0 million in plan net assets (or 14.4%) as a result of the fiscal year activities were primarily due to net investment income.
- City contributions were approximately \$3.4 million. Contributions increased \$93 thousand (or 2.8%) from the 2011 contribution of \$3.3 million. The 2011 contribution increased \$830 thousand from the 2010 contribution of \$2.5 million. The amount of employer contributions vary from year to year based on an actuarially determined requirement.
- Employee contributions were approximately \$2.64 million. Contributions decreased \$184 thousand (or 6.5%) from the 2011 contribution of \$2.82 million. The 2011 contribution decreased \$29 thousand from the 2010 contribution of \$2.85 million. Member contributions will vary from year to year and are dependent upon several factors such as salary levels and number of active members.
- The equity and fixed income securities net investment income in an amount of \$26.9 million in 2012 experienced a dramatic increase of \$27.6 million when compared to the \$686 thousand loss in 2011. The net investment loss in 2011 was a substantial reduction of \$15.3 million when compared to 2010.
- In 2012, benefit payments and refunds of contributions increased by \$2.66 million (or 36.8%), while in 2011, benefit and refund payments decreased by \$344 thousand (or 4.5%). The 2012 increase was primarily due to an increase in retirees receiving normal benefits and an increase in withdrawals from the Deferred Retirement Option Plan (DROP). The 2011 decrease was largely due to fewer DROP balance withdrawals.

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to the financial statements. The financial statements consist of the Statements of Plan Net Assets, the Statements of Changes in Plan Net Assets and the notes to the financial statements. The required supplementary information immediately following the financial statements presents schedules of historical trend information. The financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

The *Statement of Plan Net Assets* is a point in time snapshot of account balances at year-end. It reports the assets available for future payments to retirees and their beneficiaries less any current liabilities that are owed as of the year end. The resulting net assets held in trust for pension benefits are available to meet on-going obligations.

The *Statement of Changes in Plan Net Assets* displays the effect of pension fund transactions that occurred during the year. The impact of those activities is shown as additions less deductions to the plan net assets. The trend of additions versus deductions to the plan indicates the condition of the Plan's financial position over time.

The *Notes to the Financial Statements* are an integral part of the financial reports. The notes provide detailed discussions of key policies and activities, and additional background that is essential for a complete understanding of the data presented in the statements.

The *Required Supplementary Information* present historical trend information for the last six consecutive years in the schedule of funding progress and the schedule of employer contributions. The schedule of funding progress demonstrates the actuarially funded status of the plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to pay benefits when due. The schedule of employer contributions shows the annual required contributions of the employer in relation to the requirement.

FINANCIAL ANALYSIS

The following is a condensed comparative Statement of Plan Net Assets:

STATEMENTS OF PLAN NET ASSETS							
				2012		2011	
	2012	2011	2010	Amount Change	% Change	Amount Change	% Change
Assets							
Cash and short-term investments	\$ 3,332,470	\$ 2,670,633	\$ 1,962,641	\$ 661,837	24.8%	\$ 707,992	36.1%
Investments	169,679,892	149,360,681	152,568,486	20,319,211	13.6%	(3,207,805)	-2.1%
Other assets	2,442,020	1,552,476	774,530	889,544	57.3%	777,946	100.4%
Total Assets	175,454,382	153,583,790	155,305,657	21,870,592	14.2%	(1,721,867)	-1.1%
Liabilities							
Payables	1,019,950	1,104,373	444,279	(84,423)	-7.6%	660,094	148.6%
Net Assets	\$ 174,434,432	\$ 152,479,417	\$ 154,861,378	\$ 21,955,015	14.4%	\$ (2,381,961)	-1.5%

CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS (CONTINUED)

The net assets of the Plan are principally comprised of investments and investment related accruals. The net assets held in trust for pension benefits reported in the year 2012 was \$174.4 million compared to the net assets reported in 2011 of \$152.5 million. The net assets increased by \$21.9 million (or 14.4%) primarily due to the increase in investments of \$20.3 million due to improved market conditions. When comparing 2011 net assets to the 2010 net assets of \$154.9 million, a net asset decrease of \$2.4 million represents a decrease in the continued volatile market not fully offset with contributions.

The table below is a condensed comparative summary of the changes in net assets and reflects the activities of the Plan.

