

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2022

FINANCIAL STATEMENTS
of the
EMPLOYEES' PENSION AND RETIREMENT SYSTEM
A PENSION TRUST FUND OF THE CITY OF LAKELAND, FLORIDA
for the
FISCAL YEAR ENDED SEPTEMBER 30, 2022



Prepared by the
FINANCE DEPARTMENT

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
City of Lakeland, Florida
Employees' Pension and Retirement System

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Employees' Pension and Retirement System of the City of Lakeland, Florida (the "Plan"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 audit. 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions, and the Schedule of Investment Returns on pages 20-21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

(Continued)

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, 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 the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



Crowe LLP

Tampa, Florida
March 22, 2023

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

ASSETS	
Cash and cash equivalents	\$ 9,969,503
Receivables:	
Contributions	456,240
Interest and dividends receivable	951,644
Unsettled investment sales, net	<u>1,977,329</u>
Total receivables	<u>3,385,213</u>
Investments:	
Mutual funds	73,911,301
US government obligations	62,199,194
Corporate notes and bonds	49,260,973
Corporate stocks	149,150,629
Alternate investments	46,865,088
Fixed income funds	42,844,610
Real estate funds	61,578,147
Private equity funds	<u>168,143,618</u>
Total investments	<u>653,953,560</u>
Total assets	<u>667,308,276</u>
LIABILITIES	
Payables:	
Accounts payable	397,573
Unsettled investment purchases, net	<u>859,644</u>
Total liabilities	<u>1,257,217</u>
NET POSITION	
Net Position Restricted for DROP benefits	19,021,275
Net Position Restricted for pension benefits and other purposes	<u>647,029,784</u>
	<u>\$ 666,051,059</u>

See Accompanying notes to financial statements

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2022

ADDITIONS

Contributions:

Employer	\$ 6,393,795
Plan members	<u>4,894,277</u>
Total contributions	<u>11,288,072</u>

Investment income:

Interest and dividends	14,640,028
Net increase (decrease) in the fair value of investments	(111,736,399)
Investment advisor fee	<u>(2,319,148)</u>
Net investment income	<u>(99,415,519)</u>

Miscellaneous income	<u>5,453</u>
Total additions	<u>(88,121,994)</u>

DEDUCTIONS

Benefits paid	54,999,119
Refunds former plan members	1,564,007
Administrative expenses	<u>259,797</u>
Total deductions	<u>56,822,923</u>

CHANGE IN NET POSITION	(144,944,917)
NET POSITION, beginning of year	<u>810,995,976</u>
NET POSITION, end of year	<u>\$ 666,051,059</u>

See Accompanying notes to financial statements

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General - These financial statements represent only the Employees' Pension and Retirement System (Plan) of the City of Lakeland, Florida (City). The statements presented herein do not constitute the basic financial statements of the City which are issued separately under the title "Annual Comprehensive Financial Report." The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan has elected not to present management's discussion and analysis as required by GASB Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Valuation of Investments - The Plan investments are reported based on the following valuations:

- Money market funds are reported at cost, which approximates fair value.
- Fixed income and equity securities are valued at fair value based on the last reported sales price.
- Alternative investment, private equity, real estate, and fixed income funds are reported at net asset value.

Basis of Accounting - The Plan is maintained using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which the employee services are performed. Expenses are recognized when they are incurred, and revenues are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Generally Accepted Accounting Principles (GAAP) in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Realized Gains and Losses - The total gain/(loss) on investments sold during the fiscal year ended September 30, 2022 was \$37,197,757.

- The calculation of realized gains and losses is independent of the calculation of the net changes in the fair value of the investments.
- Realized gains and losses on investments that were held in more than one reporting period and sold in the current period were included as a change in the fair value reported in prior periods and the current period.

Administrative Costs - Administrative costs are paid by the Plan from both contributions and investment income.

NOTE B – PLAN DESCRIPTION

1. General - This Plan is a pension trust fund (fiduciary fund type) of the City that contains three pension plan options (Plans A, B, and C). Each plan option is part of a single employer, defined benefit pension plan offered by the City with a defined contribution option available to certain eligible employees. Plan A is eligible to employees of the City hired prior to October 1, 2003. Plan B is eligible to employees hired on or after October 1, 2003 through February 15, 2012. Plan C is eligible to employees hired after December 29, 2011 or who have made an irrevocable election to convert their prospective benefit calculation to Plan C as of February 15, 2012. The defined contribution option allows certain eligible employees to cease participation in this Plan and begin participation in the City's defined contribution plan.

2. Plan Administration - The City of Lakeland Employees' Pension and Retirement System administers the City of Lakeland Employees' Pension Plan – a single employer, defined benefit pension plan that provides pensions for all full-time, regular employees of the City. The authority for the establishment and amendment of the Plan, benefits, vesting, and contributions are established by City Ordinances. Government plans are not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA). Management of the Plan is vested in the Employees' Pension Board of Trustees (the Board), which consists of seven active members serving staggered three-year terms. Annually, one Board member is elected by plan members for a three-year term and one Board member is appointed by the City Commission for a three-year term. The final Board member is appointed by the Board for a three-year term.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE B – PLAN DESCRIPTION (continued)

3. Plan Membership - Pension plan membership for the Plan as of the actuarial valuation date of October 1, 2020 for fiscal year ending September 30, 2022 is shown in the following table.

