

RETIREMENT PLAN FOR THE  
EMPLOYEES OF THE  
TOWN OF SURFSIDE  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR  
ENDED SEPTEMBER 30, 2023



**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**CONTENTS**

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**Independent Auditors' Report**..... 1-3

**Management's Discussion and Analysis (Required Supplementary Information)** ..... 4-7

**Financial Statements**

Statement of Fiduciary Net Position .....8  
Statement of Changes in Fiduciary Net Position .....9  
Notes to Financial Statements..... 10-26

**Required Supplementary Information**

Schedule of Changes in the Town's Net Pension Liability and Related Ratios.....27  
Schedule of Town's Contributions.....28  
Schedule of Investment Returns.....29

**Supplementary Information**

Schedules of Administrative and Investment Expenses .....30

**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*..... 31-32

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# **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

To the Pension Board and Plan Administrator  
**Retirement Plan for Employees of the Town of Surfside**

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of the Retirement Plan for Employees of the Town of Surfside (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2023, and the related statement of changes in fiduciary net position for the fiscal year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, fiduciary net position of the Plan as of September 30, 2023, and the changes in its fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis of 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' 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.

## ***Auditors' 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 auditors' 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 management's discussion and analysis, schedule of changes in the Town's net pension liability and related ratios, schedule of Town's contributions, and schedule of investment returns on pages 4 to 7 and 27 to 29 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Administrative and Investment Expenses (the "Schedules") are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Report on Summarized Comparative Information***

We have previously audited the Plan's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2024 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 solely 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.

*Marcum LLP*

Miami, FL  
June 18, 2024

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the Retirement Plan for Employees of the Town of Surfside (the "Plan") provides an overview of the financial activities and funding conditions for the fiscal years ended September 30, 2023 and 2022. Please review this discussion and analysis in conjunction with the financial statements and the notes to the financial statements which follow this discussion.

### **OVERVIEW OF FINANCIAL STATEMENTS**

#### ***Financial Statements***

The Plan presents select comparative financial information as of and for the fiscal years ended September 30, 2023 and 2022. The financial statements are prepared using the accrual basis of accounting in accordance with the *Governmental Accounting Standards Board* ("GASB") pronouncements. The two financial statements are the statement of fiduciary net position and the statement of changes in fiduciary net position.

The statement of fiduciary net position presents information on all of the Plan's assets and liabilities with the difference between the two reported as net position restricted for pension benefits. This represents the value of net position held in trust to pay pension benefits. The Plan did not have any deferred outflows or inflows as of September 30, 2023 or 2022.

By contrast, the statement of changes in fiduciary net position presents information showing how the Plan's net position changed, on a comparative basis, with additions (revenues) and deductions (expenses) for the fiscal year.

#### ***Notes to Financial Statements***

The notes to financial statements are an integral part of the financial statements and provide additional information and schedules that are essential for a full understanding of the Plan provided in the financial statements. Among other things, information in the notes discloses the method used to value investments, a general description of the Plan, contribution information and investment information.

#### ***Required Supplementary Information***

Because of the long-term nature of a defined benefit plan, the Plan provides three required schedules of historical trends based on the actuarial valuations performed by the Plan's actuary, for contributions, and one analysis of investment returns by the Plan's investment consultant.

#### ***Other Supplementary Information***

Other schedules provided are the schedules of administrative and investment expenses (supplementary information) incurred by the Plan.



## FINANCIAL HIGHLIGHTS

The Plan's fiduciary net position restricted for pension benefits held in trust increased by \$2,980,528 from \$29,028,198 (fiscal year ended September 30, 2022), to \$32,008,726 for the fiscal year ended September 30, 2023, (an increase of 10.3% over the prior year) as a result of the current year's activities.

The contribution from the Town for the fiscal year ended September 30, 2023, increased by \$27,563 to \$1,508,275, an increase of approximately 1.9% based on the annual required contribution delineated in the October 1, 2021, actuarial valuation and additional contributions that the Town had budgeted at the beginning fiscal year 2023.

The Plan's investments had net investment income for the fiscal year ended September 30, 2023, of \$2,635,090 compared with the net investment loss of \$5,197,837 for the fiscal year ended September 30, 2022, an increase of \$7,832,927 or 150.7%, due to positive market conditions during fiscal year 2023.

Benefit payments for the fiscal year ended September 30, 2023 were \$1,200,989, an increase of \$232,974 or 24.1% from the fiscal year ended September 30, 2022.

## FINANCIAL ANALYSIS

The total fund investment performance for the investments under management for the fiscal years ended 2023 and 2022 was 9.68% and -14.91%, respectively. The actuarial assumed investment rate of return was unchanged at 7.25%.

## PLAN NET POSITION

The table below shows a comparative summary of Fiduciary Net Position:

	September 30,		Increase (Decrease)	
	2023	2022	Amount	Percent
Investments	\$ 32,009,639	\$ 29,025,072	\$ 2,984,567	10.3%
Other assets	75,290	69,226	6,064	8.8%
<b>Total Assets</b>	<b>32,084,929</b>	<b>29,094,298</b>	<b>2,990,631</b>	<b>10.3%</b>
<b>Total Liabilities</b>	<b>76,203</b>	<b>66,100</b>	<b>10,103</b>	<b>15.3%</b>
<b>Net Position Restricted for Pension Benefits</b>	<b><u>\$ 32,008,726</u></b>	<b><u>\$ 29,028,198</u></b>	<b><u>\$ 2,980,528</u></b>	<b>10.3%</b>

Plan investments increased as expected due to employee and Town contributions as well as overall market performance.