				2012		2011	
	2012	2011	2010	Amount Change	% Change	Amount Change	% Change
Additions							
City contributions	\$ 3,427,410	\$ 3,333,945	\$ 2,503,965	\$ 93,465	2.8%	\$ 829,980	33.1%
Employee contributions	2,635,011	2,818,560	2,848,034	(183,549)	-6.5%	(29,474)	-1.0%
Net investment income (loss)	26,898,916	(685,880)	14,565,765	27,584,796	-4021.8%	(15,251,645)	-104.7%
Total Additions	32,961,337	5,466,625	19,917,764	27,494,712	503.0%	(14,451,139)	-72.6%
Deductions							
Benefit payments	9,698,455	6,921,643	7,441,862	2,776,812	40.1%	(520,219)	-7.0%
Termination refunds	180,476	299,804	123,233	(119,328)	-39.8%	176,571	143.3%
Transfers to other plans	788,046	262,364	34,867	525,682	200.4%	227,497	652.5%
Administrative expenses	339,345	364,775	295,805	(25,430)	-7.0%	68,970	23.3%
Total Deductions	11,006,322	7,848,586	7,895,767	3,157,736	40.2%	(47,181)	-0.6%
Net Increase (Decrease) in Plan Net Assets	21,955,015	(2,381,961)	12,021,997	24,336,976	1021.7%	(14,403,958)	-119.8%
Plan Net Assets - Beginning of Year	152,479,417	154,861,378	142,839,381	(2,381,961)	-1.5%	12,021,997	8.4%
Plan Net Assets - End of Year	\$ 174,434,432	\$ 152,479,417	\$ 154,861,378	\$ 21,955,015	14.4%	\$ (2,381,961)	-1.5%

The changes in plan net assets reflect the following:

Additions to the plan net assets increased \$27.5 million (or 503.0%) from \$5.5 million during 2011 to \$33 million during 2012. City contributions were \$93 thousand (or 2.8%) higher due to the city's decision to fund \$629 thousand more than the funding requirement as determined by the annual actuarial valuation. Net investment income was \$27.6 million higher due to net appreciation in fair value of investments demonstrating a continued market improvement. Additions to plan net assets decreased \$14.5 million from 2010 to 2011 primarily due to the continued volatile market trying to rebound from the recession.

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FINANCIAL ANALYSIS (CONTINUED)

Deductions to plan net assets increased \$3.2 million (or 40.2%) from \$7.8 million during 2011 to \$11.0 million in 2012. Most of the increased activity related to more retirees leaving the Deferred Retirement Option Plan (DROP) resulting in an increase of DROP balance withdrawals of \$2.2 million. Additional increased activity was due to an increase in retirees receiving normal benefits of \$459 thousand and an increase in transfers to the executive plan of \$526 thousand. The decrease in plan net assets of \$47 thousand from 2011 to 2010 related to fewer retirees leaving the DROP resulting in a reduction of DROP balance withdrawals of \$943 thousand partially offset by an increase in retirees receiving normal benefits of \$305 thousand, an increase in transfers to other plans of \$227 thousand and an increase in termination refunds of \$177 thousand.

INVESTMENT ACTIVITIES

Investment income provides current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently, when making Plan investment decisions.

The Board employs the services of an investment consultant to assist with informed investment decisions. The investment consultant reviews and periodically recommends changes to the Investment Policy Statement. Portfolio performance is reviewed quarterly by the Board and its investment consultant. Performance is evaluated for each individual money manager by investment type and for the total portfolio.

ASSET ALLOCATION

The table below indicates the asset allocation for the past three years. The table demonstrates the steps the plan has taken to diversify its assets.

SUMMARY OF ASSET ALLOCATION

	Policy 2012/2011		2012	2011	2010	
	Range	Target	Actual	Actual	Target	Actual
Domestic Equity						
Large cap core value	7% - 20%	15.0%	15.9%	15.2%	15.0%	15.2%
Large cap core growth	7% - 20%	15.0%	15.6%	15.3%	15.0%	14.9%
Small / mid cap core	7% - 20%	15.0%	15.2%	14.2%	15.0%	16.3%
International Equity	10% - 20%	15.0%	14.0%	13.3%	15.0%	14.2%
Real Estate Investment Trust	0% - 7%	3.0%	3.4%	4.8%	3.0%	2.9%
Private Real Estate	3% - 7%	5.0%	5.2%	0.0%		
Fixed Income						
Bonds	18% - 63%	26.0%	24.6%	30.5%	31.0%	30.3%
TIPS	3% - 10%	6.0%	6.1%	6.7%	6.0%	6.2%
Total Asset Allocation		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
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INVESTMENT ACTIVITIES (CONTINUED)

ASSET ALLOCATION (CONTINUED)

The percentage of total assets invested in each asset class was generally within the policy ranges for the past three years, except for the private real estate portfolio in 2011 which was funded midyear 2012. Private real estate was funded in an amount of \$8.5 million representing a 5% allocation primarily from the real estate investment trust, large cap core value equity and mid-cap core equity. Changes in allocation due to market conditions occurred in domestic equity representing a 2% overall increase. Reallocations occurred in 2011 which changed the year end allocation mix; specifically in mid-cap core equity which decreased more than 2% due to an allocation to the real estate investment trust (increase of 1.9%).

