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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**CITY OF LAKELAND POLICE OFFICERS'
RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 AND 2022

CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
City of Lakeland Police Officers' Retirement System
Lakeland, Florida

Opinion

We have audited the financial statements of the City of Lakeland Police Officers' Retirement System (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2023 and 2022, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, information regarding the fiduciary net position of the Plan as of September 30, 2023 and 2022, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are issued.

The Board of Trustees
City of Lakeland Police Officers' Retirement System
Lakeland, Florida

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1, these financial statements present only the City of Lakeland Police Officers' Retirement System a pension trust fund of the City of Lakeland, Florida (the "City") and are not intended to present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The Board of Trustees
City of Lakeland Police Officers' Retirement System
Lakeland, Florida

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 32 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

The Plan has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The additional information on page 37 is presented for the purpose of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Tampa, Florida
March 22, 2024

CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets:		
Cash	\$ 16,689	\$ 26,148
Receivables:		
Plan members	39,461	74,866
Interest	110,147	82,671
Dividends	9,121	6,785
Broker-dealers	100,746	-
Employer	3,538	57,002
State excise tax	1,353,269	-
Total receivables	<u>1,616,282</u>	<u>221,324</u>
Investments:		
U.S. Government obligations	11,606,659	10,914,773
Corporate bonds	6,415,188	6,312,512
Domestic stocks	15,599,942	12,992,347
International foreign stock	3,057,867	2,023,718
Domestic equity investment funds	62,799,471	54,270,458
International equity investment funds	26,949,942	22,812,036
Fixed income investment funds	7,030,150	10,487,666
Real estate investment funds	27,090,280	31,556,972
Temporary investment funds	3,676,363	2,963,854
Total investments	<u>164,225,862</u>	<u>154,334,336</u>
Prepaid expenses	<u>850</u>	<u>564</u>
Total Assets	<u>165,859,683</u>	<u>154,582,372</u>
Liabilities:		
Accounts payable	85,121	109,032
Accounts payable, broker-dealers	-	226,586
Benefit payments payable	132,862	-
Share accounts payable	407	-
PLOP accounts payable	234,223	-
Refunds of contributions payable	139,944	-
Total Liabilities	<u>592,557</u>	<u>335,618</u>
Net Position Restricted for Pensions	<u>\$ 165,267,126</u>	<u>\$ 154,246,754</u>

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

CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Additions:		
Contributions:		
Employer	\$ 1,651,758	\$ 1,905,842
Plan members	2,200,318	2,347,687
Plan member buyback	35,374	66,040
Total contributions	<u>3,887,450</u>	<u>4,319,569</u>
Intergovernmental revenue:		
Chapter 185 state excise tax rebate	1,353,269	1,175,145
Total intergovernmental revenue	<u>1,353,269</u>	<u>1,175,145</u>
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	15,325,049	(28,947,546)
Interest	1,657,221	673,170
Dividends	2,048,159	3,936,239
Total investment income (loss)	<u>19,030,429</u>	<u>(24,338,137)</u>
Less investment expenses	267,742	282,313
Net investment income (loss)	<u>18,762,687</u>	<u>(24,620,450)</u>
Total additions (deductions), net	<u>24,003,406</u>	<u>(19,125,736)</u>
Deductions:		
Benefits:		
Age and service	9,620,229	9,087,083
Disability	706,950	621,229
DROP accounts	1,743,003	283,581
Share accounts	33,958	57,988
PLOP accounts	234,223	-
Refunds of contributions	429,418	267,041
Administrative expenses	215,253	203,019
Total deductions	<u>12,983,034</u>	<u>10,519,941</u>
Net Increase (Decrease) in Net Position	11,020,372	(29,645,677)
Net Position Restricted for Pensions:		
Beginning of year	<u>154,246,754</u>	<u>183,892,431</u>
End of year	<u>\$ 165,267,126</u>	<u>\$ 154,246,754</u>

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

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF PLAN

The following brief description of the City of Lakeland Police Officers' Retirement System (the "Plan") is provided for general information purposes only. Participants should refer to the Plan Agreement for more complete information.

Plan Restructuring - On June 1, 2009 the Lakeland City Commission adopted ordinances 5096 and 5095 - which removed all active and retired police officers from the City of Lakeland Employee Pension Plan (the "General Plan") and transferred those individuals to an amended version of the Police Officers' Supplemental Pension and Retirement System (the "Supplemental Plan") - which had the effect of creating an entirely new replacement plan called the Police Officers' Retirement System (the "Police Plan").

Under the terms of this change, all retired police officers and/or their beneficiaries who were receiving benefits from the General Plan and/or the Supplemental Plan as of the effective date of the transfer would from that point forward be paid the exact same level of combined benefits from the Police Plan. All future retired police officers and/or their beneficiaries will receive their retirement benefits exclusively from the Police Plan based on a new defined benefit calculation formula that replaces the benefit formulas that previously existed within the General Plan and the Supplemental Plan.

Three Tier Structure - The current members of the plan have the option of making an election of one of the following 3 tiers within 45 days of the effective date of the Police Plan. Tier 2 is the only option for officers hired after May 20, 2009.