## CHANGES IN PLAN NET POSITION

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

	2023	2022	Increase (Decrease)	
			2022 to 2023	
			Amount	Percent
Employer contributions	\$ 1,397,281	\$ 1,480,712	\$ (83,431)	-5.6%
State contributions	110,994	--	110,994	N/A
Member contributions	582,508	624,222	(41,714)	-6.7%
Net investment income (loss)	<u>2,635,090</u>	<u>(5,197,837)</u>	<u>7,832,927</u>	-150.7%
<b>Total Additions</b>	<b><u>\$ 4,725,873</u></b>	<b><u>\$ (3,092,903)</u></b>	<b><u>\$ 7,818,776</u></b>	<b>-252.8%</b>

	2023	2022	Increase (Decrease)	
			2022 to 2023	
			Amount	Percent
Benefit payments	\$ 1,200,989	\$ 968,015	\$ 232,974	24.1%
Refund of contributions	406,600	64,350	342,250	531.9%
Administrative expenses	<u>137,756</u>	<u>128,010</u>	<u>9,746</u>	7.6%
<b>Total Deductions</b>	<b><u>\$ 1,745,345</u></b>	<b><u>\$ 1,160,375</u></b>	<b><u>\$ 584,970</u></b>	<b>50.4%</b>

Effective October 1, 2022, the Plan entered the State of Florida Chapter 185 Program which covers Police Officers. As such, the Plan recognized State contributions related to the Program in fiscal year 2023. The Plan incurred a positive return of the fair value of its investments in 2023 9.68%, a significant increase when compared to a negative return of -14.91% in 2022. This fluctuation created an increase in net investment income in 2023 as compared to 2022. Administrative expenses increased by 7.6% as expected due to the increase in management fees due to the increase in the portfolio returns when compared to prior year.

Refunds of contributions increased due to more employees terminating or leaving the retirement Plan during fiscal year 2023. The refunds of contributions are the employee's 8% contribution with the interest gained during the years of employment. Once these refunds are paid these employees are no longer eligible for any benefits from the Plan in the future.

## PLAN MEMBERSHIP

The table below reflects the Plan membership as of the actuarial valuation dates noted below:

### CHANGES IN PLAN MEMBERSHIP

	October 1,		Change
	2022	2021	
<b>Plan Membership</b>			
Inactive plan members and beneficiaries currently receiving benefits	54	50	4
Inactive plan members entitled but not yet receiving benefits	10	8	2
Active plan members	<u>93</u>	<u>90</u>	<u>3</u>
<b>Total</b>	<b><u>157</u></b>	<b><u>148</u></b>	<b><u>9</u></b>

## FUNDING PROGRESS

Of primary concern to most Plan participants is the amount of money available to pay benefits. Historically, defined benefit pension plans have been underfunded when the employer failed to make annual actuarially required contributions to the Plan. The Town has traditionally contributed the annual required contribution as determined by the Plan's Actuary, as required by state law.

## ASSET ALLOCATION

The following table indicates the asset allocations at reported value as of September 30, 2023 and 2022.

	September 30,			
	2023		2022	
Money market funds	\$ 128,166	0.4%	\$ 186,898	0.6%
U.S. treasury securities	1,770,631	5.5%	841,853	2.9%
Municipal obligations	243,411	0.8%	270,884	0.9%
Corporate bonds	4,040,105	12.6%	4,602,219	15.9%
Mortgage backed securities	1,568,128	4.9%	1,635,857	5.6%
Equities:				
Common stock, ADR's, and EFT's	6,678,913	20.9%	6,795,385	23.4%
Mutual funds	11,371,931	35.5%	8,653,487	29.8%
Real estate investment trusts	119,913	0.4%	159,558	0.5%
Collective investment trusts	2,828,903	8.8%	2,459,925	8.5%
Core real estate fund	3,259,538	10.2%	3,419,006	11.8%
<b>Total Investments</b>	<b>\$ 32,009,639</b>	<b>100.0%</b>	<b>\$ 29,025,072</b>	<b>100.0%</b>

## INVESTMENT ACTIVITIES

Investment income is vital to the Plan's continued financial stability. Therefore, the Board of Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal Investment Policy is reviewed periodically. The last amendment to the Investment Policy was on August 3, 2023.

The Board reviews portfolio performance quarterly. Performance is evaluated and monitored by an independent investment consultant as to manager style, collectively by investment type, and for the aggregate portfolio. Investment types include domestic and international equities and fixed income obligations.

## CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

The financial report is designed to provide residents, taxpayers, Plan participants, and other interested parties with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional financial information, please contact the Town's Finance Department, 9293 Harding Avenue, Surfside, Florida 33154.

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# **FINANCIAL STATEMENTS**

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**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**STATEMENT OF FIDUCIARY NET POSITION**

**SEPTEMBER 30, 2023  
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2022)**

	2023	2022
<b>Assets</b>		
Money market funds	\$ 128,166	\$ 186,898
U.S. treasury securities	1,770,631	841,853
Municipal obligations	243,411	270,884
Corporate bonds	4,040,105	4,602,219
Mortgage backed securities	1,568,128	1,635,857
Equities:		
Common stock and American depository receipts and exchange traded funds	6,678,913	6,795,385
Mutual funds	11,371,931	8,653,487
Real estate investment trusts	119,913	159,558
Collective investment trust	2,828,903	2,459,925
Core real estate funds	3,259,538	3,419,006
<b>Total Investments</b>	<b>32,009,639</b>	<b>29,025,072</b>
<b>Receivables</b>		
Accrued interest and dividends	50,241	50,468
Employee contributions	25,049	16,932
Other receivables	--	1,826
<b>Total Receivables</b>	<b>75,290</b>	<b>69,226</b>
<b>Total Assets</b>	<b>32,084,929</b>	<b>29,094,298</b>
<b>Liabilities</b>		
Accounts payable	52,215	37,341
Refunds due to members	23,988	28,759
<b>Total Liabilities</b>	<b>76,203</b>	<b>66,100</b>
<b>Net Position Restricted for Pension Benefits</b>	<b>\$ 32,008,726</b>	<b>\$ 29,028,198</b>