INVESTMENT RETURNS

The summary of investment returns reflects the past three year returns as well as the three-year and five-year annualized rates of return for the year ending September 30th. The rates of return are time weighted, gross of fees, and based on market rate of return.

SUMMARY OF INVESTMENT RETURNS

Security Type				<u>Annualized Return</u>	
<i>Fund Return</i>					
Benchmark Return	2012	2011	2010	3 Years	5 years
Domestic Equity	28.5%	0.3%	14.0%	13.7%	2.2%
<i>Large cap core value</i>	28.3%	1.0%	11.4%	13.0%	1.1%
Russell 1000 Value	30.9%	-1.9%	8.9%	11.8%	-0.9%
<i>Large cap core growth</i>	29.2%	3.8%	12.6%	14.7%	N/A
<i>Large cap core growth</i>	29.1%	-2.3%	N/A	N/A	N/A
Russell 1000 Growth	29.2%	3.8%	12.7%	14.7%	3.2%
<i>Small / mid cap core</i>	28.3%	-1.3%	17.4%	N/A	N/A
S&P 400 Mid Cap	28.5%	-1.3%	17.8%	14.3%	3.8%
International equity	21.5%	-11.5%	3.6%	N/A	N/A
MSCI ACWI ex-US	15.0%	-10.4%	4.2%	3.6%	-3.7%
Real Estate Investment Trust	33.3%	1.7%	32.9%	21.7%	-0.1%
Wilshire REIT	32.4%	2.1%	30.1%	20.7%	1.7%
Fixed Income	6.4%	5.0%	8.2%	6.5%	6.8%
<i>Bonds</i>	6.5%	4.5%	7.9%	6.3%	7.1%
Fixed Income Custom Benchmark	5.6%	4.2%	8.1%	6.0%	6.7%
<i>TIPS</i>	6.4%	7.2%	7.7%	6.2%	6.4%
Barclays Capital 1-10 years TIPS	6.3%	7.2%	7.4%	7.0%	6.5%
Total Fund Return	18.4%	-0.1%	10.7%	9.4%	2.5%
Total Fund Benchmark	18.9%	0.6%	10.9%	9.9%	2.7%

CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

INVESTMENT ACTIVITIES (CONTINUED)

INVESTMENT RETURNS (CONTINUED)

The Plan returned a positive 18.4% for the year ended September 30, 2012, as compared to a negative .1% return for 2011 and a positive 10.7% for 2010. The Plan's impressive performance this year was the result of strong returns in all aspects of the equity markets including domestic and international equity as well as the real estate investment trust. The previous year showed weak returns in the international equity markets which offset gains in the fixed income and the large cap core domestic equity asset classes. In 2010, there were strong returns in all asset classes, especially the mid-cap core domestic equity and real estate investment trust segments. The fund has somewhat lagged behind the benchmark in each of the past three years as well as the three and five year annualized rates of return.

ECONOMIC FACTORS AND FUNDING STATUS

The Plan's funding objectives are to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of contributions and the income from investments are essential for providing the reserves needed to finance future retirement benefit payments. The Plan's investment activities are a function of the underlying marketplace for the period measured, money manager performance, and the investment policy's asset allocation. Maintaining a diversified portfolio of investments is critical for an opportunity of positive returns. A retirement plan's funding is a long term concept, where temporary fluctuations in the market are expected. The economic outlook remains positive, but may contain volatility due to the slow housing market and uncertain interest rate changes. The market continues to have excellent opportunity for the possibility of growth in many sectors. The Plan has successful investment programs and management practices in place to help alleviate the effects of present and future adverse economic conditions.

The funding ratio is the percentage between the actuarial value of assets and the actuarial accrued liabilities as of each actuarial valuation date. The higher the ratio, the better funded the Plan is from an actuarial perspective. The schedule of funding progress provides trend funded ratio information for the past six years. The latest actuarial valuation date is October 1, 2012. The actuarial value of assets was \$156 million and the actuarial accrued liability was \$184 million. This resulted in a funded ratio of 85%, which was approximately the same funded ratio as reported in the previous valuation.

