



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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Board of Trustees and Interim Plan Administrator
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 Plan net position as of September 30, 2013 and 2012, and the related statements of changes in Plan 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

Opinions

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, 2013 and 2012, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as of October 1, 2012. 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 funding progress and employer contributions on pages 3-9 and 26-29 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 25, 2014 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 25, 2014

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, 2013, 2012 and 2011. Readers are encouraged to consider the information presented in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- A net increase of approximately \$14.6 million in plan net position (or 8.4%) as a result of the fiscal year activities were primarily due to net investment income.
- City contributions were approximately \$4.3 million. Contributions increased approximately \$841 thousand (or 24.5%) from the 2012 contribution of approximately \$3.4 million. The 2012 contribution increased \$93 thousand from the 2011 contribution of approximately \$3.3 million. The amount of employer contributions vary from year to year based on an actuarially determined requirement.
- Employee contributions were approximately \$2.5 million. Contributions decreased approximately \$128 thousand (or 4.9%) from the 2012 contribution of approximately \$2.64 million. The 2012 contribution decreased approximately \$184 thousand from the 2011 contribution of approximately \$2.82 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 \$20.4 million in 2013 experienced a decrease of approximately \$6.5 million when compared to the approximate \$26.9 million income in 2012. The net investment gain in 2012 was a substantial increase of approximately \$27.6 million when compared to 2011.
- In 2013, benefit payments and refunds of contributions increased by approximately \$1.8 million (or 18.6%), while in 2012, benefit and refund payments increased by approximately \$2.66 million (or 36.8%). The 2013 and 2012 increases were primarily due to an increase in retirees receiving normal benefits and an increase in withdrawals from the Deferred Retirement Option Plan (DROP).

OVERVIEW OF FINANCIAL STATEMENTS

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

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

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

FINANCIAL ANALYSIS

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

SUMMARY OF PLAN NET POSITION							
				2013		2012	
	2013	2012	2011	Amount Change	% Change	Amount Change	% Change
Assets							
Cash and short-term investments	\$ 5,573,482	\$ 3,332,470	\$ 2,670,633	\$ 2,241,012	67.2%	\$ 661,837	24.8%
Investments	183,052,660	169,679,892	149,360,681	13,372,768	7.9%	20,319,211	13.6%
Other assets	1,722,231	2,442,020	1,552,476	(719,789)	-29.5%	889,544	57.3%
Total Assets	190,348,373	175,454,382	153,583,790	14,893,991	8.5%	21,870,592	14.2%
Liabilities							
Payables	1,337,738	1,019,950	1,104,373	317,788	31.2%	(84,423)	-7.6%
Net Position	<u>\$ 189,010,635</u>	<u>\$ 174,434,432</u>	<u>\$ 152,479,417</u>	<u>\$ 14,576,203</u>	<u>8.4%</u>	<u>\$ 21,955,015</u>	<u>14.4%</u>

**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 2013 was approximately \$189.0 million compared to the net position reported in 2012 of approximately \$174.4 million. The net position increased by approximately \$14.6 million (or 8.4%) primarily due to the increase in investments of approximately \$13.4 million due to improved market conditions. When comparing 2012 net position to the 2011 net position of approximately \$152.5 million, a net position increase of approximately \$22.0 million represents an improvement in market conditions. See below for further details.