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

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE TOTALS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2022)**

	2023	2022
<b>Additions</b>		
<b>Contributions</b>		
Plan members	\$ 582,508	\$ 624,222
State	110,994	--
Town	<u>1,397,281</u>	<u>1,480,712</u>
<b>Total Contributions</b>	<u>2,090,783</u>	<u>2,104,934</u>
<b>Investment Income</b>		
Net appreciation (depreciation) in fair value of investments	2,089,283	(6,017,202)
Interest and dividends	<u>673,469</u>	<u>953,442</u>
	2,762,752	(5,063,760)
Less: investment expenses	<u>(127,662)</u>	<u>(134,077)</u>
<b>Net Investment Income (Loss)</b>	<u>2,635,090</u>	<u>(5,197,837)</u>
<b>Total Additions</b>	<u>4,725,873</u>	<u>(3,092,903)</u>
<b>Deductions</b>		
Benefit payments	1,200,989	968,015
Refunds of contributions	406,600	64,350
Administrative expenses	<u>137,756</u>	<u>128,010</u>
<b>Total Deductions</b>	<u>1,745,345</u>	<u>1,160,375</u>
<b>Change in Net Position</b>	2,980,528	(4,253,278)
<b>Net Position Restricted for Pension Benefits</b>		
Beginning	<u>29,028,198</u>	<u>33,281,476</u>
Ending	<u>\$ 32,008,726</u>	<u>\$ 29,028,198</u>

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

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## **NOTES TO FINANCIAL STATEMENTS**

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**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***BASIS OF ACCOUNTING***

The accompanying financial statements of the Retirement Plan for Employees of the Town of Surfside (the “Plan”) are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

***METHOD USED TO VALUE INVESTMENTS AND INVESTMENT INCOME RECOGNITION***

Investments are reported at fair value with the exception of money market funds which are at amortized cost. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of average cost. Purchases and sales of securities are recorded on the trade-date basis. Interest and dividends are recorded as earned on the accrual basis. For more detail regarding the methods used to measure the fair value of investments refer to the fair value hierarchy in Note 3.

Within certain limitations as specified in the Plan, the investment policy is determined by the pension Board of Trustees (the “Board”) and is implemented by its investment manager.

***CONTRIBUTION REFUNDS***

The defined benefit plan is contributory and employee contributions are one hundred percent refundable with interest at the rate of four percent per annum to terminated non-vested participants as well as vested former participants who elect to forfeit all rights to any benefits of the Plan.

***NET POSITION RESTRICTED FOR PENSION BENEFITS***

The net position restricted for pension benefits is the difference between the total plan assets and the total plan liabilities, and is held in trust for pension benefits.



**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***PLAN EXPENSES***

In accordance with the provisions of the Plan, investment and administrative expenses of the Plan may be paid either by the Town of Surfside, Florida (the “Town”) or the Plan. The established policy is that the Plan pays all of the investment and administrative expenses of the Plan as well as the actuarial fees for annual actuarial valuations. It has been the Town’s practice to pay the fees for any additional actuarial services provided.

***USE OF ESTIMATES***

The preparation of financial statements in conformity with GAAP requires the Plan to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

***COMPARATIVE INFORMATION***

The financial statements include certain prior-year summarized comparative information. Such summarized information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Plan’s financial statements for the fiscal year ended September 30, 2022, from which the information was derived.

**NOTE 2 – PLAN DESCRIPTION**

***PLAN DESCRIPTION***

The Retirement Plan was established by a Town Ordinance approved by the Commissioners and effective January 1, 1962. The Plan is subject to certain provisions of Chapter 112, Florida Statutes. The benefit provisions, amendments thereto, and all other requirements are established by Town Ordinance. Participants should refer to the Plan document for more complete information.

The Retirement Plan is a contributory defined benefit single-employer pension plan covering substantially all employees of the Town of Surfside. To be eligible to participate in the Plan you must be a police officer or other employee and be a regular full-time employee whose customary employment is for 32 hours or more per week, and for six (6) months or more of the year. During 2011, the Town passed Ordinance 11-1580, which grants the right to Charter Officers to opt out of the Plan at any time. The administration of the Plan is under the responsibility of a five-member pension Board, which is subject to the ultimate authority of the Town Commission.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 2 – PLAN DESCRIPTION (CONTINUED)**

***PLAN DESCRIPTION (CONTINUED)***

The Plan is administered by a pension Board comprised of:

- a. Two permanent residents of the Town appointed by Town Commission
- b. An elected representative of the police department
- c. An elected representative of the other employees of the Town
- d. The Town Manager (a permanent member of the Board)

Membership consisted of the following as of October 1, 2022, the date of the latest actuarial valuation:

Inactive plan members and beneficiaries currently receiving benefits	54
Inactive plan members entitled but not yet receiving benefits	10
Active plan members	93
<b>Total Members</b>	<u>157</u>

***CONTRIBUTIONS AND FUNDING POLICY***

Funding of the Plan is provided by contributions from the Town, State and the employees. Effective October 1, 2022, pursuant to Chapter 185 of the Florida Statutes, a premium tax on certain property and casualty insurance contracts written on Town properties is collected by the State and is remitted to the Plan. The Town’s funding policy provides for annual actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due.