Management and its actuary believe that the Plan remains in sound financial position to meet its future obligations to the plan participants and beneficiaries.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

REQUESTS FOR INFORMATION

This financial report is designed to provide the Trustees, retired and active plan participants with an overview of the Plan's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to the City of Boca Raton General Employees' Pension Plan at 2333 Glades Road, Boca Raton, Florida 33431, phone (561) 554-8520.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

STATEMENTS OF PLAN NET ASSETS

SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and Short-Term Investments	\$ 3,332,470	\$ 2,670,633
Investments, at Fair Value		
Common stock	81,384,893	59,486,083
Commingled funds	20,875,326	26,790,317
U.S. government securities	30,577,241	31,297,032
Corporate bonds and debentures	21,945,256	24,463,575
Real estate	<u>14,897,176</u>	<u>7,323,674</u>
Total Investments	<u>169,679,892</u>	<u>149,360,681</u>
Other Assets		
Interest and dividends receivable	544,557	480,182
Unsettled trades receivable	1,240,781	510,560
Contributions receivable	628,527	--
Other assets	<u>28,155</u>	<u>561,734</u>
Total Other Assets	<u>2,442,020</u>	<u>1,552,476</u>
Total Assets	<u>175,454,382</u>	<u>153,583,790</u>
Liabilities		
Accounts payable and accrued expenses	220,618	175,537
Unsettled trades payable	<u>799,332</u>	<u>928,836</u>
Total Liabilities	<u>1,019,950</u>	<u>1,104,373</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 174,434,432</u>	<u>\$ 152,479,417</u>

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

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

STATEMENTS OF CHANGES IN PLAN NET ASSETS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Additions		
Contributions		
City	\$ 3,427,410	\$ 3,333,945
Employee	<u>2,635,011</u>	<u>2,818,560</u>
Total Contributions	<u>6,062,421</u>	<u>6,152,505</u>
Investment Income (Loss)		
Net appreciation (depreciation) in fair value of investments	23,607,949	(4,092,940)
Interest	2,221,101	2,698,871
Dividends	1,811,043	1,416,885
Other income	<u>535</u>	<u>25</u>
Total investment income	27,640,628	22,841
Less investment expenses	<u>(741,712)</u>	<u>(708,721)</u>
Net Investment Income (Loss)	<u>26,898,916</u>	<u>(685,880)</u>
Total Additions	<u>32,961,337</u>	<u>5,466,625</u>
Deductions		
Benefit payments		
Retirement	6,374,492	5,915,055
Disability	120,938	138,281
Death	667,875	534,436
Deferred retirement option plan	2,535,150	333,870
Termination refunds	180,476	299,805
Transfers to other retirement plans		
Executive employees' retirement plan	788,046	262,364
Administrative expenses	<u>339,345</u>	<u>364,775</u>
Total Deductions	<u>11,006,322</u>	<u>7,848,586</u>
Net Increase (Decrease)	21,955,015	(2,381,961)
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	<u>152,479,417</u>	<u>154,861,378</u>
End of Year	<u>\$ 174,434,432</u>	<u>\$ 152,479,417</u>

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

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

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

PLAN DESCRIPTION

The City of Boca Raton General Employees' Pension Plan (the Plan) is a single-employer defined benefit plan administered by an eight member Board of Trustees which covers regular full-time City of Boca Raton, Florida (the City) employees except police officers, firefighters, executive management employees and employees in the defined contribution plan. The Plan was established by Ordinance No. 1806, adopted April 17, 1973, by City Council. The Plan is also governed by Chapter 112, *Florida Statutes*.

The Plan is divided into three levels of benefit, Plan A, Plan B and Plan C. Employees hired on or after November 1, 2007, or who elect transfer from Plan A or B are enrolled in Plan C. Employees hired from October 1, 1987 to October 31, 2007 or transferred from Plan A are enrolled in Plan B. Employees hired prior to October 1, 1987 are enrolled in Plan A.

Since the Plan is a single-employer public employee retirement system sponsored by the City, the Plan is included as a pension trust fund in the City's Comprehensive Annual Financial Report (CAFR) as part of the City's financial reporting entity for the year ended September 30, 2012. Anyone wishing further information about the City is referred to the CAFR in which the Plan has been included.

As of September 30, 2012 and 2011, membership in the Plan consisted of:

	<u>2012</u>	<u>2011</u>
Retirees and beneficiaries currently receiving benefits	451	440
Vested terminated employees	34	35
Active employees:		
Fully vested	331	325
Nonvested	<u>250</u>	<u>275</u>
Total	<u><u>1,066</u></u>	<u><u>1,075</u></u>

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS

Normal Retirement

Retirement benefits are calculated by multiplying the member's earnings averaged over five years times the member's years of continuous service times a multiplier determined by the plan level.