Tier 1 - these members shall have benefits accrued under the provisions of the City of Lakeland Employees' Pension and Retirement System, the City of Lakeland Police Officers' Supplemental Pension and Retirement System (PORF) and the Lakeland Police Officers' Share Benefit Plan frozen as of the effective date of the Police Plan. On and after the effective date of the system, Tier 1 members shall be subject to the same provisions as Tier 2 members except as otherwise provided. These members shall be eligible to have benefits accrued in the PORF included in the City of Lakeland Employees' Pension and Retirement System Section 23.4.5 deferred retirement option plan (DROP) upon attainment of age sixty (60).

Tier 2 - these members shall be subject to the provisions of the City of Lakeland Police Officers' Retirement System not including those administered pursuant to other City of Lakeland Plans or Systems for Tier 1 or Tier 3 members.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Tier 3 - these members who are DROP participants pursuant to Section 23.4.5 of the City of Lakeland Employees' Pension and Retirement System and making contributions to the City of Lakeland Police Officers' Supplemental Pension and Retirement System (PORF) which contributions shall continue after the effective date of the City of Lakeland Police Officers' Retirement System in an amount calculated annually by the system's actuary and shall be administered pursuant to the provisions of those systems. These members shall be eligible to have benefits accrued in the PORF included in the Section 23.4.5 DROP upon attainment of age sixty (60). The last remaining Tier 3 member terminated employment during the year ended September 30, 2017.

General - The restructured Plan is a defined benefit pension plan covering all full-time police officers of the City of Lakeland, Florida (the "City"). Participation in the Plan is required as a condition of employment. The Plan provides for pension, death and disability benefits. In addition, the Plan is a local law plan subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statutes, is governed by a five-member pension board. Two police officers who are elected by a majority of the members of the Plan, two City residents, and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

At October 1, 2022, the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	234
DROP retirees	17
Terminated employees entitled to benefits but not yet receiving them	<u>30</u>
Total	<u><u>281</u></u>

Current employees:

Vested	80
Nonvested	<u>150</u>
Total	<u><u>230</u></u>

At October 1, 2022, the date of the most recent actuarial valuation, there were 234 retirees and beneficiaries receiving benefits.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Pension Benefits - The pension plan provides retirement, death and disability benefits for its participants. A participant may retire with normal benefits after reaching age 55 and accumulating 10 or more years of credited service; or at the completion of 25 or more years of credited service.

Normal retirement benefits are stipulated in the Plan ordinance and are contingent upon a participant's employment date, retirement date and length of service. In general, normal retirement benefits are 3.0% of the participant's average final compensation. Average final compensation for purposes of calculating benefits is 1/12 of average salary of the 5 best years of the last 10 years of credited service. Early retirement benefits are payable at a reduced amount for participants attaining age 50 with 10 years or more of service.

A participant with 10 or more years of credited service is eligible for deferred retirement. These benefits begin upon application on or after reaching age 50 and are computed the same as normal or early retirement, based on the participant's final average salary and credited service at date of termination. Benefits are reduced 3.0% per year for each year by which the participant's age at retirement preceded the participant's normal retirement age.

Disability Benefits - Disability benefits for service-related disabilities are paid to the participant for life. Benefits are calculated as the amount of accrued normal retirement pension benefit, subject to a minimum benefit equal to 65% of the participant's final average salary.

Disability benefits for non-service-related disabilities are paid to a participant for life. Benefits are calculated at 3.0% of the participant's average final compensation multiplied by the total years of credited service. This non-service-connected benefit is only available if the participant has at least 10 years of credited service.

The disability benefit will be reduced if the participant receives workers' compensation benefits and the combined benefit exceeds 100% of the participant's final salary. The pension benefit will be reduced so that the total does not exceed 100%, except that the pension benefit shall not be reduced below the greater of 42% of average final compensation or 2.75% of average final compensation times years of credited service.

Death Benefits - If the participant is not receiving monthly benefits or is not yet vested or eligible for early or normal retirement, the beneficiary shall receive a refund of 100% of the participant's accumulated contributions.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF PLAN (Continued)

If the participant dies and, at the date of death was vested or eligible for early or normal retirement, their spouse beneficiary shall be entitled to a benefit as follows:

If the participant was vested, but not eligible for normal or early retirement, their spouse beneficiary shall receive a benefit payable for 10 years, beginning on the date that the participant would have been eligible for normal or early retirement, at the option of their spouse beneficiary. The benefit shall be calculated as for normal retirement based on the participant's credited service and average final compensation as of the date of death and reduced as for early retirement, if applicable.

If the participant was eligible for normal or early retirement, the participant's spouse beneficiary shall receive a benefit payable for 10 years, beginning on the first day of the month following death or at the participant's otherwise normal or early retirement date, at the option of the spouse beneficiary. The benefit shall be calculated as for normal retirement based on the participant's credited service and average final compensation as of the date of death and reduced as for early retirement, if applicable.