Effective October 1, 2016, the employee contribution for general employees and senior management increased from 6% to 8%. The employee previously contributing 5% of their covered compensation is now required to contribute 7%. Police officers continue to contribute 8%.

***BENEFITS PROVIDED***

The Plan provides normal retirement, early retirement, delayed retirement, disability retirement, death benefits and termination benefits. The Plan considers creditable service and average final compensation as part of the benefit calculation.

# RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

## NOTES TO FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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### NOTE 2 – PLAN DESCRIPTION (CONTINUED)

#### *BENEFITS PROVIDED (CONTINUED)*

##### *Creditable Service*

All service of a Plan member measured in years and completed months since latest date of hire with the Town.

##### *Average Final Compensation (“AFC”)*

The average of basic compensation during the highest three years (five years for general employees) of the ten years preceding termination of employment; does not include bonuses, overtime, lump sum payments of unused leave or other nonregular compensation.

##### *Normal Retirement*

Eligibility – For sworn police officers that retired on or before February 1, 2020, the earliest of (1) age 52 with 20 years of creditable service, (2) age 62 with 5 years of creditable service, (3) completion of 25 years of creditable service or (4) the completion of 15 years and 4 months of service if hired on a full time basis in March 2003. For sworn police officers that retired after February 1, 2020, the earliest of (1) age 50 with 20 years of creditable service, (2) age 59 with 5 years of creditable service, (3) completion of 25 years of creditable service or (4) the completion of 15 years and 4 months of service if hired on a full time basis in March 2003. For the Town Manager, age 64 with 7 years of creditable service. For the Town Attorney, if employed by the Town on a full-time basis, the earlier of (1) age 62 with 15 years of creditable service or (2) age 64 with 7 years of creditable service. For all other employees that retired before January 1, 2020, the earlier of (1) age 62 with 15 years of creditable service or (2) age 65 with 10 years of creditable service. For all other employees that retired on or after January 1, 2020, the earliest of (1) age 50 with 20 years of creditable service, (2) age 52 with 15 years of creditable service, (3) age 55 with 10 years of creditable service.

<u>Period of Service</u>	Benefit Accrual Rate per Year of Service Based on Employee Contribution Rate of			
	<u>5%</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>
Before 10/1/1979***	N/A	N/A	N/A	N/A
10/1/1979 - 6/30/1996	1 2/3%	N/A	2%	N/A
7/1/1996 - 1/31/2003	1 2/3%	N/A	2%	2.5%
2/1/2003 - 9/30/2005	2%	2.5%	N/A	N/A
10/1/2005 - 9/30/2006	2%	2.5%	N/A	3%*
10/1/2006 - 9/30/2016	2%	2.5%	N/A	3.5%*
After 10/1/16	N/A	N/A	2.65%	3.5%**

\* For police officers only.

\*\* 3.5% for police officers, 3.0% for Senior Management and 2.8% for general employees

\*\*\* Before 10/1/1979 employee contributions were not required to receive the 1 2/3% multiplier

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 2 – PLAN DESCRIPTION (CONTINUED)**

***BENEFITS PROVIDED (CONTINUED)***

***Normal Retirement (continued)***

Effective October 1, 2006, the maximum benefit is 90% of AFC for sworn police officers. Effective October 1, 2016, the maximum benefit is 68% for general employees and senior management. Effective January 1, 2020, the maximum benefit is 80% of AFC for general employees and senior management.

Senior Management – The senior management tier includes the town manager, assistant town manager, town attorney, town clerk and all directors.

***Early Retirement***

Eligibility – For police officers and for a participating Town Manager or Town attorney, is the earlier of the date when you:

- a) reach age 55 and complete 15 years of creditable service, or
- b) Complete 20 years of creditable service

Eligibility – For all other members, early retirement is the date when you complete 20 years of creditable service.

Benefit – 15 years of creditable service, or (b) 20 years of creditable service as normal retirement benefit using AFC and creditable service as of early retirement date but payable at normal retirement date assuming continued employment. Alternatively, benefits may commence immediately after reduction of 0.5% for each month early retired.

***Delayed Retirement***

Eligibility – Retirement after normal retirement date.

Benefit – Calculated in the same manner as normal retirement benefit using AFC and creditable service as of delayed retirement date.

***Disability Retirement***

1. Service Connected:

- a) Eligibility – Total and permanent disability incurred prior to normal retirement date as a direct result of performance of service to the Town and eligible for social security disability benefits.
- b) Benefit – 75% (if injury) or 45% (if disease) of the rate of pay in effect on date of disability payable for life or until recovery. For general employees, less social security disability benefits; there is an offset for workers' compensation to the extent that the disability benefit plus the workers' compensation benefit exceed 100% of pre-retirement salary.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 2 – PLAN DESCRIPTION (CONTINUED)**

***BENEFITS PROVIDED (CONTINUED)***

***Disability Retirement (continued)***

2. Non-Service Connected:

- a) Eligibility – Total and permanent disability not incurred as a direct result of performance of service to the Town.
- b) Benefit – Accrued pension benefit.

***Death Benefit***

1. Pre-Retirement – Refund of accumulated contributions.
2. After normal retirement date but before actual retirement – Survivor benefit payable in accordance with optional form of benefit chosen by member.
3. After Retirement – Refund of any remaining accumulated contributions or optional survivor's benefits if elected.