Members become eligible for unreduced retirement benefits upon the attainment of age 65, age 55 with 20 years of service, or age 53 with 30 years of service. Plan A or B participants utilize a 3% multiplier and Plan C participants utilize a 1.75% multiplier.

Members become eligible for a Rule of 68 retirement benefit when age plus service equals 68 and requires a minimum age of 50 and minimum service of 15 years. Plan A participants utilize a 2.5% multiplier and Plan B or C participants utilize a 1.5% multiplier.

Members qualify for alternate unreduced early retirement upon the attainment of age 55 and completion of 15 years of service. Plan A or B participants utilize a 2% multiplier and Plan C participants utilize a 1.75% multiplier.

Early Retirement

Members qualify for early retirement upon attaining the age of 50 and completing 20 years of continuous service. If a participant terminates employment after having attained his or her early retirement date, the following two options are available:

1. The benefits can be deferred until the member's normal retirement date, in which case the benefit will be calculated the same as normal retirement, or
2. The member may take a reduced benefit, which may start any time prior to the normal retirement date. The reduction factor is 5% for each year by which the early retirement date precedes the normal retirement age 55.

Disability Retirement

Active employees who become disabled are entitled to receive 60% of earnings for a service incurred disability, and 50% of earnings for a non-service incurred disability, reduced by workers' compensation or any public disability benefits. Disability benefits are paid until the earlier of death, recovery, or the end of the maximum disability benefit period. The maximum benefit period is until age 65 if the member became disabled prior to attainment of age 60 or for 60 months if the member became disabled after the attainment of age 60.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Preretirement Death Benefit

If an employee dies while an active member or on disability, the benefit is equal to 3.5 times the member's annual earnings as of the date of death or the date the member became disabled. The beneficiary receives an initial lump sum followed by monthly payments until the designated amount is paid in full. Interest, at a rate equal to the yield of the five-year U.S. Treasury Note on the first day of the year, is approved annually by the Board of Trustees and is credited on the unpaid balance.

Vested Benefit

If a member meets the minimum service requirement of 10 years of continuous service at the time employment terminates, the benefit will be paid when the member turns 65 or later attains the age requirement for unreduced benefits provided the service requirement for unreduced benefits was met prior to termination. A member may elect to take an immediate reduced benefit, when eligible, calculated in the same manner as for early retirement.

Termination Refunds

If termination occurs after the completion of 10 years of continuous service, the full accrued retirement benefit is payable at the normal retirement date. If termination occurs prior to the completion of 10 years of continuous service, a refund of contributions is made, with interest credited at 3 percent per year, compounded annually.

Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP) is available to all Plan members who are still actively employed and have attained age 55 with 20 years of service, age 53 with 30 years of service, or a reduced benefit at age 50 with 20 years of service. Upon electing to participate in the DROP, members are considered to have retired for purposes of the pension plan but continue to remain in active employment with the City. The member's pension benefit is calculated as if they actually retired on the date of DROP participation, using continuous service, average monthly earnings and the current multiplier as of that date. Instead of paying the benefit to the member, a DROP account is established and the benefit is deposited in the account each month; these deposits continue to accumulate during the remainder of the member's employment. City and employee contributions cease when a member elects to participate in the DROP.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (CONTINUED)

PENSION BENEFITS (CONTINUED)

Deferred Retirement Option Plan (continued)

During the period of DROP participation, the member's DROP account is credited monthly with investment earnings. The member may elect to receive the same rate that is earned on the total pension fund or they may elect to receive the federal funds rate each month. The maximum period of DROP participation is 60 months. If a member continues to remain in employment more than the maximum period, no further deposits will be made to the member's account and investment earnings will cease to be posted. There is no taxation of benefits during the period of DROP participation.

Upon termination of employment, members shall receive their normal retirement benefits and may elect to receive their funds from the DROP account in a lump sum distribution or roll their account balance into a qualified instrument.

When participating in the DROP, participants are no longer eligible for disability or preretirement death benefits from the Plan. If a participant dies prior to the DROP balance being paid in full, the beneficiary shall have the same rights to which the participant was entitled. At September 30, 2012, there were 54 DROP participants with a total balance of \$5,582,016. At September 30, 2011, there were 65 DROP participants with a total balance of \$5,376,695.

Cost-of-Living Adjustment

There are no automatic annual cost-of-living adjustments for members in the Plan.

