



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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

**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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Boca Raton General Employees' Pension Plan (the Plan), which comprise the statements of fiduciary net position as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years 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 financial statements referred to above present fairly, in all material respects, the respective Plan net position of the City of Boca Raton General Employees' Pension Plan as of September 30, 2014 and 2013, and the respective changes in Plan net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the Board of Trustees implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in the City's net pension liability and related ratios, City contributions and investment returns on pages 3 - 9 and 26 - 28 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 March 26, 2015 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Plan's internal control over financial reporting and compliance.

Marcum LLP

West Palm Beach, Florida
March 26, 2015

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, 2014, 2013 and 2012. Readers are encouraged to consider the information presented in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- A net increase of approximately \$14.2 million in plan net position (or 7.5%) as a result of the fiscal year activities were primarily due to net investment income.
- City contributions were approximately \$3.7 million. Contributions decreased approximately \$524 thousand (or 12.3%) from the 2013 contribution of approximately \$4.3 million. The 2013 contribution increased \$841 thousand from the 2012 contribution of approximately \$3.4 million. The amount of employer contributions vary from year to year based on an actuarially determined requirement.
- Employee contributions were approximately \$2.4 million. Contributions decreased approximately \$147 thousand (or 5.9%) from the 2013 contribution of approximately \$2.5 million. The 2013 contribution decreased approximately \$128 thousand from the 2012 contribution of approximately \$2.6 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 approximately \$19.3 million in 2014 experienced a decrease of approximately \$1.1 million when compared to the approximate \$20.4 million income in 2013. The net investment income in 2013 was a substantial reduction of approximately \$6.5 million when compared to 2012.
- In 2014, benefit payments and refunds of contributions decreased by approximately \$1.0 million (or 8.9%), while in 2013, benefit and refund payments increased by approximately \$1.8 million (or 18.6%).

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 fiduciary net position, the statements of changes in fiduciary net position and the notes to the financial statements. The required information immediately following the financial statements presents required supplementary 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 Fiduciary Net Position* is a point in time snapshot of account balances at year-end. It reports the assets plus deferred outflows available for future payments to retirees and their beneficiaries less any liabilities or deferred inflows that are owed as of the year end. The resulting net position restricted for pension benefits are available to meet on-going obligations.

The *Statement of Changes in Fiduciary Net Position* 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 fiduciary net position. 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* presents a schedule of changes in the net pension liability and related ratios, a schedule of employer contributions, and a schedule of investment returns of the Plan along with a discussion of actuarial assumptions and methods.

FINANCIAL ANALYSIS

The following is a condensed comparative summary of fiduciary net position:

SUMMARY OF FIDUCIARY NET POSITION							
	2014	2013	2012	2014		2013	
				Amount Change	% Change	Amount Change	% Change
Assets							
Cash and short-term investments	\$ 4,024,194	\$ 5,573,482	\$ 3,332,470	\$ (1,549,288)	-27.8%	\$ 2,241,012	67.2%
Investments	198,456,201	183,052,660	169,679,892	15,403,541	8.4%	13,372,768	7.9%
Receivables	1,507,763	1,698,744	2,413,865	(190,981)	-11.2%	(715,121)	-29.6%
Other assets	24,593	23,487	28,155	1,106	4.7%	(4,668)	-16.6%
Total Assets	204,012,751	190,348,373	175,454,382	13,664,378	7.2%	14,893,991	8.5%
Liabilities							
Payables	792,572	1,337,738	1,019,950	(545,166)	-40.8%	317,788	31.2%
Net Position Restricted for Pension Benefits	\$ 203,220,179	\$ 189,010,635	\$ 174,434,432	\$ 14,209,544	7.5%	\$ 14,576,203	8.4%

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

FINANCIAL ANALYSIS (CONTINUED)

The net position of the Plan is principally comprised of investments and investment related accruals. The net position held in trust for pension benefits reported in the year 2014 was approximately \$203.2 million compared to the net position reported in 2013 of approximately \$189.0 million. The net position increased by approximately \$14.2 million (or 7.5%) primarily due to the increase in investments of approximately \$15.4 million due to improved market conditions. When comparing 2013 net position to the 2012 net position of approximately \$174.4 million, a net position increase of approximately \$14.6 million represents an improvement in market conditions. See below for further details.