Active Plan Members	1,400
Retirees and Beneficiaries	1,232
DROP Participants	181
Terminated Vested Plan Members	119
	<u>2,932</u>

4. Plan Benefits

Pension Benefits

Plan A

Plan is eligible for employees hired before October 1, 2003. Plan members may retire after attaining age 60 and contributing for 10 or more years to this plan. The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 36 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 3% per year for the first 25 years of service plus 1% per year for all service exceeding 25 years.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Plan B

Plan is eligible to employees hired on or after 10/1/2003 through February 15, 2012. Plan members may retire after attaining age 62 and contributing to the plan for 10 or more years. The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 60 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 2% per year for the first 10 years of service, 3% for the next 20 years, and 1% for each year over 30 years of service.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Plan C

Plan is eligible to employees hired after December 29, 2011, or who converted to plan C as of February 15, 2012. Plan members may retire after attaining age 62 and contributing to the plan for 5 or more years. The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 60 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 2.41% per year of service.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Cost of Living Increase

There was no cost of living increase in fiscal year 2022.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE B – PLAN DESCRIPTION (continued)

4. Plan Benefits (continued)

Termination Benefits

If a member employee is terminated, either voluntarily or involuntarily, the following benefits are payable:

- If the employee has credited service of less than ten years under Plans A or B or five years under Plan C the employee will be entitled to his or her contributions to the Plan.
- If the employee has credited service of more than ten years under Plans A or B or five years under Plan C (terminated vested), the benefits will be calculated as described in the *Pension Benefits* section above, provided that the benefit calculation is based upon the benefits which existed at the time of termination of employment. If the participant elects to leave his or her contributions in the fund upon separation from service and is entitled to a vested deferred pension, the monthly pension income will be adjusted to reflect any increase in benefits becoming effective after the date of separation from service.

Terminated membership in the plan

Effective September 7, 2004, a member can terminate membership in the Plan if he or she is not subject to collective bargaining, has attained normal retirement status or has attained thirty years of credited service. A member may elect to terminate membership in the plan with a vested benefit while still employed. This election allows the members to defer receipt of defined benefits until a later date and commence participation in the City's Defined Contribution Plan. The member is guaranteed a lifetime defined benefit for the years of service vested and may manage his or her investments in the Defined Contribution Plan.

Deferred Retirement Option Plan (DROP)

DROP allows members to continue working while their monthly pension benefit is deposited into a DROP account. Once a member enters the DROP, the decision is irrevocable. Members who entered the DROP prior to December 31, 2011, and non-bargaining unit members who entered the DROP prior to the September 11, 2015 ratification of a collective bargaining agreement earn 6.5% per year. The member benefit shall be calculated as if the member had separated from service. The member remains an active employee of the City and agrees to terminate active service no later than sixty months following the date of entry into the DROP. Nothing prohibits a member from terminating service prior to completing sixty months in the DROP. If a member chooses to continue employment beyond the sixty months, then beginning on the 61st month the DROP account will no longer be credited with the monthly pension benefits or interest.

Under Ordinance No. 5434, adopted on March 3, 2014, for members who enter the DROP on or after December 31, 2011 and collective bargaining unit members who enter the DROP after September 11, 2015 may elect to have their DROP account credited and compounded semi-monthly at a variable interest rate, not to exceed three percent (3%) per annum. The Board shall review and set the variable interest rate once each year. Within 60 days of announcing the variable interest rate, each member of the DROP may elect to transfer all, some, or none of their existing DROP account balance and future DROP account accruals to the City of Lakeland Defined Contribution Plan, subject to Board approval, via a plan to plan transfer; provided, that all such transfers made to the City of Lakeland Defined Contribution Plan are irrevocable and shall not be transferred back to the member's DROP account at any point thereafter.

A failure to make such an initial election means that the Member's DROP balance will remain in the Fund and earn said variable interest rate. Each year thereafter, within 60 days of the Board setting the variable interest rate, each member in the DROP shall elect whether any amounts still in the Fund or any DROP account accruals will either be: credited at the variable interest rate, compounded semi-monthly on the prior installment's accumulated ending balance until such time as the earlier of the 120th payment or the last payment made prior to final separation from service or death, or be irrevocably transferred to the City of Lakeland Defined Contribution Plan. Any member of the DROP who fails to make such a written annual election within the prescribed time shall continue with the option, as described herein in which the member was currently participating.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE B – PLAN DESCRIPTION (continued)

4. Plan Benefits (continued)

Deferred Retirement Option Plan (DROP) (continued)

At the conclusion of the member's DROP, the Retirement Services Department distributes the total accumulated DROP benefits via lump-sum payment, direct rollover into eligible retirement plan, or partial lump-sum payment which is a combination of the lump-sum payment and direct rollover. As of October 1, 2020, there were 181 DROP participants. As of September 30, 2022, the Plan held \$19,021,275 in DROP benefits payable.

Death Benefits

If an employee were to die prior to normal retirement, his beneficiary would receive benefits payable as provided in the Plan including various payment options elected by the employee prior to death.

- If the employee has less than ten years under Plan A or B or five years under Plan C of credited service, the designated beneficiary is entitled to his or her contributions to the Plan.
- If the employee has more than ten years under Plan A or B or five years under Plan C of credited service the spouse, or where there is no spouse, the eligible dependent(s) of the employee receive a monthly retirement benefit that is the actuarial equivalent of 50% of what the employee would have received upon retirement on the date of death. If the employee had attained age fifty, this monthly retirement benefit increases to the actuarial equivalent of 75% of what the employee would have received upon retirement on the date of death.

Disability Benefits

There are no disability benefits available.

5. Funding Requirements - City Ordinance No. 5287 section 23.1.1 grants the authority to establish and modify the contribution requirements of the City and active plan members to the City Commission. The Plan is subject to periodic review by an independent actuary. The City obtains an annual review by an independent actuary utilizing census data covering both retired and active plan members and balance sheet data regarding net position of the Plan based on an effective date of October 1 with the report being issued within 6 months of the fiscal year. This review is used to determine the required funding level upon which the City bases its annual contribution to the Employees' Pension and Retirement System for the budget year commencing after the issuance of that report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Any changes to the actuarially determined contribution rate is shared on a 1.40 to 1.00 ratio between the City and the participants of the Plan (cost sharing). The City is required to contribute at least quarterly to the fund in an amount equal to the required city contribution as shown by the applicable actuarial valuation system.