CONTRIBUTIONS AND FUNDING POLICY

Members contribute 9.65% of their compensation for Plan A or B and 6% of their compensation for Plan C. Employer contributions for the year ended September 30, 2012 determined using the actuarial valuation dated October 1, 2010 were 10.35% of covered payroll. Employer contributions for the year ended September 30, 2011 determined using the actuarial valuation dated October 1, 2009 were 9.72% of covered payroll. The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements are prepared using the accrual basis of accounting. Contributions from members are recorded in the period the City makes payroll deductions from participants (members). City contribution requirements are actuarially determined and remitted on a monthly basis. Benefit payments and refunds to members are recognized when due and payable in accordance with the terms of the Plan.

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 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 assets available for plan benefits. Actual results could differ from those estimates.

INVESTMENTS

Investments are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities for which no sale was reported on that date are valued at the last reported bid price. Mutual funds that do not have an established market are reported at the net asset value of shares held at year end. Purchases and sales of securities are recorded on the trade date basis. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined based on average cost. Dividends and interest income are recorded as earned on an accrual basis.

TAX STATUS

Management and tax counsel believe that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. The Plan has applied for a new determination letter and management has indicated that they will take the necessary steps, if any, to bring the Plan's operations into compliance with the Code.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS

The following represents the fair value of deposits and investments at September 30th:

Investment Portfolio	2012		2011	
	Fair Value	Percent Distribution	Fair Value	Percent Distribution
Cash and Short-Term Investments				
Cash deposits	\$ 873,154	0.50%	\$ 444,175	0.29%
Short-term securities	2,459,316	1.42%	2,226,458	1.46%
Total Cash and Short-term Securities	3,332,470	1.92%	2,670,633	1.75%
Common Stock	81,384,893	47.04%	59,486,083	39.13%
Commingled Funds				
International equity fund	7,198,084	4.16%	14,305,222	9.41%
Domestic equity fund	13,677,242	7.91%	12,485,095	8.21%
Total Commingled Funds	20,875,326	12.07%	26,790,317	17.62%
U.S. Government Securities				
U.S. Treasury Securities:				
U.S. Treasury notes index linked	10,596,137	6.12%	10,197,351	6.71%
U.S. Government Sponsored Agencies:				
Mortgage-backed Securities				
Federal National Mortgage Association	10,154,159	5.87%	10,953,002	7.20%
Government National Mortgage Association	440,364	0.25%	494,881	0.33%
Federal Home Loan Mortgage Corporation	9,386,581	5.43%	9,651,798	6.35%
Total Mortgage-backed Securities	19,981,104	11.55%	21,099,681	13.88%
Total U.S. Government Securities	30,577,241	17.67%	31,297,032	20.59%
Corporate Bonds and Debentures				
Corporate obligations	18,110,811	10.47%	19,210,248	12.64%
Commercial mortgage-backed securities	3,834,445	2.22%	5,253,327	3.45%
Total Corporate Bonds and Debentures	21,945,256	12.69%	24,463,575	16.09%
Real Estate				
Real Estate Direct Investment Partnership	9,025,833	5.22%	--	--
Real Estate Investment Trust	5,871,343	3.39%	7,323,674	4.82%
Total Real Estate	14,897,176	8.61%	7,323,674	4.82%
Total Investments	169,679,892	98.08%	149,360,681	98.25%
Total Cash and Investments	\$ 173,012,362	100.00%	\$ 152,031,314	100.00%

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT MANAGEMENT

The Board of Trustees has engaged outside investment professionals to manage the assets of the Plan. Firms registered with the Securities and Exchange Commission as investment advisors manage the fixed income assets and equity assets of the Plan. The Custodian is responsible for the activity and safekeeping of the investment assets. An investment consultant is utilized to advise the Board on investment policy amendments, as well as money manager performance, benchmarks and selection.

INVESTMENT POLICY

The Investment Policy Statement (Policy), effective October 1, 2011, is reviewed by the Board periodically. Compliance with the policy is required by the investment managers and is monitored by the investment consultant. All investments must be traded on a national securities exchange with the exception of real estate investments. Prohibited securities include illiquid investments for which a generally recognized market is not available. This policy stipulates long-range asset allocation, measured at fair value. Rebalancing to target allocations is considered annually. The asset mix and permitted investments established by the policy are as follows:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equity Investments			70%
Domestic stocks, international equities, and comingled stock are permitted.			
Domestic large cap core value equity	7%	15%	20%
Domestic large cap core growth equity	7%	15%	20%
Domestic small/mid cap core equity	7%	15%	20%
International equity	10%	15%	20%
Real Estate Investment Trusts	0%	3%	7%
Real Estate			
Private Real Estate	3%	5%	7%

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENT POLICY (CONTINUED)

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Fixed Income Investments			
Time deposits, mortgage-backed securities, obligations of the U.S. Government, U.S. corporate debt, Treasury inflation indexed securities and bond or money market funds are permitted.			
Bonds	18%	26%	63%
Treasury Inflation Protected Securities (TIPS)	3%	6%	10%
Cash and cash equivalents	0%	0%	10%

EQUITY SECURITY INVESTMENT GUIDELINES

Not more than 3% of the plan assets can be invested in the securities of any one issuing company. Further, the aggregate investment of any one issuing company cannot exceed 5% of the company's outstanding stock.