***Termination Benefit***

Upon termination prior to normal or early retirement date a member shall be entitled to choose (1) or (2) below, where:

1. A refund of accumulated contributions.
2. The benefit as for normal retirement using AFC and creditable service as of date of termination multiplied by the applicable percentage, commencing upon the earliest date a member would have attained normal retirement had the member remained in service (age 65 for general employees).

***Cost-of-Living Adjustment***

Beginning January 1, 2020 and each January 1 thereafter, a 2.0% automatic annual cost of living increase is provided for all current and future retirees, disabled, beneficiaries and vested terminated members.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 2 – PLAN DESCRIPTION (CONTINUED)**

***INVESTMENT POLICY***

The following was the Board’s adopted asset allocation policy target allocation during the fiscal year ended September 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	42%
Convertibles	5
Infrastructure	5
International Equity	10
Private Real Estate & Credit	10
Fixed Income	25
Cash	<u>3</u>
<b>Total</b>	<b><u>100%</u></b>

***Rate of Return***

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense, was 9.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the dollar-weighted rate of return calculation are determined on a monthly basis.

***DEFERRED RETIREMENT OPTION PROGRAM***

***Police Officers***

The Town maintains a Deferred Retirement Option Program (“DROP”) initially for police officers and communications operators only. The eligibility requirement is attainment of normal retirement date. The maximum period of participation in the DROP is six years. A police officer’s account shall be credited with interest based upon the actual fund investment return. No payments may be made from the DROP until the employee actually separates from service with the Town. One (1) police officer is currently participating in the DROP as of September 30, 2023.

# RETIREMENT PLAN FOR EMPLOYEES OF THE TOWN OF SURFSIDE

## NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

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### NOTE 2 – PLAN DESCRIPTION (CONTINUED)

#### *DEFERRED RETIREMENT OPTION PROGRAM (CONTINUED)*

##### *General Employees*

Effective August 13, 2013, the Town Commission passed an Ordinance, which amended the Deferred Retirement Option Program to include all members of the Plan who reach the earliest normal retirement age whereby such member shall be eligible to participate in the DROP plan. The maximum period of participation in the DROP is six years for general employees not covered under the American Federation of State, County and Municipal Employees' ("AFSCME") bargaining agreement. For those employees covered under the AFSCME the maximum period of participation in the DROP is five years. Thirteen (13) general employees are currently participating in the DROP as of September 30, 2023.

As of September 30, 2023, the combined balance in the DROP account was approximately \$509,000. These amounts are included in the total investment balance presented on the statement of fiduciary net position.

### NOTE 3 – INVESTMENTS

The investment activity of the Plan is directed by an investment consultant. All investments made or held by the Plan shall be limited to the following, as per the Plan's investment policy:

1. Cash equivalents.
2. Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the United States Government or by an agency of the United States Government.
3. Bonds issued by the State of Israel. Foreign equity investments shall not exceed 10% of the Plan assets.
4. Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state, organized territory of the United States, or District of Columbia provided the corporation is listed on the recognized national stock exchanges or on the National Market System of the NASDAQ stock market, the issuer has an investment quality rating within the top three rating classifications by at least two major services (Standard and Poor's, Moody's or Fitch). Up to 10% of the bond portfolio may be invested in the fourth rating classification (by two of the above rating services).

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

5. Equity investments (common stock, convertible bonds and preferred stocks) in a corporation listed on one or more of the recognized national exchanges or on the National Market System of the NASDAQ stock market and ETF exchange-traded funds.
6. Commingled equity, bond, real estate, or money market funds whose investments are restricted to securities meeting the criteria of this section. Investments in equities are not to exceed 70% of the Plan assets at market, and no more than 5% at cost of the equities may be invested in a single company.
7. Collective Investment Trust.
8. Core real estate funds.

Investments held in trust for Plan benefits consisted of the following as of September 30:

	<u>2023</u>
<b>Investments</b>	
Money market funds	\$ 128,166
U.S. treasury securities	1,770,631
Municipal obligations	243,411
Corporate bonds	4,040,105
Mortgage backed securities	1,568,128
Equities:	
Common stock and American depository receipts and exchange traded funds	6,678,913
Mutual funds	11,371,931
Real estate investment trusts	119,913
Collective investment trust	2,828,903
Core real estate funds	<u>3,259,538</u>
<b>Total</b>	<u><u>\$ 32,009,639</u></u>



**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***INTEREST RATE RISK***

Interest rate risk refers to the portfolio’s exposure to fair value losses arising from increasing interest rates. In accordance with its investment policy, the Plan manages its exposure to declines in the fair value of its securities through a conservative approach of managing portfolio exposure to duration, maturity and sector relative to market indices.