The actuarial valuation report as of October 1, 2020 for the change in annual employer contributions for the fiscal year ending September 30, 2022 reflected cost sharing as follows:

Contribution Rate Last Year	19.33 %
Change in Cost Sharing	(0.27)
Change in Actuarial Assumptions	(0.89)
Change in Normal Cost Rate	(0.09)
Amortization Payment on UAAL	0.45
Actuarial Experience	0.26
Actuarial Experience from DROP Variable Interest Rate Option	(0.11)
Contribution Rate This Year	18.68 %

For the year ended September 30, 2022 the City contributed \$6,393,795 and the employees contributed \$4,894,277 including buybacks.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE B – PLAN DESCRIPTION (continued)

5. Funding Requirements (continued)

Revision in Actuarial Assumptions or Methods

On February 21, 2022 the city adopted Ordinance No. 5745, wherein the remaining credit balance from the proceeds of the Pension Obligation Bond (\$50,661,662) was added to the asset value of the plan as of September 30, 2021. This resulted in the following revisions in actuarial assumptions or methods:

- The new actuarial valuation as of October 1, 2021 is used to determine the required contributions rates for the fiscal year ending September 30, 2022 and September 30, 2023.
- The full amount of the remaining credit balance from the proceeds of the Pension Obligation Bond as of September 30, 2021 (\$50,661,662) was included in the plan assets and no longer serves as an annual offset to the required employee contribution.
- The actuarial value of assets was set equal to the market value of assets as of October 1, 2021.
- The investment return assumption was lowered from 7.25% net of investment expenses to 6.75% net of investment expenses.
- Effective October 1, 2021, after the assumption and method changes, the UAAL amortization bases were combined and offset, in accordance with the methodology described for combining and offsetting amortization bases under Internal Revenue Code Section 412(b).
- Use the contribution rates for the previous fiscal year as the base amounts for cost sharing.

Due to the revisions in actuarial assumptions and methods due to Resolution No. 5745, the actuarially determined contribution rates for the actuary report dated October 1, 2020 were updated as follows.

	Expected Annual Contributions Per Resolution No. 5745 After Reflecting Credit Balance		
	10/1/2022	2/27/2022	Blended Rates for the Fiscal Year
	to	to	
	<u>2/26/2022</u>	<u>9/30/2023</u>	
Employer Contribution Rate	10.88%	7.31%	8.80%
Employee Contribution Rate			
Plan A/B	10.19%	7.83%	8.81%
Plan C	5.44%	3.08%	4.06%

Member Contributions

The actuarially determined contribution rate for the actuary report as of October 1, 2021 with the Annual Required Contributions for the Fiscal Years Ending September 30, 2022 and September 30, 2023 was 8.81% (blended) for employee in plans A & B, and 4.06% (blended) for employees in plan C. There are no remaining members who have not ratified the plan changes under Ordinance No. 5287.

Employer Contributions

The City's contribution rate for the fiscal year ended September 30, 2022 was 8.80% (blended) of annual payroll. The covered payroll for the Plan was \$81,948,283.

Resolution 5242 adopted on October 19, 2015 resulted in an advance payment of \$15,000,000 made against the employer's share of the unfunded pension liability from the City's Public Improvement Endowment Fund to be amortized over a period of sixteen years. In return for this advanced payment, the City as the employer receives an annual credit of \$1,546,989 against its annual required contribution to the Plan after the application of cost sharing calculations.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE B – PLAN DESCRIPTION (continued)

5. Funding Requirements (continued)

In March of 2020 the City issued its Taxable Pension Liability Reduction Note, Series 2020 of which an advance payment of \$57,457,050 was made against future contribution requirements to be amortized over a period of sixteen and a half years. The amortization amount was used as a credit against the annual required contribution after the cost sharing calculations were applied and commenced with the fiscal year ended September 30, 2020. In a revised actuarial report completed for the Employees' Retirement System in March 2022, system asset values were reset to their full market values as of 10/1/2021, including the full recognition of the proceeds from the pension notes that were deposited into the fund. The credit balance related to the pension notes was eliminated for FY2022 and thereafter. Contribution rates (for FY2022 and FY2023) for both the employer and employees were recalculated, resulting in net savings for both parties.

Net Pension Liability of the City

The actuarial valuation of the liabilities was determined as of the beginning of the year, October 1, 2021 (based on the actuarial valuation results as reported in the October 1, 2021 actuarial valuation report dated February 10, 2023) and rolled forward to the September 30, 2022 measurement date. For the reporting date of September 30, 2022, the net pension liability was as follows:

Total pension liability	\$	775,234,130
Plan net position		666,051,059
Net pension liability (asset)	\$	<u>109,183,071</u>
Plan net position as a percentage of the total pension liability (asset)		
		85.92%

6. Plan Assumptions - The valuation date was revised on February 10, 2023 and the Total Pension Liability was developed by using standard actuarial techniques to roll forward amounts from the October 1, 2021 actuarial valuation one year to the measurement date.