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

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

				2014		2013	
	2014	2013	2012	Amount Change	% Change	Amount Change	% Change
Additions							
City contributions	\$ 3,744,111	\$ 4,268,084	\$ 3,427,410	\$ (523,973)	-12.3%	\$ 840,674	24.5%
Employee contributions	2,360,378	2,507,168	2,635,011	(146,790)	-5.9%	(127,843)	-4.9%
Net investment income	19,283,849	20,353,963	26,898,916	(1,070,114)	-5.3%	(6,544,953)	-24.3%
Total Additions	25,388,338	27,129,215	32,961,337	(1,740,877)	-6.4%	(5,832,122)	-17.7%
Deductions							
Benefit payments	10,391,934	11,354,195	9,698,455	(962,261)	-8.5%	1,655,740	17.1%
Termination refunds	278,440	364,811	180,476	(86,371)	-23.7%	184,335	102.1%
Transfers to other plans	264,439	447,233	788,046	(182,794)	-40.9%	(340,813)	-43.2%
Administrative expenses	243,981	386,773	339,345	(142,792)	-36.9%	47,428	14.0%
Total Deductions	11,178,794	12,553,012	11,006,322	(1,374,218)	-10.9%	1,546,690	14.1%
Net Increase (decrease) in Fiduciary Net Position	14,209,544	14,576,203	21,955,015	(366,659)	2.5%	(7,378,812)	-33.6%
Fiduciary Net Position - Beginning of Year	189,010,635	174,434,432	152,479,417	14,576,203	8.4%	21,955,015	14.4%
Fiduciary Net Position - End of Year	\$ 203,220,179	\$ 189,010,635	\$ 174,434,432	\$ 14,209,544	7.5%	\$ 14,576,203	8.4%

The changes in fiduciary net position reflect the following:

Additions to the Plan net position decreased approximately \$1.7 million (or 6.4%) from \$27.1 million during 2013 to approximately \$25.4 million during 2014. City contributions equaled approximately \$3.7 million as determined by the annual actuarial valuation. Net investment income decreased by approximately \$1.1 million due to a lower net appreciation in 2014. Additions to Plan net position decreased approximately \$5.8 million from 2012 to 2013 primarily due to the continued volatile market rebounding from the recession.

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FINANCIAL ANALYSIS (CONTINUED)

Deductions to Plan net position decreased approximately \$1.4 million (or 10.9%) from \$12.5 million during 2013 to approximately \$11.2 million in 2014. Most of the reduced activity relates to fewer retirees leaving the Deferred Retirement Option Plan (DROP) resulting in a reduction of DROP balance withdrawals of approximately \$1.6 million. Additional activity was due to an increase in retirees receiving normal benefits of \$661 thousand offset by a decrease in refund payments of approximately \$86 thousand and a decrease in transfers to the executive plan of approximately \$183 thousand. The increase in deductions to Plan net position of approximately \$1.5 million from 2012 to 2013 related to additional retirement benefit payments of approximately \$882 thousand due to an increase in retirees and DROP balance withdrawals of approximately \$743 thousand partially offset by a decrease in transfers to the executive plans by approximately \$341 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.

	Policy		2014	2013	2012
	Range	Target	Actual	Actual	Actual
Domestic Equity					
Large cap core value	7% - 20%	15.0%	16.9%	15.7%	15.9%
Large cap core growth	7% - 20%	15.0%	16.5%	16.3%	15.6%
Small / mid cap core	5% - 15%	9.0%	10.1%	9.8%	15.2%
International Equity	10% - 20%	15.0%	15.0%	15.2%	14.0%
Convertible Securities	3% - 10%	6.0%	6.6%	6.2%	-
Real Estate Investment Trust	0% - 7%	3.0%	3.0%	3.3%	3.4%
Private Real Estate	3% - 7%	5.0%	5.2%	5.5%	5.2%
Fixed Income					
Bonds	18% - 63%	26.0%	21.6%	22.3%	24.6%
TIPS	3% - 10%	6.0%	5.1%	5.4%	6.1%
Cash and cash equivalents	0% - 10%	0.0%	0.0%	0.3%	-
Total Asset Allocation		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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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 Domestic Equity portfolio which increase by 1.7% in 2014 over 2013. Changes in allocation due to market conditions occurred in large cap core value representing more than 1% in overall increase. Fixed income portfolio showed a total reduction of 1.3% as compared to 2013. All remaining portfolio were within the margin of error.