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

SUMMARY OF CHANGES IN PLAN NET POSITION

				2013		2012	
	2013	2012	2011	Amount Change	% Change	Amount Change	% Change
Additions							
City contributions	\$ 4,268,084	\$ 3,427,410	\$ 3,333,945	\$ 840,674	24.5%	\$ 93,465	2.8%
Employee contributions	2,507,168	2,635,011	2,818,560	(127,843)	-4.9%	(183,549)	-6.5%
Net investment income (loss)	20,353,963	26,898,916	(685,880)	(6,544,953)	-24.3%	27,584,796	-4021.8%
Total Additions	<u>27,129,215</u>	<u>32,961,337</u>	<u>5,466,625</u>	<u>(5,832,122)</u>	<u>-17.7%</u>	<u>27,494,712</u>	<u>503.0%</u>
Deductions							
Benefit payments	11,354,195	9,698,455	6,921,643	1,655,740	17.1%	2,776,812	40.1%
Termination refunds	364,811	180,476	299,804	184,335	102.1%	(119,328)	-39.8%
Transfers to other plans	447,233	788,046	262,364	(340,813)	-43.2%	525,682	200.4%
Administrative expenses	386,773	339,345	364,775	47,428	14.0%	(25,430)	-7.0%
Total Deductions	<u>12,553,012</u>	<u>11,006,322</u>	<u>7,848,586</u>	<u>1,546,690</u>	<u>14.1%</u>	<u>3,157,736</u>	<u>40.2%</u>
Net Increase (Decrease) in Plan Net Position	<u>14,576,203</u>	<u>21,955,015</u>	<u>(2,381,961)</u>	<u>(7,378,812)</u>	<u>33.6%</u>	<u>24,336,976</u>	<u>-1021.7%</u>
Plan Net Position - Beginning of Year	<u>174,434,432</u>	<u>152,479,417</u>	<u>154,861,378</u>	<u>21,955,015</u>	<u>14.4%</u>	<u>(2,381,961)</u>	<u>-1.5%</u>
Plan Net Position - End of Year	<u>\$ 189,010,635</u>	<u>\$ 174,434,432</u>	<u>\$ 152,479,417</u>	<u>\$ 14,576,203</u>	<u>8.4%</u>	<u>\$ 21,955,015</u>	<u>14.4%</u>

The changes in plan net position reflect the following:

Additions to the plan net position decreased approximately \$5.8 million (or 17.7%) from \$33.0 million during 2012 to approximately \$27.1 million during 2013. City contributions equaled approximately \$4.3 million as determined by the annual actuarial valuation. Net investment income decreased by approximately \$6.5 million due to a lower net appreciation in 2013. Additions to plan net position increased approximately \$27.5 million from 2011 to 2012 primarily due to an increase in net investment activities.

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

FINANCIAL ANALYSIS (CONTINUED)

Deductions to plan net position increased approximately \$1.5 million (or 14.1%) from \$11.0 million during 2012 to approximately \$12.5 million in 2013. Most of the increased activity related to more retirees leaving the Deferred Retirement Option Plan (DROP) resulting in an increase of DROP balance withdrawals of approximately \$743 thousand. Additional activity was due to an increase in retirees receiving normal benefits of \$882 thousand offset by an increase in refund payments of approximately \$184 thousand and a decrease in transfers to the executive plan of approximately \$341 thousand. The increase in deductions to plan net position of approximately \$3.2 million from 2011 to 2012 related to additional retirement benefit payments of approximately \$459 thousand due to an increase in retirees and DROP balance withdrawals of approximately \$2.2 million partially offset by an increase in transfers to the executive plans by approximately \$526 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 2013/2012		2013	2012	2011
	Range	Target	Actual	Actual	Actual
Domestic Equity					
Large cap core value	7% - 20%	15.0%	15.7%	15.9%	15.2%
Large cap core growth	7% - 20%	15.0%	16.3%	15.6%	15.3%
Small / mid cap core	5% - 15%	9.0%	9.8%	15.2%	14.2%
International Equity	10% - 20%	15.0%	15.2%	14.0%	13.3%
Convertible Securities	3% - 10%	6.0%	6.2%	-	-
Real Estate Investment Trust	0% - 7%	3.0%	3.3%	3.4%	4.8%
Private Real Estate	3% - 7%	5.0%	5.5%	5.2%	0.0%
Fixed Income					
Bonds	18% - 63%	26.0%	22.3%	24.6%	30.5%
TIPS	3% - 10%	6.0%	5.4%	6.1%	6.7%
Cash and cash equivalents	0% - 10%	0.0%	0.3%	-	-
Total Asset Allocation		<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

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 convertible portfolio in 2012 and 2011 which was funded in 2013. Convertible securities were funded in an amount of \$10 million representing a 5.4% allocation primarily from small cap core equity. Changes in allocation due to market conditions occurred in large cap core value and large cap core growth representing less than 1% in overall increase. Reallocations occurred in 2012 which changed the year end allocation mix; specifically in large cap core value and mid cap core equity which funded private real estate in an amount of \$8.5 million.