Actuarial valuation:

Valuation Date	10/1/2021
Notes	Actuarially determined contribution rates are calculated as of October 1, which is one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	19 Years
Asset Valuation Method	5-year smoothed (the Actuarial Value of Assets was set equal to the Market Value of Assets as of October 1, 2021).
Inflation	2.5%
Salary increases	4.0% to 12.5% depending on service, including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	PUB-2010 Headcount Weighted General Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted General Below Median Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Headcount Weighted General Below Median Retiree Female Table (post-retirement). These tables use ages set back one year for males and future improvements in mortality projected to all future years after 2010 using scale MP 2018. This is the mortality assumption used by the Florida Retirement System (FRS) for Regular Class members (other than K-12 School Instructional Personnel) in their actuarial valuation as of July 1, 2020, mandated by Chapter 112.63, Florida Statutes.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE B – PLAN DESCRIPTION (continued)

Plan Assumptions (continued)

Rate of Return

The long-term expected rate of return on pension plan investments was 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 expense and inflation) are developed for each major asset class. 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, 2022 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class (Market)</u>	<u>Target Allocation Proxy*</u>	<u>Long-Term Expected Real Return</u>	<u>Asset Group Contribution</u>
Domestic Equity	47.5%	7.50%	3.5625%
International Equity	15.0%	8.50%	1.2750%
Domestic Bonds	25.0%	2.50%	0.6250%
Real Estate	12.5%	4.50%	0.5625%
		Total Real Return	6.0250%

- * Domestic Equity serves as a proxy for a 15% target to private equity
- * Domestic Bonds serves as a proxy for a 10% target to private fixed income
- * Real Estate serves as a proxy for a 2.5% allocation to infrastructure

Discount Rate

A single discount rate of 6.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.75%. The projection of cash flows used to determine this single discount rate assumed that the plan member contributions will be made at the current contribution rate and that City contributions will be made at the rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments (6.75%) 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 plan's net pension liability, calculated using a single discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	<u>Decrease Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>Increase Rate (7.75%)</u>
City's net pension liability	\$ 191,876,253	\$ 109,183,071	\$ 39,660,537

Rate of Return For the year ended September 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (12.34)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

7. Termination of Plan Should the Plan terminate at some future time; its net position generally will not be available on a pro-rata basis to provide participants' benefits. Some benefits may be fully or partially provided, while other benefits may not be provided at all. This provision depends upon the priority of the benefits and the availability of plan assets existing at the time of such termination.

8. Investments The following individual non-US Government secured investments individually were more than 5% of the net position.

	<u>Non-US government Secured Investments</u>	<u>% of FNP</u>
Aberdeen US Private Equity VII (Offshore) LP	\$ 35,604,006	5.3%
Vanguard Equity Income Fund	40,905,665	6.1%
Fiduciary Net Position	<u>\$ 666,051,059</u>	

(continued)

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash Equivalents - Cash equivalents in the accompanying Statement of Fiduciary Net Pension are composed of the following:

Equity in pooled cash	\$ 2,036,475
Money market funds	<u>7,933,028</u>
Total cash equivalents	<u>\$ 9,969,503</u>

Investment Policy - The Board maintains that an important determinant of future investment returns is the expression and periodic review of the City of Lakeland Employees' Retirement Plan investment objectives. To that end, the Board has adopted a statement of Investment Policy and directs that it applies to all assets under their control. In fulfilling their fiduciary responsibility, the Board recognizes that the retirement system is an essential vehicle for providing income benefits to retired participants and their beneficiaries. The Board is to review the Statement of Investment Policy and any addendum from time to time and to amend them if necessary, to reflect any changes in philosophy or objectives. If at any time the investment manager believes that the specific objectives defined cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) – (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail. There were no changes to the Investment Policy in the current year.

Authorized Investments - Several forms of legal provisions govern the types of investments in which the Plan monies may be invested. Plan monies may be invested in any of the following:

- Direct obligations of the Federal Government
- Interest-bearing time deposits
- The Florida State Board of Administration
- Corporate stocks and bonds
- Money market and mutual funds
- Obligations guaranteed by the Federal National Mortgage Association
- Obligations of the Federal Home Loan Mortgage Corporation
- Obligations of the Federal Home Loan Bank
- Obligations of the Federal Farm Credit Bank
- Obligations guaranteed by the Government National Mortgage Association

Alternative investments are authorized within specific parameters of each investment manager's management agreement.

Asset Allocation - In the City of Lakeland's Employees' Pension Fund, assets shall be diversified among equities and fixed income investments to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The Board employs professional Investment Management firms to invest the assets of the Plan. Assets shall be diversified to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The performance of the Portfolio is compared to the return of a customized blended market index comprised of domestic and international equity, aggregate and international fixed income, real estate and alternative investments. If at the end of any calendar quarter, the allocation of an asset class falls outside of its allowable range, barring extenuating circumstances, the asset allocation will be rebalanced into the allowable range. The City of Lakeland's investment allocation limits and actual limits for the Employee Pension Fund as of September 30, 2022 are as follows:

<u>Asset Class (Market)</u>	<u>Maximum%</u>	<u>Minimum%</u>	<u>Actual %</u>
Domestic Equity	47.5%	27.5%	34.3%
International Equity	25.0%	10.0%	13.3%
Private Equity	20.0%	0.0%	12.0%
Core Fixed Income	40.0%	10.0%	17.3%
Private Fixed Income	15.0%	0.0%	6.5%
Core Real Estate	10.0%	0.0%	3.5%
Non-Core Real Estate	10.0%	0.0%	5.7%
Private Multi-Asset	10.0%	0.0%	3.9%
Private Infrastructure	5.0%	0.0%	3.2%
			<u>100%</u>

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Concentrations - The Investment Manager is expected to diversify the portfolio sufficiently to minimize the risk of a large loss from a single security. As of September 30, 2022, no single company's fixed securities and common stock represented more than 3% and 5%, respectively, of the market value assets of the fund.

Investment Violations - There were no significant violations of legal or contractual provisions for deposits and investments during the year.

Custodial Credit Risk - Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the City of Lakeland Employees' Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2022, the City of Lakeland Employees' Pension Fund held \$9,969,503 and \$73,911,301 in Money Market Funds and Equity Mutual Funds respectively. These investments are held by an investment's counterparty, not in the name of the Plan. The City of Lakeland Employees' Pension Fund investment policy limits the investment in Money Market Funds and Mutual Funds, including Commingled Trust Funds, to 10% of total investments in each.