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					
<i>Fund Return</i>	Annualized Return				
Benchmark Return	2014	2013	2012	3 Years	5 years
Domestic Equity	16.4%	20.5%	28.5%	21.7%	15.6%
<i>Large cap core value</i>	<i>18.3%</i>	<i>18.7%</i>	<i>28.3%</i>	<i>21.7%</i>	<i>15.2%</i>
Russell 1000 Value	11.7%	22.3%	30.9%	22.3%	N/A
<i>Large cap core growth</i>	<i>19.2%</i>	<i>19.3%</i>	<i>29.2%</i>	<i>22.5%</i>	<i>16.5%</i>
<i>Large cap core growth</i>	<i>15.7%</i>	<i>14.2%</i>	<i>29.1%</i>	<i>19.5%</i>	<i>N/A</i>
Russell 1000 Growth	19.1%	19.3%	29.2%	22.4%	16.5%
<i>Small / mid cap core</i>	<i>11.7%</i>	<i>27.5%</i>	<i>28.3%</i>	<i>22.3%</i>	<i>N/A</i>
S&P 400 Mid Cap	11.8%	27.7%	28.5%	22.4%	16.4%
International equity	6.1%	17.8%	21.5%	11.6%	4.5%
MSCI ACWI ex-US	5.2%	17.0%	15.0%	12.3%	6.5%
Convertible	13.0%	N/A	N/A	N/A	N/A
ML All US Converts	14.2%	21.2%	N/A	17.3%	12.7%
Private Real Estate	12.1%	14.9%	N/A	N/A	N/A
Real Estate Investment Trust	16.2%	5.4%	33.3%	17.8%	17.2%
Wilshire REIT	13.5%	5.3%	32.4%	16.5%	16.0%
Fixed Income	2.9%	-1.0%	6.4%	2.7%	4.2%
<i>Bonds</i>	<i>3.4%</i>	<i>-0.2%</i>	<i>6.5%</i>	<i>3.2%</i>	<i>4.4%</i>
Fixed Income Custom Benchmark	3.4%	-0.6%	5.6%	2.8%	4.1%
<i>TIPS</i>	<i>0.6%</i>	<i>-4.0%</i>	<i>6.4%</i>	<i>0.9%</i>	<i>3.5%</i>
Barclays Capital 1-10 years TIPS	0.6%	-3.9%	6.3%	0.9%	3.4%
Total Fund Return	10.8%	12.4%	18.4%	13.8%	10.3%
Total Fund Benchmark	10.3%	12.7%	18.9%	13.9%	10.5%

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

INVESTMENT ACTIVITIES (CONTINUED)

INVESTMENT RETURNS (CONTINUED)

The Plan returned a positive 10.8% for the year ended September 30, 2014, as compared to a positive 12.4% return for 2013 and a positive 18.4% for 2012. The Plan's performance this year was the result of strong returns in all aspects of the equity markets including domestic and international equity as well as moderate return in real estate investment trust. In 2013, the Plan's performance 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. In 2012, the Plan showed strong returns in all sectors especially in domestic equity and real estate investment trust.

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 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 schedule of changes in net pension liability and related ratios provide information of the Plan's fiduciary net position of as a percentage of total pension liability. The higher the ratio, the better funded the Plan is from an actuarial perspective. This schedule shows as of September 30, 2014 the ratio of 101.23% fiduciary net position as percentage of the total pension liability. The net pension asset as a percentage of covered employee payroll was 9.66%.

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 plan participants and active City employees 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.

FINANCIAL STATEMENTS

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

STATEMENTS OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Assets		
Cash and short-term investments	\$ 4,024,194	\$ 5,573,482
Investments, at Fair Value		
Stock and convertible securities	102,211,557	92,090,589
Commingled funds	26,333,311	24,827,715
U.S. government securities	21,160,215	28,600,470
Corporate bonds and debentures	32,031,667	21,020,025
Real estate	<u>16,719,451</u>	<u>16,513,861</u>
Total Investments	<u>198,456,201</u>	<u>183,052,660</u>
Receivables:		
Interest and dividends receivable	619,617	499,715
Unsettled trades receivable	<u>888,146</u>	<u>1,199,029</u>
Total Receivables	<u>1,507,763</u>	<u>1,698,744</u>
Other Assets	<u>24,593</u>	<u>23,487</u>
Total Assets	<u>204,012,751</u>	<u>190,348,373</u>
Liabilities		
Accounts payable and accrued expenses	207,946	250,065
Unsettled trades payable	<u>584,626</u>	<u>1,087,673</u>
Total Liabilities	<u>792,572</u>	<u>1,337,738</u>
Net Position Held in Trust for Pension Benefits	<u>\$ 203,220,179</u>	<u>\$ 189,010,635</u>