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				Annualized Return	
<i>Fund Return</i>				3 Years	5 years
Benchmark Return	2013	2012	2011		
Domestic Equity	20.5%	28.5%	0.3%	15.8%	10.8%
<i>Large cap core value</i>	18.7%	28.3%	1.0%	15.4%	9.6%
Russell 1000 Value	22.3%	30.9%	-1.9%	16.2%	8.9%
<i>Large cap core growth</i>	19.3%	29.2%	3.8%	16.9%	12.1%
<i>Large cap core growth</i>	14.2%	29.1%	-2.3%	12.9%	N/A
Russell 1000 Growth	19.3%	29.2%	3.8%	16.9%	12.1%
<i>Small / mid cap core</i>	27.5%	28.3%	-1.3%	17.3%	N/A
S&P 400 Mid Cap	27.7%	28.5%	-1.3%	17.5%	13.1%
International equity	17.8%	21.5%	-11.5%	4.3%	4.7%
MSCI ACWI ex-US	17.0%	15.0%	-10.4%	6.4%	6.7%
Convertible	N/A	N/A	N/A	N/A	N/A
ML All US Converts	21.2%	N/A	N/A	11.3%	12.7%
Private Real Estate	14.9%	N/A	N/A	N/A	N/A
Real Estate Investment Trust	5.4%	33.3%	1.7%	12.7%	5.4%
Wilshire REIT	5.3%	32.4%	2.1%	12.5%	5.6%
Fixed Income	-1.0%	6.4%	5.0%	3.4%	5.8%
<i>Bonds</i>	-0.2%	6.5%	4.5%	3.5%	6.5%
Fixed Income Custom Benchmark	-0.6%	5.6%	4.2%	3.0%	6.1%
<i>TIPS</i>	-4.0%	6.4%	7.2%	3.1%	4.1%
Barclays Capital 1-10 years TIPS	-3.9%	6.3%	7.2%	3.1%	4.1%
Total Fund Return	12.4%	18.4%	-0.1%	10.0%	8.2%
Total Fund Benchmark	12.7%	18.9%	0.6%	10.5%	8.4%

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

INVESTMENT ACTIVITIES (CONTINUED)

INVESTMENT RETURNS (CONTINUED)

The Plan returned a positive 12.4% for the year ended September 30, 2013, as compared to a positive 18.4% return for 2012 and a negative 0.1% for 2011. 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 the real estate investment trust. In 2012 the Plan showed strong returns in all sectors especially in domestic equity and real estate investment trust. In 2011, the overall result was weak and was mainly the result of the weak performance in the international markets (negative 11.5%). The fund has somewhat lagged behind the benchmark in each of the past three years as well as the three and five year annualized rates of return.

ECONOMIC FACTORS AND FUNDING STATUS

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

The funding ratio is the percentage between the actuarial value of assets and the actuarial accrued liabilities as of each actuarial valuation date. The higher the ratio, the better funded the Plan is from an actuarial perspective. The schedule of funding progress provides trend funded ratio information for the past six years. The latest actuarial valuation date is October 1, 2013. The actuarial value of assets was \$166 million and the actuarial accrued liability was \$196 million. This resulted in a funded ratio of 85%, which was approximately the same funded ratio as reported in the previous valuation.

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

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

REQUESTS FOR INFORMATION

This financial report is designed to provide the Trustees, retired 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.