Fair Value Measurement - The City implemented GASB Statement No. 72, *Fair Value Measurement and Application* during fiscal year 2016. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation techniques should be applied consistently; maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. This statement also establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels.

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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.
- Level 3: inputs are dependent on unobservable factors such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

This Statement requires disclosures to be made about the fair value measurements, the level of fair value hierarchy, and the valuation techniques. These disclosures should be organized by type of asset or liability reported at fair value and requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). These disclosures are found in Note A – Summary of Significant Accounting Policies.

Debt and equity securities classified as Level 1 were valued using quoted prices as of September 30 (or the most recent market close date if the markets were closed on September 30) in active markets from the custodian bank's primary external pricing vendors.

Debt and equity securities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings, other observable market information, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Debt and equity securities classified as Level 3 are prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

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CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Fair Value Measurement (continued)

The following table illustrates employee pension investment holdings by their fair value hierarchy.

Investment Type Measured at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
US Government Obligations	\$ 62,199,194	\$ 38,284,319	\$ 23,914,875	\$ -
Corporate Notes and Bonds	49,260,973	-	49,260,973	-
Corporate Stocks	136,749,169	136,749,169	-	-
Foreign Corporate Stocks	12,401,460	-	12,401,460	-
Sub-total	<u>260,610,796</u>	<u>175,033,488</u>	<u>85,577,308</u>	<u>-</u>
Equity Mutual Funds	73,911,301	73,911,301	-	-
Sub-total	<u>73,911,301</u>	<u>73,911,301</u>	<u>-</u>	<u>-</u>
Investments at Fair Value	<u>334,522,097</u>	<u>\$ 248,944,789</u>	<u>\$ 85,577,308</u>	<u>\$ -</u>

Investment Type Measured at Net Asset Value	Net Asset Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Fixed Income Strategies	42,844,610	\$ 30,775,212	n/a or quarterly*	100 days written*
Real Estate Strategies	61,578,147	24,066,893	n/a or quarterly*	30 days, subjective*
Private Equity Strategies	168,143,618	26,415,228	n/a, daily or quarterly*	n/a or 5-10 days*
Alternative Investment Strategies	46,865,088	5,251,626	n/a*	n/a*
Total Investments at NAV	<u>319,431,463</u>	<u>86,508,959</u>		
Total Investments	<u>\$ 653,953,560</u>	<u>\$ 86,508,959</u>		

There were no investments measured at level 3 as of September 30th, 2022. There are 31 investment securities measured at the net asset value (NAV) due to the nature and frequency of their pricing methods. The four principal types of investment holdings measured at their NAV include:

Fixed income strategies - This type includes nine private equity fixed income type securities invested primarily in secured and unsecured debt instruments of middle market companies and institutions. These securities can include special situations like rescue financing and restructuring to optimize liquidity often with lower fee structures. *These investments are typically illiquid with disbursements received as underlying assets are liquidated; however, one of these funds is eligible for quarterly redemption with 100 days written notice.

Real estate strategies - This type includes nine real estate funds invested primarily in commercial and residential real estate. Participation in these funds is typically as a limited partnership with ownership measured in shares of partners' capital. *These holdings are typically illiquid with distributions received as underlying asset are liquidated; however, one fund is eligible for quarterly disbursement with a 30 day notice subject to available cash as determined by the trustee.

Private equity strategies - This type includes ten private equity funds with a variety of investment strategies that include growth or value assets. Ownership is measured in shares of partners' capital with distributions received as the underlying investments of the fund are liquidated. *These holdings are typically illiquid with distributions received as underlying assets are liquidated; however, two of these funds are eligible for daily withdrawal subject to a 5 or 10 day notice and one fund is eligible for monthly withdrawal subject to a 5 day notice before month end.

Alternative investments - This type includes four alternative investment funds with a variety of investment strategies that typically offer superior long-term risk/reward profiles, but with more limited liquidity characteristics. These assets include dislocation opportunities resulting from liquidity-driven capital markets and deteriorating underwriting standards, as well as differentiated private investments which do not typically fall into a strategy silo. None of these investment funds are eligible for redemption upon request. Funds become available as underlying assets are liquidated.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Foreign Currency Risk - The Employee Pension Fund held \$100,475,826, (15.4%) in fixed income and equity investments of foreign issuers of non-U.S. companies. The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2022, the Employee Pension Fund held the following fixed income and equity investments in non-U.S. companies and/or investments denominated in a foreign currency:

Foreign Investments:

Private Equity:	Market Value	Denomination	Maturity
Emerging Markets Equity Series of Global Asset Management Strategies	\$ 10,373,498	USD	N/A
TS&W International Large Cap Equity Trust	31,025,400	USD	N/A
WCM Focused International Growth Fund LP	26,475,616	USD	N/A
WTC CTF Emerging Markets Research	20,199,852	USD	N/A
Total Private Equity	<u>88,074,366</u>		
 Corporate Stocks:			
Accenture Plc	1,394,309	USD	N/A
Aercap Holdings Nv	655,776	USD	N/A
Aon Plc	2,030,990	USD	N/A
Argo Group Intl Hldgs Ltd	158,972	USD	N/A
Asml Holding N.V.	305,698	USD	N/A
Atlassian Corporation Plc	117,930	USD	N/A
Bunge Limited	157,213	USD	N/A
Canadian Pac Ry Ltd Com	319,389	USD	N/A
Constellium Se	178,606	USD	N/A
Cyber-Ark Software	180,528	USD	N/A
Establishment Labs Holdings Inc.	137,672	USD	N/A
Evolution AB	190,170	USD	N/A
First Bancorp	294,722	USD	N/A
Gates Industrial Corporation	169,385	USD	N/A
Helen Of Troy Limited	158,740	USD	N/A
Himax Technologies, Inc.	30,918	USD	N/A
Ichor Holdings Ltd	121,704	USD	N/A
Icon Plc	289,453	USD	N/A
James River Group Holdings Ltd.	49,019	USD	N/A
Johnson Controls International Plc	198,750	USD	N/A
Livanova Plc	138,297	USD	N/A
Lululemon Athletica Inc	175,004	USD	N/A
LVMH Moet Hennessy	77,432	USD	N/A
Lyondellbasell Industries Nv	525,530	USD	N/A
Magnachip Semiconductor Corp	115,907	USD	N/A
Naspers Limited	180,321	USD	N/A
Orion Engineered Carbons	75,681	USD	N/A
Popular Inc	273,540	USD	N/A
Prosus Nv	689,871	USD	N/A
Royal Dutch Shell	832,783	USD	N/A
Safran SA	783,730	USD	N/A
Sensata Technologies Holding Plc	171,528	USD	N/A
Shopify Inc - A W/I	15,625	USD	N/A
Sierra Wireless Inc Com	73,360	USD	N/A
Silicon Motion Technology Corporation	271,712	USD	N/A
Smart Global Holdings Inc	179,632	USD	N/A
Steris Plc	154,141	USD	N/A
Tronox Holdings Plc	219,189	USD	N/A
Versabank	34,642	USD	N/A
WNS Holdings Ltd	273,591	USD	N/A
Total Corporate Stocks	<u>12,401,460</u>		
Total Foreign Investments	<u>\$ 100,475,826</u>		

(continued)

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk - Credit risk is the risk of loss due to the failure of the security issuer or other counterparty. The purpose of the Plan's investment policy is to minimize credit risk by limiting investments in securities that have higher credit risks, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City of Lakeland's investment policy requires the following Standard & Poor's (S&P) or Moody's unsecured credit quality ratings for fixed income securities of the Employee Pension Fund:

Investment Class	S & P Rating	Moody's Rating	Maximum %
Employee Pension Fund			
Fixed Income Investments	BBB	Baa	20%
Fixed Income Investments	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%

As of September 30, 2022, the City of Lakeland's Employee Pension Fund's debt security investments had the following credit quality ratings:

S&P Rating			Moody's Rating		
	Fair Value	% of Total		Fair Value	% of Total
AA+ to AA-	\$ 66,719,152	59.9%	Aaa	\$ 63,249,287	56.7%
A+ to A-	18,603,940	16.7%	Aa1 to Aa3	1,050,170	0.9%
BBB+ to BBB-	26,137,075	23.4%	A1 to A3	27,922,115	25.1%
NR		-%	Baa1 to Baa3	19,238,595	17.3%
	<u>\$ 111,460,167</u>	<u>100.0%</u>		<u>\$ 111,460,167</u>	<u>100.0%</u>

As of September 30, 2022, the City of Lakeland's Employee Pension Fund's investment types had the following credit quality ratings:

S&P Rating					
US Government					
Agency Obligations			Corporate Bonds		
	Fair Value	% of Total	Fair Value	% of Total	
AA+ to AA-	\$ 62,199,194	100.0%	\$ 4,519,958	9.2%	
A+ to A-	-	-%	18,603,940	37.8%	
BBB+ to BBB-	-	-%	26,137,075	53.0%	
	<u>\$ 62,199,194</u>	<u>100.0%</u>	<u>\$ 49,260,973</u>	<u>100.0%</u>	

Moody's Rating					
US Government					
Agency Obligations			Corporate Bonds		
	Fair Value	% of Total	Fair Value	% of Total	
Aaa	\$ 62,199,194	100.0%	\$ 1,050,093	2.1%	
Aa1 to Aa3	-	0.0%	1,050,170	2.1%	
A1 to A3	-	0.0%	27,922,114	56.7%	
Baa1 to Baa3	-	0.0%	19,238,596	39.1%	
	<u>\$ 62,199,194</u>	<u>100.0%</u>	<u>\$ 49,260,973</u>	<u>100.0%</u>	

(continued)

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Credit Risk (continued)

The following investments and maturities held by the Employee Pension Fund of the City as of September 30, 2022 are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Reported Value		Investment Maturities (in years)		
	Primary Government	Less than 1	1-5	6-10	More than 10
US Government Obligations	\$ 62,199,194	\$ -	\$ 3,265,413	\$ 23,661,631	\$ 35,272,150
Corporate Notes & Bonds	49,260,973	1,092,278	12,275,356	28,806,831	7,086,508
Corporate Stocks	136,749,169	136,749,169	-	-	-
Foreign Corporate Stocks	12,401,460	12,401,460	-	-	-
Sub-total	<u>260,610,796</u>	<u>150,242,907</u>	<u>15,540,769</u>	<u>52,468,462</u>	<u>42,358,658</u>

Other investments of the fund are collateralized by securities that exist in physical or book entry form and thus cannot be held in the City's name. The breakdown of investments, held as of September 30, 2022, by type and category of credit risk are as follows:

Investment Type	Reported Value		Investment Maturities (in years)		
	Primary Government	Less than 1	1-5	6-10	More than 10
Equity Mutual Funds (1)	73,911,301	73,911,301	-	-	-
Fixed Income Strategies (2)	42,844,610	34,048	2,616,401	40,194,161	-
Real Estate Strategies (2)	61,578,147	23,477,954	30,621,335	7,478,858	-
Private Equities Strategies (2)	168,143,618	92,165,255	-	71,268,072	4,710,291
Private Equity Strategies (2)	46,865,088	21,188,987	25,676,101	-	-
Sub-total	<u>393,342,764</u>	<u>210,777,545</u>	<u>58,913,837</u>	<u>118,941,091</u>	<u>4,710,291</u>
Total Investments	<u>\$ 653,953,560</u>	<u>\$ 361,020,452</u>	<u>\$ 74,454,606</u>	<u>\$ 171,409,553</u>	<u>\$ 47,068,949</u>

- (1) The rate of return on the money market funds, commingled trust funds, and mutual funds fluctuates during the year based on market conditions. Also, there is no stated maturity date for this type of investment. These funds may be invested, withdrawn, or reinvested at the discretion of the City.
- (2) The investment maturities of the fixed income strategies, real estate strategies, and private equity strategies are based principally on redemption eligibility. For funds where early redemption is not available, maturities have been estimated based on past experience with similar investment funds in relation to remaining uncalled capital and typical liquidation of underlying assets.