Refund of Participant Contributions - A non-vested participant who terminates employment is refunded his or her contributions, without interest, and the participant may voluntarily elect to leave the contributions in their deposit account for a period of up to 5 years, pending the participant's possibility of re-employment.

Share Accounts (Tier I) - Share Accounts (defined contribution accounts) were established for each Tier I and Tier III participant. The accounts are funded by member payments. Chapter 185 receipts are allocated to the accounts every October 1 in proportion to each participant's number of pay periods during the preceding calendar year. On September 30 of each year, share accounts are credited with a pro rata share of excess pension plan investment savings and forfeited accounts. Eligible Tier I and Tier III participants, meeting certain service criteria, whose employment is terminated, or an eligible beneficiary may receive payment of the share account on application to the Board of Trustees. Distributions may be in lump sum, or partial as permitted by Board policy.

Member Share Accounts - Individual member share accounts shall be established as of December 19, 2016 for all members and DROP participants who were actively employed on that date. Individual share accounts shall be credited with an allocation of any premium tax monies which have been allocated to the Share Plan for that plan year, beginning with the plan year ending September 30, 2016.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 1 - DESCRIPTION OF PLAN (Continued)

DROP Plan - Any participant who is eligible to receive a normal retirement pension benefit may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant becomes a retiree for all plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a member after 60 months.

Post Retirement Investment Account (PRIA) - During the fiscal year ended September 30, 2017 the PRIA was established. In lieu of receiving a payment from the DROP Plan a retiree terminating his employment as a police officer may elect to defer receipt of DROP Plan payments and elect to participate in the PRIA. A retiree who elects to participate in the PRIA may participate in the PRIA for 60 months after separation from service or the end of the quarter in which the retiree reaches age 65.

Partial Lump Sum Option Plan (PLOP) - A participant that does not elect to participate in the DROP may elect to receive an initial lump-sum payment equal to 5%, 10%, 15% or 20% of the participant's accrued benefit with the remaining 95%, 90%, 85% or 80%, respectively, payable in a form selected by the participant.

Actuarial Gain Sharing Account - 75% of all accumulated actuarial gains (net of losses) shall be used exclusively to provide additional benefit improvements in this Plan. 25% of all accumulated actuarial gains (net of losses) shall offset the City's and Members' funding requirements in a ratio of 1.0 to 1.0, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan participant contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation:

The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, Financial Reporting for Defined Benefit Pension Plans and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments.

Valuation of Investments:

GASB 72, Fair Value Measurement and Application, addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Purchases and sales of investments are recorded on a trade date basis. Investment income is recognized on the accrual basis as earned. Unrealized appreciation or depreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the statements of changes in fiduciary net position.

Investment Policy:

The Plan's adopted asset allocation policy as of September 30, 2023 is as follows:

Asset Class	Target	Range	Benchmark Index
Domestic Equity Index	40.0%	35%-45%	Russell 3000
International Equity Index	17.5%	12%-22.5%	MSCI ACWI ex. U.S.
Private Equity*	10.0%	0%-20%	Russell 3000 - 3%
Domestic Fixed Income	12.5%	7.5%-17.5%	Barclays Capital Inter. Agg.
Real Estate***	10.0%	5%-20%	NCREIF
Private Infrastructure***	5.0%	0%-15%	CPI +3%
Private Fixed Income**	5.0%	0%-10%	Blmbg Barclays US Agg +3%

*Asset allocation and benchmark will revert to Domestic Equity if not funded.

**Asset allocation and benchmark will revert to International Fixed Income if not funded.

***Asset allocation and benchmark will revert to Domestic Fixed Income if not funded.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Policy (Continued):

The Trustees will monitor the aggregate asset allocation of the portfolio and will rebalance to the target asset allocation based on market conditions. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances such as pending cash flows or allocation levels viewed as temporary, the asset allocation will be rebalanced into the allowable range. To the extent possible, cash contributions into and withdrawals from the portfolio will be executed proportionally based on the most current market values available. The Board of Trustees do not intend to exercise short-term changes to the target allocation.

Custody of Assets:

Custodial and investment services are provided to the Plan under contract with a national trust company having trust powers. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Lakeland, Florida.

Authorized Plan Investments:

The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 185 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds, real estate and alternative investments. In addition, the Board requires that Plan assets be invested with no more than 70% in stocks and convertible securities measured at market value at the end of each reporting period. Further information regarding the permissible investments from the Plan can be found in the Investment Policy Objectives and Guidelines.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Authorized Plan Investments (Continued):

In addition, the Plan limits investment in common stock (equity investments) as follows:

- a. No more than 5.0% of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in common stock of any single corporation shall not exceed 5.0% of such corporation's outstanding common or capital stock.

Actuarial Cost Method:

The Plan has elected the Entry Age Normal for funding purposes. This method allocates the actuarial present value of each participant's projected benefit on a level basis over the participant's earnings from the date of entry into the Plan through the date of retirement.

Reporting Entity:

The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Lakeland, Florida.

The Plan is included in the City's Annual Comprehensive Financial Report (ACFR) for the years ended September 30, 2023 and 2022, which are separately issued documents. Anyone wishing further information about the City is referred to the City's ACFR.