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

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

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
Additions		
Contributions		
City	\$ 3,744,111	\$ 4,268,084
Employee	<u>2,360,378</u>	<u>2,507,168</u>
Total Contributions	<u>6,104,489</u>	<u>6,775,252</u>
Investment Income		
Net appreciation in fair value of investments	15,912,874	16,812,263
Interest	2,086,423	2,162,735
Dividends	2,247,930	2,188,849
Other income	3,798	3,525
Less investment expenses	<u>(967,176)</u>	<u>(813,409)</u>
Net Investment Income	<u>19,283,849</u>	<u>20,353,963</u>
Total Additions	<u>25,388,338</u>	<u>27,129,215</u>
Deductions		
Benefit payments		
Retirement	7,917,020	7,256,380
Disability	85,510	90,468
Death	735,345	729,027
Deferred retirement option plan	1,654,059	3,278,320
Termination refunds	278,440	364,811
Transfers to other retirement plans		
Executive employees' retirement plan	132,135	447,233
Police and firefighters' retirement system	132,304	--
Administrative expenses	<u>243,981</u>	<u>386,773</u>
Total Deductions	<u>11,178,794</u>	<u>12,553,012</u>
Net Increase	14,209,544	14,576,203
Net Position Held in Trust for Pension Benefits		
Beginning of Year	<u>189,010,635</u>	<u>174,434,432</u>
End of Year	<u>\$ 203,220,179</u>	<u>\$ 189,010,635</u>

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

NOTES TO FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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.

As of September 30, 2014 and 2013, membership in the Plan consisted of:

	<u>2014</u>	<u>2013</u>
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	481	465
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	36	32
Active Plan Members	<u>558</u>	<u>561</u>
Total	<u><u>1,075</u></u>	<u><u>1,058</u></u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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, 2014 AND 2013

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, 2014 AND 2013

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, 2014, there were 52 DROP participants with a total balance of \$5,003,488. At September 30, 2013, there were 46 DROP participants with a total balance of \$4,450,106.

Cost-of-Living Adjustment

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

CONTRIBUTIONS

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, 2014 determined using the actuarial valuation dated October 1, 2012 were 12.72% of covered payroll. Employer contributions for the year ended September 30, 2013 were determined using the actuarial valuation dated October 1, 2011 were 14.22% 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. Administrative costs are funded through investment earnings.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 annually on October 1. Benefit payments and refunds to members are recognized when due and payable in accordance with the terms of the Plan.

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

The Board implemented the following GASB Statement during the year:

GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB No. 25*

This Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*. This Statement enhances note disclosures and Required Supplementary Information (RSI) and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in the RSI schedules.

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

DEPOSITS

The Plan's cash deposits are held in qualified public depositories pursuant to State of Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Therefore, all deposits are deemed as insured.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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. Certain investments for which no sale was reported on that date are valued at the last reported bid price. Mutual and commingled funds that do not have an established market are reported at the net asset value of shares held at year end. Real estate investment trusts are valued at current market prices, and Private Real Estate investment fair value is reported based on the latest independent appraisal information. 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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Plan has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net fiduciary position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Plan has no items that qualify for reporting in this category.