The international equity manager is permitted to invest in foreign equity securities. The domestic equity managers are permitted to invest up to 5% of their portfolio in sponsored American Depository Receipts. All foreign equity securities are denominated in U.S. dollars.

Prohibited investments include tax exempt securities futures, short sales, government obligations issued by a foreign government, hedge funds, insurance annuities, limited partnerships, margin purchase or lending/borrowing money, options, letter stock or private equity placements, private mortgages, securities lending, private label residential mortgage-backed securities, and securities of the investment managers or their affiliates.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK

The following represents the fair value of investments as of September 30th with the credit ratings and weighted average maturity (*in years*) on the fixed income portfolio:

Fixed Income Investments/Moody's Credit Rating	2012		2011	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Short-Term Securities Aaa	<u>\$ 2,459,316</u>		<u>\$ 2,226,458</u>	
U.S. Government Securities				
U.S. Treasury securities:				
U.S. Treasury notes index linked Aaa	<u>10,596,137</u>	5.48	<u>10,197,351</u>	5.43
U.S. Government Sponsored Agencies:				
Mortgage-backed Securities				
Federal National Mortgage Association Aaa	10,154,159		10,953,002	
Government National Mortgage Association Aaa	440,364		494,881	
Federal Home Loan Mortgage Corporation Aaa	<u>9,386,581</u>		<u>9,651,798</u>	
Total Mortgage-backed Securities	<u>19,981,104</u>	22.63	<u>21,099,681</u>	23.06
Corporate Bonds and Debentures				
Corporate Obligations				
Aa	2,461,904		3,398,523	
A	10,463,335		11,538,081	
Baa	<u>5,185,572</u>		<u>4,273,644</u>	
Total Corporate Obligations	<u>18,110,811</u>	5.29	<u>19,210,248</u>	5.80
Commercial mortgage-backed securities				
Aaa	3,213,677		4,642,445	
Not rated	<u>220,961</u>		<u>231,151</u>	
Commercial mortgage-backed securities	3,434,638	29.78	4,873,596	28.46
Government issued commercial mortgage backed Aaa	<u>399,807</u>	8.08	<u>379,731</u>	9.08
Total Commercial Mortgage-Backed Securities	<u>3,834,445</u>		<u>5,253,327</u>	
Total Fixed Income Portfolio	<u>\$ 54,981,813</u>		<u>\$ 57,987,065</u>	

Government agency securities are not rated but have an implied Aaa rating.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

The plan is potentially exposed to various types of investment risk including credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. Prohibited fixed income investments include tax exempt securities, private mortgages and private label residential mortgage-backed securities. The following is a detailed discussion of these investment risks and related guidelines:

Credit Risk

Credit risk is the risk that a debt issuer will not fulfill its obligations. The Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. The investment policy limits credit risk by requiring fixed income securities to have a minimum rating by two of the three major credit rating agencies. The minimum rating for corporate bonds is Baa2 (Moody's) or BBB (Standard & Poor's/Fitch). The minimum rating for short-term commercial paper/bankers acceptances is P-1 (Moody's), A-1 (Standard & Poor's) or F-1 (Fitch) with the issuer having a minimum long-term debt rating of A. The minimum rating for commercial mortgage-backed and asset-backed securities is Aaa. Further, the investment policy does not permit private mortgages or tax exempt bonds. At September 30, 2012 and 2011, the portfolio met the credit rating limitations of the investment policy as presented in the preceding table.

Custodial Credit Risk

Custodial credit risk is defined as the risk that the plan may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or commingled funds.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan utilizes limitations on securities of a single issuer to manage this risk. The investment policy requires that corporate bond issues cannot represent more than 1.5% of the total bond portfolio. The policy further requires that corporate bond issues rated below A3 (Moody's) /A- (Standard & Poor's/Fitch) cannot represent more than 15% of the total bond portfolio. At September 30, 2012 and 2011, the portfolio met the corporate single issuer and quality ratings limitations of the policy.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk.