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all City Police Officers. The provisions of the Plan provide for retirement, disability, and survivor benefits.

Funding Policy:

The Tier 2 participant contribution rate is re-determined each year, such that the increase in the City's required contribution and the participant's required contribution are equal.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding Policy (Continued):

Tier 1 and Tier 3 are no longer applicable.

Pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain casualty insurance contracts written on City of Lakeland properties is collected by the State and is remitted to the Plan. The City is required to contribute the remaining amounts necessary to finance the benefits through periodic contributions of actuarially determined amounts.

The Plan may also accept rollover contributions from participants' other qualified deferred compensation plans. Rollover contributions may be used to purchase additional credited service. Participants are immediately vested in rollover contributions.

A rehired member may buy back not more than 5 years of continuous past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus the interest that would have been earned had such funds been invested by the Plan during that time.

The City's funding policy is to make an actuarially computed annual contribution to the Plan in an amount, such that when combined with participants' contributions and the state insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire.

Administrative Costs:

All administrative costs of the Plan are financed through investment earnings.

Cash:

The Plan considers money market funds held by the custodian as cash. Temporary investments are composed of investments in short-term custodial proprietary money market funds.

CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes:

A favorable determination letter has been received from the Internal Revenue Service. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events:

Management has adopted the provisions set forth in GASB Statement No. 56, *Subsequent Events*, and considered subsequent events through March 22, 2024, which is the date that the financial statements were available to be issued.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits:

Salem Trust Company (Salem) periodically holds uninvested cash in its respective capacity as the custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments:

The Plan's investments are uninsured and unregistered and are held in custodial accounts in the Plan's name. Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended alternative international investment funds, real estate investment funds and domestic equity investment funds.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued):

The Plan's independently managed investments are segregated into a separate account and managed under separate investment agreements with Galliard Capital Management, Inc. and Eagle Capital Management, Inc. These accounts give Salem the custodianship but give the money manager the authority to manage the investments. International equity funds, domestic fixed income funds, domestic equity funds, and international fixed income funds are held by Salem. These assets are invested in accordance with the specific investment guidelines as set forth in the Plan's investment policy. Investment management fees are calculated quarterly as a percentage of the fair market value of the funds' assets managed.

The alternative investment funds invest in domestic and international investments and real estate investments. The investments in the underlying funds are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets, if available, or by the valuation of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair value of underlying funds, there are inherent limitations in any estimation technique. Accordingly, the fair value of alternative investment funds has been estimated by the Plan's management in the absence of readily ascertainable market values. Therefore, the values of such funds are not necessarily indicative of that amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the difference could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

The alternative investment funds expose the Plan to certain risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have initial lock-up periods, as well as restrictions for liquidating positions in these funds, that make the investment non-current and non-marketable.

The investment managers are monitored by the Board of Trustees and an investment advisor.

The Plan's real estate investment funds and fixed income investment funds are alternative investment vehicles valued using the net asset value (NAV) provided by the investment managers of these funds. The NAV is based on the value of the underlying assets owned by the fund minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The NAV's unit price is quoted on a private market that is not active; however, the unit price is based on underlying investments which are traded on an active market.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued):

The Plan held the following fixed investments as of September 30, 2023 and 2022:

Investment Type	Fair Value		Overall Credit Rating	Average Effective Duration (Years)
	2023	2022		
U.S. Government obligations	\$ 11,606,659	\$ 10,914,773	A-AA	1-10
Corporate bonds	6,415,188	6,312,512	A-AA	1-10
Fixed income investment funds	7,030,150	10,487,666	A-AA	N/A
Temporary investment funds	3,676,363	2,963,854	N/A	N/A
Total	<u>\$ 28,728,360</u>	<u>\$ 30,678,805</u>		

Foreign Tax Withholdings and Reclaims:

Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statement of changes in fiduciary net position. Where treaties allow for a reclaim of taxes, the Fund will make a formal application for refund. Such reclaims are included as an addition to dividend income.

Rate of Return:

For the years ended September 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension investment expense was 12.59 percent and -13.32 percent, respectively, adjusted for the changing amounts actually invested.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 4 - MORTGAGE-BACKED SECURITIES

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

NOTE 5 - NET INCREASE (DECREASE) IN REALIZED AND UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Realized appreciation (depreciation)	\$ 113,579	\$ (1,062,086)
Unrealized appreciation (depreciation)	<u>15,211,470</u>	<u>(27,885,460)</u>
	<u><u>\$ 15,325,049</u></u>	<u><u>\$ (28,947,546)</u></u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2023 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 6 - INVESTMENTS

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2023 and 2022 are summarized as follows:

Investments	2023		2022	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 13,103,126	\$ 11,606,659	\$ 12,309,557	\$ 10,914,773
Corporate bonds	7,079,816	6,415,188	7,122,944	6,312,512
Domestic stocks	10,620,750	15,599,942	11,842,001	12,992,347
International foreign stock	2,685,339	3,057,867	2,151,647	2,023,718
Domestic equity investment funds	60,643,332	62,799,471	58,798,725	54,270,458
International equity investment funds	29,624,333	26,949,942	29,553,525	22,812,036
Fixed income investment funds	5,904,855	7,030,150	11,218,784	10,487,666
Real estate investment funds	21,302,668	27,090,280	21,337,621	31,556,972
Temporary investment funds	3,676,363	3,676,363	2,963,854	2,963,854
Total	<u>\$ 154,640,582</u>	<u>\$ 164,225,862</u>	<u>\$ 157,298,658</u>	<u>\$ 154,334,336</u>

NOTE 7 - DESIGNATIONS

A portion of the plan net position is designated for benefits that accrue in relation to the Share accounts and DROP accounts as further described in Note 1. Allocations to the DROP and Share plan accounts are presented below as determined in the most recent information available:

	2023
Designated for the DROP accounts (September 30, 2023) (fully funded)	\$ 5,290,792
Designated for Individual Member Share Accounts (Share Plan) (September 30, 2023)	1,195,692
Total designated fiduciary net	<u>6,486,484</u>
Undesignated plan net position	<u>158,780,642</u>
Total plan net position	<u><u>\$ 165,267,126</u></u>

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 8 - PLAN AMENDMENTS

The Plan was amended during the fiscal year ended September 30, 2023 as follows:

Ord. 23-009

Extending the DROP participation period from 60 months to 96 months for current and future DROP participants. Additionally, interest credited to the DROP accounts is reduced by 2.00% per year in years six through eight of DROP participation.

Ord. 23-032

Section 62-51, Definitions, is being amended to amend the definition of Salary to add necessary language to clarify the determination period for maximum annual compensation for members who leave the service of the City who have completed less than 12 months of service during a fiscal year. This change is provided for in the Internal Revenue Code and its associated Treasury Regulations.

Section 62-54, Finances and Fund Management, is being amended to provide language regarding Board discretion on seeking recovery of inadvertent overpayments from the Fund, as permitted by recently adopted Secure Act 2.0.

Section 62-58, Pre-Retirement Death and Section 62-67, Minimum Distribution of Benefits, are being amended to provide for recent changes to the Internal Revenue Code in the Secure Act 2.0, changing the required distribution date from age 72 to the applicable age provided for in the IRC as amended from time to time.

Section 62-61, Optional Forms of Benefits, and Section 62-79, Deferred Retirement Option Plan (DROP) is being amended to provide that any member who received, upon entering the DROP, a payment of a partial lump sum option under the PLOP, shall be added to the member's DROP account and shall be treated as a DROP addition and distributed to the member upon termination of employment.

Section 62-77, Military Service Prior to Employment, and Section 62-78, Prior Police Service, are both being amended to provide an option for members to pay for purchased credited service at no cost to the plan over a period of time, not to exceed 5 years, rather than making one lump sum payment. These sections are also being amended to remove the restriction of purchases of less than one year of service.

Section 62-82.1, Supplemental Benefit Component for Special Benefits; Florida Statutes Chapter 185 Share Accounts, is being amended to provide that

- a. If the member receives the balance of his share account provided for in the plan, he is no longer entitled to receive a refund of his accumulated contributions; and
- b. If the member receives a refund of his accumulated contributions, he shall forfeit his share account balance.

The above changes will have no impact on the City's funding requirements.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 8 - PLAN AMENDMENTS (Continued)

There were no plan amendments for the year ended September 30, 2022 beyond the member contribution required rate in note 14.

NOTE 9 - PLAN TERMINATION

Although it has not expressed an intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of the City of Lakeland, duly certified by an official of the City and the provisions of Florida Statutes §185.37. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each police officer in the Plan at such termination date would be non-forfeitable.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

NOTE 11 - RISK AND UNCERTAINTIES

The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risks. Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of the Barclays Capital U.S. Intermediate Aggregate Bond Index.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 11 - RISK AND UNCERTAINTIES (Continued)

Credit Risk:

Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality rating of "BBB" or equivalent as rated by Moody's or by Standard & Poor's bond rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating must be liquidated at the earliest beneficial opportunity.

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 a financial failure. The Plan requires all securities to be held by a third-party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. Investments in mutual funds are considered *unclassified* pursuant to the custodial risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

Investment in Foreign Markets:

Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Investing in Real Estate:

The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

**CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 12 - ACTUARIAL ASSUMPTION CHANGES

There were not any changes in the actuarial assumptions for the year ended September 30, 2023.

The changes in assumptions for the year ended September 30, 2022 are as follows:

- The investment return assumption has been reduced from 7.50% to 6.75% per year, net of investment related expenses.

NOTE 13 - ACTUARIAL METHOD CHANGES

There were not any changes in the actuarial methods for the year ended September 30, 2023.

The actuarial method changes for the year ended September 30, 2022 are as follows:

- The asset smoothing has been “fresh started” meaning that the actuarial value of assets was set equal to the market value of assets and a 5-year smoothing technique was implemented beginning with the October 1, 2022 actuarial valuation report.