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CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE D – CURRENT EVENTS

On February 24, 2022, Russia began an invasion of the nation of Ukraine, which is ongoing at this time. Much of the international community, particularly the United States and most Western European nations, have condemned Russia for its actions, accusing it of breaking international law and violating Ukrainian sovereignty. As a result, many countries have implemented economic sanctions against Russia, Russian individuals, or companies. The ongoing war and the aforementioned economic sanctions have resulted in added volatility in equity and commodity markets, and will likely have significant implications for economic growth and inflation going forward. The full impact of the war is unknown at this time, but could have negative implications for the Employees' Pension plan.

Concerns over inflation continue to create uncertainty in the markets. The interest rates changes implemented by the Fed to combat high inflation rates continue to have impacts on the financial markets. The diversification of the investment portfolio has served to mitigate some effects of this market volatility. The full impact of future interest rate decisions by the Fed is unknown at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

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

Fiscal year ending September 30th	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	\$ 10,284,774	\$ 11,509,354	\$ 11,756,329	\$ 11,588,821	\$ 11,698,378	\$ 12,438,914	\$ 12,454,643	\$ 12,479,291	\$ 12,663,875
Interest	52,150,852	52,595,158	51,567,067	50,814,102	49,542,535	47,570,311	46,369,839	45,023,294	43,427,938
Changes in benefit terms	-	-	-	-	-	-	(1,360,522)	-	-
Difference between expected and actual experience	(4,190,581)	(467,936)	1,237,889	(4,906,876)	472,973	2,417,270	(189,908)	(2,382,849)	(310,956)
Other (adjustment to DROP balance)	-	-	-	-	-	-	-	278,076	110,082
Assumption changes	36,233,330	(13,992,987)	-	-	-	7,390,055	-	-	-
Benefit payments, including refunds of member contributions	(56,563,126)	(52,531,623)	(47,735,865)	(46,819,788)	(41,311,167)	(42,434,673)	(38,965,501)	(34,634,781)	(32,658,024)
Net change in total pension liability	37,915,249	(2,888,034)	16,825,420	10,676,259	20,402,719	27,381,877	18,308,551	20,763,031	23,232,915
Total pension liability, beginning	737,318,881	740,206,915	723,381,495	712,705,236	692,302,517	664,920,640	646,612,089	625,849,058	602,616,143
Total pension liability, ending	775,234,130	737,318,881	740,206,915	723,381,495	712,705,236	692,302,517	664,920,640	646,612,089	625,849,058
Plan fiduciary net position:									
Contributions, employer	6,393,795	9,145,617	67,857,723	15,783,779	15,473,351	14,739,830	29,175,783	15,697,557	15,395,603
Contributions, members	4,894,277	6,575,253	7,049,066	7,755,783	7,593,222	7,600,019	7,468,541	7,394,407	7,129,361
Net investment and miscellaneous income	(99,410,066)	169,701,534	51,360,605	14,738,192	50,808,890	67,569,392	33,659,515	6,072,542	39,349,445
Benefit payments, including refunds of member contributions	(56,563,126)	(52,531,623)	(47,735,865)	(46,819,788)	(41,311,167)	(42,434,673)	(38,965,501)	(34,634,781)	(32,658,024)
Administrative expenses	(259,797)	(275,838)	(792,308)	(252,466)	(222,991)	(241,172)	(246,010)	(217,810)	(288,901)
Net change in plan fiduciary net position	(144,944,917)	132,614,943	77,739,221	(8,794,500)	32,341,305	47,233,396	31,092,328	(5,688,085)	28,927,484
Plan fiduciary net position, beginning	810,995,976	678,381,033	600,641,812	609,436,312	577,095,007	529,861,611	498,769,283	504,457,368	475,529,884
Plan fiduciary net position, ending	666,051,059	810,995,976	678,381,033	600,641,812	609,436,312	577,095,007	529,861,611	498,769,283	504,457,368
Net pension liability (asset), ending	\$ 109,183,071	\$ (73,677,095)	\$ 61,825,882	\$ 122,739,683	\$ 103,268,924	\$ 115,207,510	\$ 135,059,029	\$ 147,842,806	\$ 121,391,690
Plan fiduciary net position as a % of total pension liability (asset)	85.92%	109.99%	91.65%	83.03%	85.51%	83.36%	79.69%	77.14%	80.60%
Covered payroll	\$ 81,948,283	\$ 84,323,438	\$ 88,716,247	\$ 87,469,893	\$ 84,816,890	\$ 84,102,850	\$ 80,367,748	\$ 79,725,716	\$ 78,211,736
Net pension liability (asset) as a % of covered payroll	133.23%	(87.37)%	69.69%	140.32%	121.76%	136.98%	168.05%	185.44%	155.21%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

SCHEDULE OF CITY CONTRIBUTIONS

Year Ended	Percentage of actuarially determined contributions (ADC)	Actuarially determined contributions (ADC) (1)	Actual contribution (2)	Contribution deficiency (excess)	Actual covered payroll	Contribution as a percentage of covered payroll
2022	8.04%	\$ 6,588,642	\$ 6,393,795	\$ 194,847	\$ 81,948,283	7.80%
2021	19.33%	16,299,721	9,145,617	7,154,104	84,323,438	10.85%
2020	19.26%	17,086,749	67,857,723	(50,770,974)	88,716,247	76.49%
2019	19.68%	17,214,075	15,783,779	1,430,296	87,469,893	18.04%
2018	19.75%	16,751,336	15,473,351	1,277,985	84,816,890	18.24%
2017	19.27%	16,206,619	14,739,830	1,466,789	84,102,850	17.53%
2016	18.89%	15,181,468	29,175,783	(13,994,315)	80,367,748	36.30%
2015	18.54%	14,781,148	15,697,557	(916,409)	79,725,716	19.69%
2014	18.00%	14,078,112	15,395,603	(1,317,491)	78,211,736	19.68%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

(1) The actuarially determined contribution (ADC) is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the fiscal year.