As of September 30, 2023, the Plan had the following investments and maturities subject to interest rate risk:

Investment Type	Fair Value	Sector Distribution
Corporate bonds	\$ 4,040,105	53.0%
U.S. treasury securities	1,770,631	23.2%
Mortgage backed securities	1,568,128	20.6%
Municipal obligations	243,411	3.2%
<b>Total Fair Value</b>	<b>\$ 7,622,275</b>	<b>100.0%</b>

Maturity Distribution		Credit Quality Distribution	
Years	% of Fixed Income Securities	Rating	% of Fixed Income Securities
0-1	1.5%	AAA	4.3%
1-5	29.1%	AA	5.7%
5-10	29.5%	A	13.4%
10+	39.9%	BBB	11.4%
	<u>100.0%</u>	Not Rated	65.2%
			<u>100.0%</u>

***CUSTODIAL CREDIT RISK***

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

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***CREDIT RISK***

State law limits investments in commercial paper to the two top ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Plan's policy to limit its investments in this investment type to the top two ratings issued by NRSROs. The Investment Policy of the Plan states it is permitted to invest in corporate bonds with an investment quality rating with the top three rating classifications by at least two major rating services (Standard & Poor's (S&P), Moody's or Fitch) and up to 10% of the bond portfolio may be invested in the 4<sup>th</sup> rating classification (by two of the noted rating services). The corporate bonds held by the Plan met the rating classifications and ranged from BBB to AAA under S&P and from BAA1 to A1 under Moody's. The mortgage-backed securities were rated AA+ and Aaa by S&P and Moody's, respectively. U.S. Government Agency obligations or obligations guaranteed by an agency of the U.S. Government are not subject to credit risk.

***CONCENTRATION OF CREDIT RISK***

The Plan's investment policy does not allow for an investment in any one issuer, other than U.S. Government securities, that is in excess of five percent (5%) of the Plan's total investments. No investment in any one organization represents five percent (5%) or more of the fiduciary net position restricted for pension benefits.

***RISKS AND UNCERTAINTIES***

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect balances and the amounts reported in the statement of fiduciary net position and the statement of changes in fiduciary net position. The Plan, through its investment consultant, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***FAIR VALUE HIERARCHY***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 - Investments' fair values based on prices quoted in active markets for identical assets.

Level 2 - Investments' fair values based on observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3 - Investments' fair values based upon unobservable inputs.

The following is a description of the fair value techniques for the Plan's investments. Level 1 and 2 prices are obtained from various pricing sources by the Plan's custodian bank:

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. This includes domestic and foreign common stock, American depository receipts ("ADR"), and exchange traded funds ("ETF").

Debt securities classified in Level 2 of the fair value hierarchy are valued using pricing inputs that reflect the assumptions market participants would use to price an asset or liability and are developed based on market data obtained from sources independent of the reporting entity. This includes U.S. Treasury and corporate bonds, municipal bonds and mortgage-backed securities.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

**NOTE 3 – INVESTMENTS (CONTINUED)**

***FAIR VALUE HIERARCHY (CONTINUED)***

The following is a summary of the fair value hierarchy of investments as of September 30, 2023:

	Fair Value Measurements Using			
	September 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Debt securities:				
U.S. Treasury securities	\$ 1,770,631	\$ --	\$ 1,770,631	\$ --
Corporate bonds	4,040,105	--	4,040,105	--
Municipal obligations	243,411	--	243,411	--
Mortgage backed securities	<u>1,568,128</u>	--	<u>1,568,128</u>	--
Total debt securities	<u>7,622,275</u>	--	<u>7,622,275</u>	--
Equity securities:				
Common stock, ADR's, and ETF's	6,678,913	6,678,913	--	--
Mutual funds	11,371,931	11,371,931	--	--
Real Estate Investment Trusts	<u>119,913</u>	<u>119,913</u>	--	--
Total equity securities	<u>18,170,757</u>	<u>18,170,757</u>	--	--
Total investments by fair value level	<u>25,793,032</u>	<u>\$ 18,170,757</u>	<u>\$ 7,622,275</u>	<u>\$ --</u>
<b>Investments Measured at Net Asset Value (NAV)</b>				
Core real estate funds	3,259,538			
Collective investment trust	<u>2,828,903</u>			
Total investments measured at NAV	6,088,441			
Money market funds (exempt)	<u>128,166</u>			
Total investments	<u>\$ 32,009,639</u>			

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 3 – INVESTMENTS (CONTINUED)**

***FAIR VALUE HIERARCHY (CONTINUED)***

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

<b>Investments Measured at NAV</b>	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Core Real Estate Funds <sup>(1)</sup>	\$ 3,259,538	\$ --	Quarterly	N/A
Collective Investment Trust <sup>(2)</sup>	<u>2,828,903</u>	<u>--</u>	5 Day Notice	N/A
Total Investments Measured at NAV	<u>\$ 6,088,441</u>	<u>\$ --</u>		

(1) *Core Real Estate Funds.* These funds are an open-end core real estate fund with a diversified portfolio of income producing institutional properties throughout the U.S. These investments are valued at NAV and are redeemable on a quarterly basis.

(2) *Collective Investment Trust.* This fund investment objective is to seek to achieve maximum total return by investing globally in publicly traded infrastructure companies. This investment is valued at NAV and is redeemable with 5-day notice.

**NOTE 4 – TAX STATUS**

It is the Board’s position that the Plan is currently being operated in compliance with the applicable requirements of the Internal Revenue Code.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 5 – NET PENSION LIABILITY OF THE TOWN**

The components of the Town’s net pension liability at September 30, 2023:

Total pension liability	\$ 40,689,776
Less Plan fiduciary net position	<u>(31,967,821) <sup>1</sup></u>
<b>Net Pension Liability</b>	<b><u>\$ 8,721,955</u></b>
Plan fiduciary net position as a percentage of the total pension liability	 78.56%

*(1) The Plan fiduciary net position above does not agree to the Plan fiduciary net position presented in the accompanying Statement of Fiduciary Net Position as of September 30, 2023. The difference of \$40,905 was caused by an adjustment that was made after the actuary finalized their report.*