NOTE 14 - TIER 2 MEMBER CONTRIBUTION RATE

The Tier 2 Member Contribution Rate is re-determined each year, such that the increase in the City's required contribution and the Member's required contribution are equal. The actuary's October 1, 2022 report, which determines the funding requirements for the fiscal year beginning October 1, 2022 and ending September 30, 2023, resulted in a decrease to the Tier 2-member contribution rate of 3.78% of salary to a new contribution rate of 11.67% of salary.

	<u>Required Contributions (% of Payroll)</u>	
	<u>Fiscal Year Ended September 30, 2023</u>	<u>Fiscal Year Ending September 30, 2022</u>
Tier 2	11.67%	15.45%
City and State	14.07%	14.95%

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 - INVESTMENT MEASUREMENT AT FAIR VALUE

Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Fair Value Hierarchy (Continued):

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2023 and 2022:

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Corporation and Bloomberg, LP to value securities based on the securities' relationship to benchmark quoted prices.
- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Fair Value Hierarchy (Continued):

Investments by fair value level	Level 1	Level 2	Level 3	2023
U.S. Government obligations	\$ -	\$ 11,606,659	\$ -	\$ 11,606,659
Corporate bonds	-	6,415,188	-	6,415,188
Domestic stocks	15,599,942	-	-	15,599,942
International foreign stock	1,941,415	1,116,452	-	3,057,867
Domestic equity investment funds	62,799,471	-	-	62,799,471
International equity investment funds	26,949,942	-	-	26,949,942
Temporary investment funds	3,676,363	-	-	3,676,363
Total investments by fair value level	<u>\$ 110,967,133</u>	<u>\$ 19,138,299</u>	<u>\$ -</u>	<u>130,105,432</u>

Investments Measured at Net Asset Value (NAV):

Fixed income investment funds	7,030,150
Real estate investment funds	27,090,280
Total investments measured at NAV	<u>34,120,430</u>
Total, September 30, 2023	<u>\$ 164,225,862</u>

Investments measured at NAV	2023 Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real estate investment funds:				
U.S. Real Estate Investment Fund LLC.	\$ 4,868,629	\$ -	Quarterly	60 days
American Strategic Value Realty Fund	3,994,978	-	Quarterly	60 days
IFM Global Infrastructure Fund, LP	8,748,417	-		
Principal Enhanced Property Fund, LP	9,478,256	-		
Fixed income investment funds:				
Golub Capital Partners 12, LP	2,791,160	300,000		
Deerpath Capital Advange VI, LP	4,209,733	2,886,564		
Pimco Diversified Inc Instl.	630	-		
Fixed Nonprofit Entergy	26,630	-		
Blackrock Multi-Asset Income	1,997	-		
Total investments measured at NAV	<u>\$ 34,120,430</u>	<u>\$ 3,186,564</u>		

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Fair Value Hierarchy (Continued):

Investments by fair value level	Level 1	Level 2	Level 3	2022
U.S. Government obligations	\$ -	\$ 10,914,773	\$ -	\$ 10,914,773
Corporate bonds	-	6,312,512	-	6,312,512
Domestic stocks	12,992,347	-	-	12,992,347
International foreign stock	1,726,315	297,403	-	2,023,718
Domestic equity investment funds	54,270,458	-	-	54,270,458
International equity investment funds	22,812,036	-	-	22,812,036
Temporary investment funds	2,963,854	-	-	2,963,854
Total investments by fair value level	<u>\$ 94,765,010</u>	<u>\$ 17,524,688</u>	<u>\$ -</u>	<u>112,289,698</u>

Investments Measured at Net Asset Value (NAV):

Fixed income investment funds	10,487,666
Real estate investment funds	31,556,972
Total investments measured at NAV	<u>42,044,638</u>
Total, September 30, 2022	<u>\$ 154,334,336</u>

Investments measured at NAV	2022 Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Real estate investment funds:				
U.S. Real Estate Investment Fund LLC.	\$ 7,879,638	\$ -	Quarterly	60 days
American Strategic Value Realty Fund	4,427,743	-	Quarterly	60 days
IFM Global Infrastructure Fund, LP	7,967,651	-		
Principal Enhanced Property Fund, LP	11,281,940	-		
Fixed income investment funds:				
Golub Capital Partners 12, LP	2,705,141	300,000		
Deerpath Capital Advange VI, LP	3,547,131	3,500,000		
Pimco Diversified Inc Instl.	1,634,632	-		
Blackrock Multi-Asset Income	<u>2,600,762</u>	<u>-</u>		
Total investments measured at NAV	<u>\$ 42,044,638</u>	<u>\$ 3,800,000</u>		

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Fair Value Hierarchy (Continued):

The real estate investment funds are open end, commingled private real estate portfolios. These REIT-based funds are structured as limited partnerships. Their primary focus is to invest in well-based income producing properties within major U.S. markets. The fair values of the investments in these funds have been determined using the NAV per unit of the Plan's ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 60 days in advance and may be paid in one or more installments.