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

STATEMENTS OF PLAN NET POSITION

SEPTEMBER 30, 2013 AND 2012

	2013	2012
Assets		
Cash and short-term investments	\$ 5,573,482	\$ 3,332,470
Investments, at Fair Value		
Stock and convertible securities	92,090,589	81,384,893
Commingled funds	24,827,715	20,875,326
U.S. government securities	28,600,470	30,577,241
Corporate bonds and debentures	21,020,025	21,945,256
Real estate	16,513,861	14,897,176
Total Investments	183,052,660	169,679,892
Other Assets		
Interest and dividends receivable	499,715	544,557
Unsettled trades receivable	1,199,029	1,240,781
Contributions receivable	--	628,527
Other assets	23,487	28,155
Total Other Assets	1,722,231	2,442,020
Total Assets	190,348,373	175,454,382
Liabilities		
Accounts payable and accrued expenses	250,065	220,618
Unsettled trades payable	1,087,673	799,332
Total Liabilities	1,337,738	1,019,950
Net Position Held in Trust for Pension Benefits	\$ 189,010,635	\$ 174,434,432

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

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

STATEMENTS OF CHANGES IN PLAN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Additions		
Contributions		
City	\$ 4,268,084	\$ 3,427,410
Employee	<u>2,507,168</u>	<u>2,635,011</u>
Total Contributions	<u>6,775,252</u>	<u>6,062,421</u>
Investment Income		
Net appreciation in fair value of investments	16,812,263	23,607,949
Interest	2,162,735	2,221,101
Dividends	2,188,849	1,811,043
Other income	<u>3,525</u>	<u>535</u>
Total investment income	21,167,372	27,640,628
Less investment expenses	<u>(813,409)</u>	<u>(741,712)</u>
Net Investment Income	<u>20,353,963</u>	<u>26,898,916</u>
Total Additions	<u>27,129,215</u>	<u>32,961,337</u>
Deductions		
Benefit payments		
Retirement	7,256,380	6,374,492
Disability	90,468	120,938
Death	729,027	667,875
Deferred retirement option plan	3,278,320	2,535,150
Termination refunds	364,811	180,476
Transfers to other retirement plans		
Executive employees' retirement plan	447,233	788,046
Administrative expenses	<u>386,773</u>	<u>339,345</u>
Total Deductions	<u>12,553,012</u>	<u>11,006,322</u>
Net Increase	14,576,203	21,955,015
Net Position Held in Trust for Pension Benefits		
Beginning of Year	<u>174,434,432</u>	<u>152,479,417</u>
End of Year	<u>\$ 189,010,635</u>	<u>\$ 174,434,432</u>

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 1 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

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

PLAN DESCRIPTION

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

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

Since the Plan is a single-employer public employee retirement system sponsored by the City, the Plan is included as a pension trust fund in the City's Comprehensive Annual Financial Report (CAFR) as part of the City's financial reporting entity for the year ended September 30, 2013. Anyone wishing further information about the City is referred to the CAFR in which the Plan has been included.

As of September 30, 2013 and 2012, membership in the Plan consisted of:

	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries currently receiving benefits	465	451
Vested terminated employees	32	34
Active employees:		
Fully vested	333	331
Nonvested	228	250
Total	<u>1,058</u>	<u>1,066</u>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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, 2013 AND 2012

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, 2013 AND 2012

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, 2013, there were 46 DROP participants with a total balance of \$4,450,106. At September 30, 2012, there were 54 DROP participants with a total balance of \$5,582,016.

Cost-of-Living Adjustment

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

CONTRIBUTIONS AND FUNDING POLICY

Members contribute 9.65% of their compensation for Plan A or B and 6% of their compensation for Plan C. Employer contributions for the year ended September 30, 2013 determined using the actuarial valuation dated October 1, 2011 were 14.22% of covered payroll. Employer contributions for the year ended September 30, 2012 determined using the actuarial valuation dated October 1, 2010 were 10.35% 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, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

IMPLEMENTATION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Board implemented the following GASB Statements during the fiscal year ended September 30, 2013:

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of plan net position.

GASB Statement No. 65 Items Previously Reported as Assets and Liabilities.

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and which had no impact on the financial information in the current year.

GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

This statement incorporates into GASB literature certain accounting and financial reporting guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements which does not conflict with GASB pronouncements, which had no impact on the financial information in the current year.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

INVESTMENTS

Investments are generally reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. 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 position 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 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/expenditure) until then. The Plan has no items that qualify for reporting in this category.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

In addition to liabilities, the statement of net 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.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Investment Portfolio	2013		2012	
	Fair Value	Percent Distribution	Fair Value	Percent Distribution
Cash and Short-Term Investments				
Cash deposits	\$ 896,395	0.48%	\$ 873,154	0.50%
Short-term investments	4,677,087	2.48%	2,459,316	1.42%
Total Cash and Short-Term Investments	5,573,482	2.96%	3,332,470	1.92%
Stock and Convertible Securities				
Common stock	80,685,083	42.78%	81,384,893	47.04%
Preferred stock	71,703	0.04%	--	0.00%
Corporate convertible bonds	9,206,085	4.88%	--	0.00%
Convertible equity	2,127,718	1.13%	--	0.00%
Total Stock and Convertible Securities	92,090,589	48.83%	81,384,893	47.04%
Commingled Funds				
International equity fund	8,513,644	4.51%	7,198,084	4.16%
Domestic equity fund	16,314,071	8.65%	13,677,242	7.91%
Total Commingled Funds	24,827,715	13.16%	20,875,326	12.07%

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Portfolio	2013		2012	
	Fair Value	Percent Distribution	Fair Value	Percent Distribution
U.S. Government Securities				
U.S. Treasury Securities:				
U.S. Treasury bonds	572,911	0.30%	--	0.00%
U.S. Treasury notes index linked	10,180,117	5.40%	10,596,137	6.12%
Total U.S. Treasury Securities	10,753,028	5.70%	10,596,137	6.12%
U.S. Government Sponsored Agencies:				
Mortgage-backed Securities				
Federal National Mortgage Association	7,153,426	3.79%	10,154,159	5.87%
Government National Mortgage Association	680,783	0.36%	440,364	0.25%
Federal Home Loan Mortgage Corporation	10,013,233	5.31%	9,386,581	5.43%
Total Mortgage-backed Securities	17,847,442	9.46%	19,981,104	11.55%
Total U.S. Government Securities	28,600,470	15.16%	30,577,241	17.67%
Corporate Bonds and Debentures				
Corporate obligations	18,570,020	9.84%	18,110,811	10.47%
Commercial mortgage-backed securities	2,450,005	1.30%	3,834,445	2.22%
Total Corporate Bonds and Debentures	21,020,025	11.14%	21,945,256	12.69%
Real Estate				
Real Estate Direct Investment Partnership	10,373,497	5.49%	9,025,833	5.22%
Real Estate Investment Trust	6,140,364	3.26%	5,871,343	3.39%
Total Real Estate	16,513,861	8.75%	14,897,176	8.61%
Total Investments	183,052,660	97.04%	169,679,892	98.08%
Total Cash and Investments	\$ 188,626,142	100.00%	\$ 173,012,362	100.00%

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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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 the U.S. Government, U.S. corporate debt, Treasury inflation indexed securities and bond or 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, 2013 AND 2012

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 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.

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:

	2013		2012	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Fixed Income Investments/Moody's Credit Rating				
Short-Term Securities Aaa	\$ 4,677,087		\$ 2,459,316	
U.S. Government Securities				
U.S. Treasury securities:				
U.S. Treasury bonds	572,911	8.88	--	
U.S. Treasury notes index linked Aaa	10,180,118	5.47	10,596,137	5.48
U.S. Government Sponsored Agencies:				
Mortgage-backed Securities				
Federal National Mortgage Association Aaa	7,153,426		10,154,159	
Government National Mortgage Association Aaa	680,783		440,364	
Federal Home Loan Mortgage Corporation Aaa	10,013,233		9,386,581	
Total Mortgage-backed Securities	17,847,442	22.84	19,981,104	22.63