***SIGNIFICANT ACTUARIAL ASSUMPTIONS***

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

Inflation	2.50%
Investment rate of return	7.25%

For healthy general employees, PUB-2010 headcount weighted general employee with fully generational mortality improvements projected to each future decrement date with Scale MP-2018 – sex distinct. For healthy police officers, PUB-2010 headcount weighted safety employee with fully generational mortality improvements projected to each future decrement date with Scale MP-2018 – sex distinct., PUB For disabled general employees, PUB-2010 headcount weighted general disabled retiree mortality table – Sex distinct. For disabled police officers, 80% PUB-2010 headcount weighted general disabled retiree mortality table & 20% PUBC-2010 headcount weighted safety disabled retiree mortality table – sex distinct.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)**

***LONG-TERM EXPECTED RATE OF RETURN***

The long-term expected rate of return on Plan investments was determined based upon the historical average (means returns) which best-estimate ranges of expected future real rates of return. In order to determine the real rates of return, it is necessary to subtract the expected inflation rate from the nominal investment return and investment expenses. The long-term expected rate of return for the Plan was calculated by weighting the expected future rates of return of each asset class by the corresponding target allocation percentages.

Best estimates of real rates of return for each major asset class included in the Plan’s target asset allocation as of September 30, 2023 is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected of Return</u>
Domestic Equity	9.70%
International Equity	5.40%
Convertibles	8.40%
Infrastructure	7.60%
Fixed Income	4.20%
Real Estate	6.50%
Cash	2.40%

***DISCOUNT RATE***

The discount rate for September 30, 2023 used to measure the total pension liability was 7.25%. This discount rate was based on the expected rate of return on Plan investment. The projection of cash flow used to determine this discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability of the Town.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

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**NOTE 5 – NET PENSION LIABILITY OF THE TOWN (CONTINUED)**

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

The following presents the Town’s net pension liability of the Plan sponsor for September 30, 2023, calculated using the following discount rates below:

	Net Pension Liability		
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
<b>Net Pension Liability</b>	\$ 14,426,124	\$ 8,721,955	\$ 4,060,849



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**REQUIRED SUPPLEMENTARY INFORMATION**

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**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

Measurement Date, September 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>										
Service cost	\$ 1,364,748	\$ 1,337,655	\$ 1,313,601	\$ 1,317,790	\$ 1,113,128	\$ 1,002,537	\$ 1,052,014	\$ 932,365	\$ 901,998	\$ 888,988
Interest	2,803,653	2,517,336	2,433,741	2,186,887	1,870,676	1,745,881	1,646,114	1,458,652	1,336,817	1,227,596
Benefit changes	--	--	--	2,630,481	--	--	282,066	--	--	35,244
Difference between actual and expected experience	(107,688)	255,935	525,596	(293,683)	388,826	(348,726)	297,252	(35,527)	100,031	170,264
Changes of assumptions	--	--	--	(617,989)	--	--	93,312	402,653	--	--
Benefit payments, including refunds of member contributions	(1,607,589)	(1,032,365)	(991,925)	(877,926)	(1,308,821)	(819,116)	(651,287)	(602,692)	(665,019)	(545,746)
<b>Net Change in Total Pension Liability</b>	<b>2,453,124</b>	<b>3,078,561</b>	<b>3,281,013</b>	<b>4,345,560</b>	<b>2,063,809</b>	<b>1,580,576</b>	<b>2,719,471</b>	<b>2,155,451</b>	<b>1,673,827</b>	<b>1,776,346</b>
<b>Total Pension Liability - Beginning</b>	<b>38,236,652</b>	<b>35,158,091</b>	<b>31,877,078</b>	<b>27,531,518</b>	<b>25,467,709</b>	<b>23,887,133</b>	<b>21,167,662</b>	<b>19,012,211</b>	<b>17,338,384</b>	<b>15,562,038</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$40,689,776</b>	<b>\$38,236,652</b>	<b>\$35,158,091</b>	<b>\$31,877,078</b>	<b>\$27,531,518</b>	<b>\$25,467,709</b>	<b>\$23,887,133</b>	<b>\$21,167,662</b>	<b>\$19,012,211</b>	<b>\$17,338,384</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Town	\$ 1,397,281	\$ 1,480,712	\$ 1,420,078	\$ 1,141,115	\$ 817,472	\$ 917,274	\$ 797,359	\$ 757,304	\$ 727,022	\$ 631,584
Contributions - State	110,994	--	--	--	--	--	--	--	--	--
Contributions - Members	587,808	624,222	489,986	696,438	498,404	459,190	462,846	383,619	387,678	349,600
Net investment income (loss)	2,588,885	(5,203,486)	6,244,885	1,267,297	990,373	1,579,816	2,017,750	1,850,415	(128,796)	1,396,431
Benefit payments, including refunds of member contributions	(1,607,589)	(1,032,365)	(991,925)	(877,926)	(1,308,821)	(819,116)	(651,287)	(602,690)	(665,019)	(545,746)
Administrative expense	(137,756)	(128,010)	(133,124)	(108,170)	(118,212)	(120,389)	(85,518)	(130,686)	(85,426)	(80,194)
Other income (expenses)	5,649	1,847	--	(57,617)	--	--	--	--	--	--
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,945,272</b>	<b>(4,257,080)</b>	<b>7,029,900</b>	<b>2,061,137</b>	<b>879,216</b>	<b>2,016,775</b>	<b>2,541,150</b>	<b>2,257,962</b>	<b>235,459</b>	<b>1,751,675</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>29,022,549</b>	<b>33,279,629</b>	<b>26,249,729</b>	<b>24,188,592</b>	<b>23,309,376</b>	<b>21,292,601</b>	<b>18,751,451</b>	<b>16,493,489</b>	<b>16,258,030</b>	<b>14,506,355</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b><sup>1</sup> \$31,967,821</b>	<b>\$29,022,549</b>	<b>\$33,279,629</b>	<b>\$26,249,729</b>	<b>\$24,188,592</b>	<b>\$23,309,376</b>	<b>\$21,292,601</b>	<b>\$18,751,451</b>	<b>\$16,493,489</b>	<b>\$16,258,030</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 8,721,955</b>	<b>\$ 9,214,103</b>	<b>\$ 1,878,462</b>	<b>\$ 5,627,349</b>	<b>\$ 3,342,926</b>	<b>\$ 2,158,333</b>	<b>\$ 2,594,532</b>	<b>\$ 2,416,211</b>	<b>\$ 2,518,722</b>	<b>\$ 1,080,354</b>
Plan Fiduciary Net Position as a Percentage of the										
Total Pension Liability	78.56%	75.90%	94.66%	82.35%	87.86%	91.53%	89.14%	88.59%	86.75%	93.77%
Covered Payroll	\$ 6,206,128	\$ 6,206,128	\$ 6,360,884	\$ 6,702,791	\$ 6,239,285	\$ 5,849,505	\$ 5,766,823	\$ 5,710,172	\$ 5,321,296	\$ 5,305,109
Net Pension Liability as a Percentage of Covered Payroll	140.54%	148.47%	29.53%	83.96%	53.58%	36.90%	44.99%	42.31%	47.33%	20.36%