NOTE 16 - PENSION OBLIGATION BONDS

During the fiscal year ended September 30, 2020, the City issued bonds, the proceeds of which will be used to reduce the City's annual funding requirement in the Plan. In consideration for the City depositing a portion of the bond proceeds into the Plan the Board agreed to recognize a credit balance reserve (Funding Standard Account) in favor of the City in the Plan's net position restricted for pensions. This money will be amortized over 19 years and accrue a return equal to the Plan's current investment return assumption.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 17 - NET PENSION LIABILITY OF THE CITY

The components of net position liability of the City of Lakeland (the "City") as of September 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Total Pension Liability	\$ 195,479,086	\$ 189,907,625
Plan Fiduciary Net Position	<u>165,267,126</u>	<u>154,246,754</u>
City's Net Pension Liability (Asset)	<u>\$ 30,211,960</u>	<u>\$ 35,660,871</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>84.54%</u>	<u>81.21%</u>

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2022 updated to September 30, 2023 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary increases	Service based
Investment rate of return	6.75%
Discount rate	6.75%

Mortality Healthy Active Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives:

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 17 - NET PENSION LIABILITY OF THE CITY (Continued)

Actuarial Assumptions (Continued)

All rates are projected generationally with Mortality Improvement Scale MP-2018. Management believes this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was May 12, 2017.

The long-term expected rate of return on pension plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. For 2023 the inflation rate assumption of the investment advisor was 2.50%. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	40.00%	7.50%
International equity	17.50%	8.50%
Broad market fixed income	12.50%	2.50%
Private Fixed Income	5.00%	2.50%
Real estate	10.00%	4.50%
Private equity	10.00%	8.50%
Infrastructure	5.00%	4.50%

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 17 - NET PENSION LIABILITY OF THE CITY (Continued)

Actuarial Assumptions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 6.75%. 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 sponsor 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 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate.

	1% Decrease 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase 7.75%
City's net pension liability (asset)	\$ 52,121,366	\$ 30,211,960	\$ 11,952,508

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 4,169,110	\$ 3,887,719	\$ 3,143,936	3,223,726	\$ 2,981,852
Interest	12,528,708	11,567,265	22,919,509	11,947,847	11,975,841
Gain sharing reserve	-	-	-	-	-
Changes in excess state money	-	-	-	-	-
Share plan allocation	325,906	236,844	172,883	185,109	153,150
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	1,280,144	3,165,982	(426,607)	(251,665)	(333,367)
Changes of assumptions	-	-	2,461,481	(1,606,578)	-
Contributions - Buy Back	35,374	66,040	192,729	551,816	61,436
Benefit payments, including refunds of employee contributions	(12,767,781)	(10,316,922)	(12,859,673)	(12,544,600)	(10,723,070)
Net change in total pension liability	5,571,461	8,606,928	15,604,258	1,505,655	4,115,842
Total pension liability, beginning	189,907,625	181,300,697	165,696,439	164,190,784	160,074,942
Total pension liability, ending (a)	<u>\$ 195,479,086</u>	<u>\$ 189,907,625</u>	<u>\$ 181,300,697</u>	<u>\$ 165,696,439</u>	<u>\$ 164,190,784</u>
Plan fiduciary net position					
Contributions - employer	\$ 1,651,758	\$ 1,905,842	\$ 1,975,229	1,816,848	\$ 3,206,499
Contributions - state excise tax rebate	1,353,269	1,175,145	1,047,223	1,071,675	1,007,757
Contributions - employees	2,200,318	2,347,687	2,384,849	2,303,470	2,595,033
Contributions - buy-back	35,374	66,040	192,729	551,816	61,436
Pension obligation bonds	-	-	-	18,942,897	-
Net investment income (loss)	18,762,687	(24,620,450)	35,626,082	17,184,668	4,711,381
Benefit payments	(12,767,781)	(10,316,922)	(12,859,673)	(12,544,600)	(10,723,070)
Administrative expenses	(215,253)	(203,019)	(174,055)	(192,889)	(190,932)
Net change in plan fiduciary net position	11,020,372	(29,645,677)	28,192,384	29,133,885	668,104
Plan fiduciary net position - beginning (a)	154,246,754	183,892,431	155,700,047	126,566,162	125,898,058
Plan fiduciary net position - ending (b)	<u>\$ 165,267,126</u>	<u>\$ 154,246,754</u>	<u>\$ 183,892,431</u>	<u>\$ 155,700,047</u>	<u>\$ 126,566,162</u>
Net pension liability (asset) (a) - (b)	<u>\$ 30,211,960</u>	<u>\$ 35,660,871</u>	<u>\$ (2,591,734)</u>	<u>\$ 9,996,392</u>	<u>\$ 37,624,622</u>