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, 2014 AND 2013

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Investment Portfolio	2014		2013	
	Fair Value	Percent Distribution	Fair Value	Percent Distribution
Cash and Short-Term Investments				
Cash deposits	\$ 885,341	0.44%	\$ 896,395	0.48%
Short-term investments	3,138,853	1.55%	4,677,087	2.48%
Total Cash and Short-Term Investments	4,024,194	2.00%	5,573,482	2.96%
Stock and Convertible Securities				
Common stock	89,654,771	44.28%	80,685,083	42.78%
Preferred stock	65,060	0.03%	71,703	0.04%
Corporate convertible bonds	10,682,596	5.28%	9,206,085	4.88%
Convertible equity	1,809,130	0.89%	2,127,718	1.13%
Total Stock and Convertible Securities	102,211,557	50.49%	92,090,589	48.83%
Commingled Funds				
International equity fund	9,108,083	4.50%	8,513,644	4.51%
Domestic equity fund	17,225,228	8.51%	16,314,071	8.65%
Total Commingled Funds	26,333,311	13.01%	24,827,715	13.16%
U.S. Government Securities				
U.S. Treasury Securities:				
U.S. Treasury bonds	8,323,524	4.11%	572,911	0.30%
U.S. Treasury notes index linked	10,243,661	5.06%	10,180,117	5.40%
Total U.S. Treasury Securities	18,567,185	9.17%	10,753,028	5.70%
U.S. Government Sponsored Agencies:				
Mortgage-backed Securities				
Federal National Mortgage Association	1,437,746	0.71%	7,153,426	3.79%
Government National Mortgage Association	211,285	0.10%	680,783	0.36%
Federal Home Loan Mortgage Corporation	943,999	0.47%	10,013,233	5.31%
Total Mortgage-backed Securities	2,593,030	1.28%	17,847,442	9.46%
Total U.S. Government Securities	21,160,215	10.45%	28,600,470	15.16%
Corporate Bonds and Debentures				
Corporate obligations	30,132,960	14.88%	18,570,020	9.84%
Commercial mortgage-backed securities	1,898,707	0.94%	2,450,005	1.30%
Total Corporate Bonds and Debentures	32,031,667	15.82%	21,020,025	11.14%
Real Estate				
Real Estate Direct Investment Partnership	10,549,617	5.20%	10,373,497	5.49%
Real Estate Investment Trust	6,169,834	3.05%	6,140,364	3.26%
Total Real Estate	16,719,451	8.26%	16,513,861	8.75%
Total Investments	198,456,201	98.00%	183,052,660	97.04%
Total Cash and Investments	\$ 202,480,395	100.00%	\$ 188,626,142	100.00%

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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 December 1, 2012, 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	5%	9%	15%
International equity	10%	15%	20%
Convertible securities	3%	6%	10%
Real Estate Investment Trusts	0%	3%	7%
Real Estate			
Private real estate	3%	5%	7%
Fixed Income Investments			
Time deposits, mortgage-backed securities, obligations of obligations of the U.S. Government, U.S. corporate debt, Treasury inflation indexed securities and bond or money money market funds are permitted.			
Fixed income (debt)	18%	26%	63%
Treasury Inflation Protected Securities (TIPS)	3%	6%	10%
Cash and cash equivalents	0%	0%	10%

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

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.

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.

CONCENTRATION OF CREDIT RISK FOR EQUITIES

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. At September 30, 2014 and 2013, the portfolio met the corporate single issuer and quality ratings limitations of the policy.

RATE OF RETURN

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.30 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculation are determined on a monthly basis.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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	2014		2013	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Short-Term Securities Aaa	<u>\$ 3,138,853</u>		<u>\$ 4,677,087</u>	
U.S. Government Securities				
U.S. Treasury securities:				
U.S. Treasury bonds	8,323,524	7.18	572,911	8.88
U.S. Treasury notes index linked Aaa	<u>10,243,661</u>	5.46	<u>10,180,118</u>	5.47
Total U.S. Treasury Securities	<u>18,567,185</u>		<u>10,753,029</u>	
U.S. Government Sponsored Agencies:				
Mortgage-backed Securities				
Federal National Mortgage Association Aaa	1,437,746		7,153,426	
Government National Mortgage Association Aaa	211,285		680,783	
Federal Home Loan Mortgage Corporation Aaa	<u>943,999</u>		<u>10,013,233</u>	
Total Mortgage-backed Securities	<u>2,593,030</u>	12.80	<u>17,847,442</u>	22.84
Corporate Bonds and Debentures				
Corporate Obligations				
Aa	4,151,461		2,521,895	
A	16,832,696		9,795,661	
Baa	<u>9,148,803</u>		<u>6,252,463</u>	
Total Corporate Obligations	<u>30,132,960</u>	3.52	<u>18,570,019</u>	5.13
Commercial mortgage-backed securities				
Aaa	1,249,257		2,078,683	
Not rated	<u>--</u>		<u>--</u>	
Commercial mortgage-backed securities	1,249,257	28.50	2,078,683	30.54
Government issued commercial mortgage backed Aaa	<u>649,450</u>	7.07	<u>371,322</u>	7.07
Total Commercial Mortgage-Backed Securities	<u>1,898,707</u>		<u>2,450,005</u>	
Total Fixed Income Portfolio	<u>\$ 56,330,735</u>		<u>\$ 54,297,582</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, 2014 AND 2013