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

Fixed Income Investments/Moody's Credit Rating	2013		2012	
	Fair Value	Weighted Average Maturity	Fair Value	Weighted Average Maturity
Corporate Bonds and Debentures				
Corporate Obligations				
Aa	2,521,895		2,461,904	
A	9,795,661		10,463,335	
Baa	6,252,463		5,185,572	
Total Corporate Obligations	18,570,019	5.13	18,110,811	5.29
Commercial mortgage-backed securities				
Aaa	2,078,683		3,213,677	
Not rated	--		220,961	
Commercial mortgage-backed securities	2,078,683	30.54	3,434,638	29.78
Government issued commercial mortgage backed Aaa	371,322	7.07	399,807	8.08
Total Commercial Mortgage-Backed Securities	2,450,005		3,834,445	
Total Fixed Income Portfolio	\$ 54,297,582		\$ 54,981,813	

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, 2013 and 2012, the portfolio met the credit rating limitations of the investment policy as presented in the preceding table.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

FIXED INCOME SECURITY INVESTMENT GUIDELINES AND RISK (CONTINUED)

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 1.5% of the total bond portfolio. The policy further requires that corporate bond issues rated below A3 (Moody's) /A- (Standard & Poor's/Fitch) cannot represent more than 15% of the total bond portfolio. At September 30, 2013 and 2012, 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.

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, 2013 and 2012, 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.

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan Net 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.

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

NOTE 4 - TRANSFERS TO/FROM OTHER PLANS

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

The amount transferred as a result of the change in status or election is the actuarial value of their accrued benefit. Amounts transferred to other plans are presented on the Statements of Changes in Plan Net 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, 2013 AND 2012

NOTE 5 - FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan as of October 1, 2013, the most recent actuarial valuation date, and October 1, 2012, is as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Annual Covered Payroll [(b-a)/c]
October 1, 2013	\$ 165,621	\$ 195,695	\$ 30,074	84.63%	\$ 27,598	108.97%
October 1, 2012	\$ 155,928	183,856	27,928	84.81%	28,584	97.71%

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

Additional information as of the actuarial valuation dated 2013 and 2012 is as follows:

Actuarial Valuation

Frequency	Annual	Annual
Latest date	October 1, 2013	October 1, 2012
Cost method	Entry age normal	Entry age normal
Remaining amortization period	3 to 30 years	3 to 30 years
Asset valuation method	4 year smoothed average - with 80%/120% corridor.	4 year smoothed average - with 80%/120% corridor.
Amortization method	Level percent, closed	Level percent, closed

Assumptions

Investment rate of return	8.0%	8.0%
Projected salary increases	3.9% - 7.3%	3.9% - 7.3%
Cost-of-living adjustments	None assumed	None assumed

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as Percentage of Annual Covered Payroll [(b-a)/c]
October 1, 2013	\$ 165,621	\$ 195,695	\$ 30,074	84.63%	\$ 27,598	108.97%
October 1, 2012	155,928	183,856	27,928	84.81%	28,584	97.71%
October 1, 2011	150,589	177,691	27,102	84.75%	29,916	90.59%
October 1, 2010	155,042	169,663	14,621	91.38%	32,166	45.45%
October 1, 2009	155,671	162,631	6,960	95.72%	32,811	21.21%
October 1, 2008	156,186	150,363	(5,823)	103.87%	32,119	-18.13%

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended <u>September 30:</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2013	\$ 4,268,084	100%
2012	3,427,410	100%
2011	3,333,945	100%
2010	2,503,965	100%
2009	2,099,218	100%
2008	1,998,068	100%

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SIGNIFICANT FACTORS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2013 Changes in Plan provisions and actuarial methods since prior actuarial valuations:

- None

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

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

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

REPORTING SECTION

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

Board of Trustees and Interim Plan Administrator
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 statement of Plan net position and statement of changes in Plan net position of the City of Boca Raton General Employees' Pension Plan (the Plan) as of September 30, 2013 and the related notes to the financial statements, which collectively comprise the Plan's financial statements, and have issued our report thereon dated March 25, 2014.

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 opinions 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, FL
March 25, 2014