The established performance objectives require investment maturities to provide sufficient liquidity to pay obligations as they become due. Treasury inflation indexed securities are limited to ten year maturities. At September 30, 2012 and 2011, the weighted average maturity in years for each investment type is included in the preceding table.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The investment policy does not permit general obligations issued by a foreign government and therefore the Plan is not exposed to foreign currency risk.

RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets. The Plan, through its investment advisor, monitors the Plan's investments and the risks associated therewith on a regular basis which the Plan believes minimizes these risks.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

NOTE 4 - TRANSFERS TO/FROM OTHER PLANS

Members have status changes during their employment with the City. Certain status changes require a change in membership in the pension plan. A transfer therefore occurs to/from the Police and Firefighters' Retirement System or to the Executive Employees Retirement Plan. Further, members may elect an irrevocable transfer to a defined contribution plan.

The amount transferred as a result of the change in status or election is the actuarial value of their accrued benefit. Amounts transferred to other plans are presented on the Statements of Changes in Plan Net Assets as Deductions. Amounts transferred from other plans are presented as Contributions.

NOTE 5 - FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of October 1, 2012, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Annual Covered Payroll [(b-a)/c]
October 1, 2012	\$ 155,928	\$ 183,856	\$ 27,928	84.81%	\$ 28,584	97.71%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(DOLLAR AMOUNTS IN THOUSANDS)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Annual Covered Payroll [(b-a)/c]
October 1, 2012	\$ 155,928	\$ 183,856	\$ 27,928	84.81%	\$ 28,584	97.71%
October 1, 2011	150,589	177,691	27,102	84.75%	29,916	90.59%
October 1, 2010	155,042	169,663	14,621	91.38%	32,166	45.45%
October 1, 2009	155,671	162,631	6,960	95.72%	32,811	21.21%
October 1, 2008	156,186	150,363	(5,823)	103.87%	32,119	-18.13%
October 1, 2007	155,901	145,647	(10,254)	107.04%	30,935	-33.15%

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended September 30:	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 3,427,410	100%
2011	3,333,945	100%
2010	2,503,965	100%
2009	2,099,218	100%
2008	1,998,068	100%
2007	1,625,342	100%

**CITY OF BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN**

REQUIRED SUPPLEMENTARY INFORMATION

**NOTES TO THE SCHEDULE OF FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2012 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The assumed marital status of married was reduced from 85% to 70%.
- The assumed annual rate of retirement was revised:
 - Early retirement for Plan A members age 54 or prior was increased from 10% to 20%. Early retirement for Plan B and C members after age 51 with less than 30 years was increased from 5% to 10%.
 - Normal retirement after age 55 with 20 years or age 53 with 30 years but before age 65 was reduced from 60% to 50%.
- The assumed annual rate of employment termination table was increased from a range of 15% through 1.5% to a range of 18% through 5%.

2011 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The mortality assumption was changed from a table with no projected mortality improvements to a more recent table with projected mortality improvements.

2010 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The assumed payroll growth was reduced from 4.5% to 3%.

2008 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The method of amortization was changed in order to comply with Rule 60T-1.003(3)(c). F.A.C. Previously, the amortization bases and their annual amortization amounts were proportionately adjusted each year according to the excess of the City's contribution over the minimum required contribution. The amortization schedules were fixed with the annual amortization amounts increasing by the assumed payroll growth rate. The change was the creation of a credit balance account, which tracks any excess or shortfall in the City's contribution and may be available as a credit toward future required contributions.
- Implementation of the Plan C benefit level for employees hired as of November 1, 2007 with a 1.75% multiplier and a contribution rate of 5.00%.

2007 Change in plan provisions and actuarial methods since prior actuarial valuations:

- The assumed annual rate of salary increase was reduced by 0.5% at all ages.
- For Plan A and B members, the multiplier was increased from 2.75% to 3.00% as of October 1, 2007, and the member contribution rate was increased from 7.65% to 8.65%.
- A one-time payment of 3% of annual benefit to retirees and beneficiaries who were in pay status on September 30, 2001.

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***

Board of Trustees
City of Boca Raton General Employees' Pension Plan
Boca Raton, Florida

We have audited the statement of plan net assets of the City of Boca Raton General Employees' Pension Plan (the Plan) as of September 30, 2012, and the related statement of changes in plan net assets for the year then ended, and have issued our report thereon, dated March 28, 2013. 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.

Internal Control Over Financial Reporting

Management of the Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, Plan management and Plan members and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

West Palm Beach, FL
March 28, 2013