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, 2014 and 2013, 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 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 2% 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 20% of the total bond portfolio. At September 30, 2014 and 2013, the portfolio met the corporate single issuer and quality ratings limitations of the policy.

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 risks.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

Interest Rate Risk (continued)

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, 2014 and 2013, 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 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 Fiduciary Net Position.

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.

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 fiduciary net position as deductions. Amounts transferred from other plans are presented as contributions.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

NOTE 5 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability at September 30, 2014, were as follows:

Total pension liability	\$200,760,699
Plan fiduciary net position	<u>(203,220,179)</u>
Net pension liability (asset)	<u>\$ (2,459,480)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.23%</u>

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability was determined by an actuarial valuation as of October 1, 2013, rolled forward to September 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Varies
Investment rate of return	8.0 percent

Mortality rates were based on the RP-2000 Generational Mortality Table for healthy Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return of each pension plan asset class is based upon the historical average or mean returns. This historical data reveals a tendency for the returns of various asset classes to fall within a range, but the expected returns are based upon the average returns during these past periods. In order to determine the real rates of return, it is necessary to subtract the expected inflation rate from the nominal investment return. The long-term expected rate of return for the pension plan was calculated by weighing the expected future rates of return of each asset class by the corresponding target allocation percentages. 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, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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

LONG-TERM EXPECTED RATE OF RETURN (CONTINUED)

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	8.3%
International equity	3.6
Fixed income	4.8
Real estate	4.3
Cash	1.3

DISCOUNT RATE

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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 was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Net pension liability (asset)	\$17,866,746	(\$2,459,480)	(\$19,805,197)

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014
Total Pension Liability	
Service cost	\$ 4,070,341
Interest	15,543,810
Changes of benefit terms	-
Differences between expected and actual experience	(3,613,328)
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(10,934,813)
Net Change in Total Pension Liability	5,066,010
Total Pension Liability - Beginning	195,694,689
Total Pension Liability - Ending (a)	\$ 200,760,699
 Plan Fiduciary Net Position	
Contributions - employer	3,744,111
Contributions - member	2,360,378
Net investment income	14,917,879
Benefit payments, including refunds of member contributions	(10,934,813)
Administrative expense	243,981
Net Change in Plan Fiduciary Net Position	9,843,574
Plan Fiduciary Net Position - Beginning	189,010,635
Plan Fiduciary Net Position - Ending (b)	\$ 203,220,179
 Net Pension Liability (Asset) - Ending (a) - (b)	\$ (2,459,480)
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.23%
 Covered Employee Payroll	\$ 25,467,061
 Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	(9.66%)

Notes to Schedule:

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 BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS**

	2014
Actuarially determined contribution	\$ 3,925,569
Actual Contributions	3,744,111
Contribution deficiency (excess)	\$ 181,458
Covered-employee payroll	\$ 25,467,061
Contributions as a percentage of covered-employee payroll	14.70%

Notes to Schedule

Valuation date: October 1, 2013

Actuarially determined contribution rates are calculated as of October 1, one year prior to the end of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Asset valuation method	4-year smoothing
Salary increases	Varies
Inflation	3.00%
Investment rate of return	8.00%

Mortality rates were based on the RP-2000 Generational Mortality Table for healthy Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Notes to Schedule:

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 BOCA RATON
GENERAL EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS**

	September 30, <u>2014</u>
Annual money-weighted rate of return, net of investment expense	10.3%

Note to Schedule:

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 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, 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 Boca Raton General Employees' Pension Plan (the Plan), as of and for the year ended September 30, 2014 and the related notes to the financial statements, and have issued our report thereon dated March 26, 2015.

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) to determine 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Marcum LLP

West Palm Beach, Florida

March 26, 2015