<sup>(1)</sup> The Plan fiduciary net position above does not agree to the Plan fiduciary net position presented in the accompanying Statement of Fiduciary Net Position as of September 30, 2023. The difference of \$40,905 was caused by an adjustment that was made after the actuary finalized their report.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF TOWN CONTRIBUTIONS**

Fiscal Year End 9/30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 631,584	\$ 631,584	\$ --	\$ 5,305,109	11.91%
2015	727,022	727,022	--	5,321,296	13.66%
2016	757,304	757,304	--	5,710,172	13.26%
2017	797,359	797,359	--	5,766,823	13.83%
2018	917,274	917,274	--	5,849,505	15.68%
2019	817,472	817,472	--	6,239,285	13.10%
2020	945,871	1,141,115	(195,244)	6,702,791	17.02%
2021	1,264,960	1,420,078	(155,118)	6,360,884	22.33%
2022	1,326,786	1,480,712	(153,926)	6,206,128	23.86%
2023	1,333,275	1,508,275	(175,000)	7,180,412	21.01%

**Notes to the Schedule**

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

Significant methods and assumptions based on the October 1, 2021 actuarial valuation were used to determine contribution rates for fiscal year end September 30, 2023:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Asset valuation method	5 year smoothed market
Salary increases	4.0% - 8.0%
Inflation	2.5%
Cost of living adjustments	1.5%/2.0%
Investment rate of return	7.25%

For healthy general employees, PUB-2010 headcount weighted general employee with fully generational mortality improvements projected to each future decrement date with Scale MP-2018 – sex distinct. For healthy police officers, PUB-2010 headcount weighted safety employee with fully generational mortality improvements projected to each future decrement date with Scale MP-2018 – sex distinct., PUB For disabled general employees, PUB-2010 headcount weighted general disabled retiree mortality table – Sex distinct. For disabled police officers, 80% PUB-2010 headcount weighted general disabled retiree mortality table and 20% PUBC-2010 headcount weighted safety disabled retiree mortality table – sex distinct.

**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF INVESTMENT RETURNS**

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<b>September 30,</b>	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	9.68%	(14.91%)	23.38%	5.38%	4.34%	7.64%	10.87%	11.30%	(0.30%)	9.80%

*This schedule is presented as required by accounting principles generally accepted in the United States of America.*

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## **SUPPLEMENTARY INFORMATION**

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**RETIREMENT PLAN FOR EMPLOYEES OF THE  
TOWN OF SURFSIDE**

**SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

**(WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022)**

	2023	2022
<b>Administrative Expenses</b>		
<b>Professional Services</b>		
Actuarial	\$ 42,185	\$ 42,765
Attorney	34,984	23,401
Plan Administrator	33,300	32,175
Auditing services	15,875	14,676
Write off and other	3,478	7,002
Secretarial	1,598	2,138
<b>Total Professional Services</b>	131,420	122,157
<b>Insurance Expense</b>		
Fiduciary liability insurance	6,336	5,853
<b>Total Administrative Expenses</b>	\$ 137,756	\$ 128,010
 <b>Investment Expenses</b>		
<b>Investment Manager Fees</b>		
Highland Capital Management	\$ 57,463	\$ 54,660
New Tower Trust	15,991	16,780
Terra Cap	3,750	15,000
Bloomfield Capital	--	2,769
<b>Total Investment Manager Fees</b>	77,204	89,209
<b>Investment Consultant Fees</b>		
Burgess Chambers	30,000	28,750
<b>Custodian Fees</b>		
SunTrust Bank	20,458	16,118
<b>Total Investment Expenses</b>	\$ 127,662	\$ 134,077

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## **REPORTING SECTION**

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**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***

To the Pension Board and the Plan Administrator  
**Retirement Plan for Employees of the Town of Surfside**

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 (*Government Auditing Standards*), the financial statements of the Retirement Plan for Employees of the Town of Surfside (the "Plan"), as of and for the fiscal year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2024.

***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 were not identified.



### ***Report on 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 and contracts, 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*.

### ***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*

Miami, FL  
June 18, 2024