(2) A portion of the Plan's Credit Balance was applied to meet the remainder of the actuarially determined contribution for the fiscal years ending September 30, 2017 through 2022. The actual employer contribution for FY 2020 reflects the proceeds from a Pension Obligation Bond in the amount of \$57,457,050 deposited into fund assets in March 2020.

The City contributed \$15 million to the Employee Pension Fund in FY 2016 as an advance payment against the employer's share of the unfunded pension liability. In return for this advance payment, the City (as the employer) will receive an annual credit against its regular payment into the fund. As a result of the \$15,000,000 advance payment, a contribution deficiency will be reflected in future years thru FY 2031 as the credit will be amortized over the next 15 years.

In March of 2020 the City issued its Taxable Pension Liability Reduction Note, Series 2020. With this note, an advance payment of \$57,457,050 was made against future contribution requirements to be amortized over a period of sixteen and a half years. On February 21, 2022 the City passed Resolution No. 5745 and recognized the full remaining credit balance of \$50,661,662 and included it in the plan assets. It will no longer serve as an annual offset to the required employer contribution.

SCHEDULE OF INVESTMENT RETURNS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	(12.34)%	25.70%	8.04%	2.83%	8.51%	13.16%	6.34%	1.02%	8.22%	11.23%

See accompanying Notes to Required Supplementary Information.

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CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General – Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an Individual Entry-Age Actuarial Cost Method having the following characteristics:

- The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is enough to accumulate the value of the member's benefit at the time of retirement.
- Each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains(losses), as they occur, reduce(increase) the Unfunded Actuarial Accrued Liability (UAAL).

NOTE TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: October 1, 2020, revised October 1, 2021

Actuarially determined contribution rates were 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:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.5%
Salary Increases	4.0% to 12.5% depending on service, including inflation
Investment rate of return	7.25% (reduced to 6.25% pursuant to Resolution No. 5745 passed on February 21, 2022)
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	PUB-2010 Headcount Weighted General Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted General Below Median Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Headcount Weighted General Below Median Retiree Female Table (post-retirement). These tables use ages set back one year for males and future improvements in mortality projected to all future years after 2010 using scale MP-2018. These are the same rates used for Regular Class members of the Florida Retirement System (FRS) in their actuarial valuation as of July 1, 2020.

NOTE TO SCHEDULE OF NET PENSION LIABILITY

Valuation Date: October 1, 2021

Measurement Date: September 30, 2022

Roll Forward Procedures: The Total Pension Liability was developed using standard actuarial techniques to roll forward amounts from the October 1, 2021 actuarial valuation one year to the measurement date.

Methods and assumptions used to determine net pension liability:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary increases	4.0% to 12.5% depending on service, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	PUB-2010 Headcount Weighted General Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted General Below Median Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Headcount Weighed General Below Median Retiree Female Table (post-retirement). These tables use ages set back one year for males and future improvements in mortality projected to all future years after 2010 using scale MP-2018. These are the same rates used for Regular Class members of the Florida Retirement System (FRS) in their actuarial valuation as of July 1, 2020.

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

Board of Trustees
City of Lakeland, Florida
Employees' Pension and Retirement System

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Employees' Pension and Retirement System (The "Plan") of the City of Lakeland, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

(Continued)

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Tampa, Florida
March 22, 2023

EMPLOYEES' PENSION AND RETIREMENT SYSTEM

SCHEDULE OF FINDINGS

YEAR ENDED SEPTEMBER 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None Reported
Noncompliance material to financial statements noted	No

SECTION II – CURRENT YEAR FINDINGS

No current year findings.

Board of Trustees
City of Lakeland, Florida
Employees' Pension and Retirement System

Report on the Financial Statements

We have audited the financial statements of the Employees' Pension and Retirement System of the City of Lakeland, Florida (the "Plan"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated March 22, 2023.

Auditor's Responsibility

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 22, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings noted in proceeding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the financial statements.

(Continued)

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Plan has met once or more of the conditions described in Section 218.503(1), *Florida Statutes*, and to identify the specific condition(s) met. In connection with our audit, we determined that Plan did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City in which the Plan is presented as a fiduciary component unit and included in the City’s assessment. It is management’s responsibility to monitor the Plan’s financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuses that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

We would like to take this opportunity to thank the Plan for the many courtesies and cooperation extended to our representatives during the course of our audit.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Auditor General of the State of Florida, the Plan, the City of Lakeland, Florida, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Crowe LLP

Tampa, Florida
March 22, 2023

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

Board of Trustees
City of Lakeland, Florida
Employees' Pension and Retirement System

We have examined the Employees' Pension and Retirement System of the City of Lakeland, Florida (the "Plan") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended September 30, 2022. Management of the Plan is responsible for the Plan's compliance with the specific requirements. Our responsibility is to express an opinion on the Plan's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Plan complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Plan complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Plan's compliance with specified requirements.

In our opinion, the Plan complied, in all material respects, with the requirements contained in Section 218.415, *Florida Statutes* during the year ended September 30, 2022.

The purpose of this report is solely to comply with Chapter 10.550, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Tampa, Florida
March 22, 2023