2018	2017	2016	2015	2014
\$ 2,805,388	\$ 2,795,894	\$ 2,476,007	\$ 2,550,144	\$ 2,467,333
11,126,518	11,286,270	10,640,390	10,480,589	9,974,998
(425,192)	425,192	-	-	-
-	-	-	-	-
114,527	77,471	-	-	-
-	40	-	-	-
1,397,788	(808,693)	(2,463,567)	(754,860)	-
-	3,019,734	4,080,663	-	-
93,102	80,187	183,211	140,261	70,775
(9,173,523)	(7,542,644)	(7,725,691)	(8,580,144)	(6,991,965)
5,938,608	9,333,451	7,191,013	3,835,990	5,521,141
154,136,334	144,802,883	137,611,870	133,775,880	128,254,739
<u>\$ 160,074,942</u>	<u>\$ 154,136,334</u>	<u>\$ 144,802,883</u>	<u>\$ 137,611,870</u>	<u>\$ 133,775,880</u>
\$ 3,339,013	\$ 2,691,292	\$ 2,686,671	\$ 2,463,702	\$ 2,548,469
930,510	856,398	796,486	744,499	708,648
2,419,597	2,106,472	2,029,605	1,931,359	2,017,233
93,102	80,187	183,211	140,261	70,775
-	-	-	-	-
9,148,333	12,716,177	8,774,732	(1,639,138)	9,503,111
(9,173,523)	(7,542,644)	(7,725,691)	(8,580,144)	(6,991,965)
(195,309)	(198,499)	(162,180)	(167,667)	(141,203)
6,561,723	10,709,383	6,582,834	(5,107,128)	7,715,068
119,336,335	108,626,952	102,044,118	107,151,246	99,436,178
<u>\$ 125,898,058</u>	<u>\$ 119,336,335</u>	<u>\$ 108,626,952</u>	<u>\$ 102,044,118</u>	<u>\$ 107,151,246</u>
<u>\$ 34,176,884</u>	<u>\$ 34,799,999</u>	<u>\$ 36,175,931</u>	<u>\$ 35,567,752</u>	<u>\$ 26,624,634</u>

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF RATIOS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	Payroll	Net Pension Liability as a Percentage of Covered Payroll*
2014	80.09%	13,413,492	198.49%
2015	74.17%	14,868,655	239.21%
2016	75.02%	14,554,279	248.56%
2017	77.42%	14,698,821	236.75%
2018	78.67%	14,765,970	231.46%
2019	77.09%	15,323,527	245.54%
2020	93.89%	15,230,301	66.50%
2021	101.43%	16,308,460	-15.89%
2022	81.21%	17,471,418	204.11%
2023	84.54%	18,516,343	163.16%

Notes to Schedule:

Change of assumptions:

For the measurement date September 30, 2021, amounts reported as changes of assumptions resulted from lowering the interest rate from 7.50% to 7.35% per year compounded annually, net of investment related expenses.

For the measurement date September 30, 2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 IRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year Ended September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2014	3,211,187	3,211,187	-	13,413,482	23.94%
2015	3,181,148	3,181,148	-	14,868,655	21.39%
2016	3,450,819	3,622,979	(172,160)	14,554,279	24.89%
2017	3,548,295	3,464,451	83,844	14,698,821	23.57%
2018	3,722,501	3,721,335	1,166	14,765,970	25.20%
2019	4,042,347	4,050,851	(8,504)	15,323,527	26.44%
2020	3,997,954	(1) 4,056,074	(58,120)	15,230,301	26.63%
2021	4,517,444	4,437,842	79,602	16,308,460	27.21%
2022	2,458,229	2,867,164	(408,935)	17,471,418	16.41%
2023	2,605,249	2,679,121	(73,872)	18,516,343	14.47%

(1) For fiscal year ended September 30, 2020, \$1,368,195 was attributable to the Pension Obligation Bonds.

**CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

Valuation Date: October 1, 2021

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

Methods and assumptions used to determine contribution rates can be found in the October 1, 2021 Actuarial Valuation for the City of Lakeland Police Officers' Retirement System prepared by Foster & Foster Actuaries and Consultants.

CITY OF LAKELAND POLICE OFFICERS' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS

Fiscal Year Ended September 30,	Annual Money-Weighted Rate of Return Net of Investment Expense
2014	9.62%
2015	-1.74%
2016	8.45%
2017	11.74%
2018	8.10%
2019	3.73%
2020	12.99%
2021	23.43%
2022	-13.32%
2023	12.59%

ADDITIONAL INFORMATION

**CITY OF LAKE LAND POLICE OFFICERS' RETIREMENT SYTEM
SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022**

	2023		2022	
	Investment	* Administrative	Investment	* Administrative
Actuary fees	\$ -	\$ 57,843	\$ -	\$ 64,551
Administrator fees	-	48,739	-	56,724
Audit fees	-	21,000	-	12,500
Directors' insurance	-	16,427	-	320
Education and dues	-	4,350	-	-
Investment managers' fees	267,742	-	282,313	-
Legal fees	-	61,011	-	68,924
Seminar and travel expense	-	5,883	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investment and administrative expenses	<u>\$ 267,742</u>	<u>\$ 215,253</u>	<u>\$ 282,313</u>	<u>\$ 203,019</u>
Percentage of Plan net position	<u>0.16%</u>	<u>0.13%</u>	<u>0.18%</u>	<u>0.13%</u>

* Investment expenses do not include management fees withheld from investment fund revenues.