

City of Tampa, Florida Firefighters and Police Officers Pension Fund

Financial Report
September 30, 2019

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Independent Auditor's Report

To the Board of Trustees
City of Tampa, Florida Firefighters
and Police Officers Pension Fund
Tampa, Florida

Report on the Financial Statements

We have audited the statements of fiduciary net position of the City of Tampa, Florida Firefighters and Police Officers Pension Fund (the Fund) as of September 30, 2019 and 2018, and the statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Tampa, Florida Firefighters and Police Officers Pension Fund as of September 30, 2019 and 2018, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2020, on our consideration of the Fund'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 Funds' internal controls 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 Fund's internal control over financial reporting and compliance.

RSM US LLP

Tampa, Florida
February 18, 2020

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Management's Discussion and Analysis (Unaudited)

This management's discussion and analysis (MD&A) of the financial performance of the City of Tampa, Florida Firefighters and Police Officers Pension Fund (the Fund) provides an overview of the financial activities for the fiscal years ended September 30, 2019 and 2018. The MD&A should be read in conjunction with the financial statements.

Fund Financial Highlights (Amounts Rounded)

During the year ended September 30, 2019, the Fund's net position restricted for pensions decreased by approximately \$24,693,000 as a result of unfavorable investment results, as described below:

- Net investment income decreased over the two-year period. The Fund's investment income was \$80,254,000 and \$217,985,000 for the years ended September 30, 2019 and 2018, respectively. Market volatility is expected, and each year there will be a combined effect of realized and unrealized investment gains or losses.
- For the fiscal year ended September 30, 2019, employee and employer contributions increased by \$787,000 from the previous year, due to an increase in required contributions from members and the employer as determined by the Plan actuary, to maintain the actuarial soundness of the Fund. State premium tax monies received from the State under Chapters 175 and 185 increased to \$7,008,000, as compared to \$6,761,000 in the previous year.
- Benefit and withdrawal payments increased, totaling \$138,980,000 and \$130,709,000 for fiscal years 2019 and 2018, respectively, which was an increase of \$8,271,000. This was due primarily to the effect of higher average monthly pension benefit payments, annual cost-of-living adjustments (COLAs), and longer life expectancies. Additionally, there were 42 DROP distributions in 2019 totaling \$15,755,000, as compared to 38 DROP distributions totaling \$14,269,000 in the prior year. The Fund authorized payment of a 13th Check Program distribution in fiscal year 2019 of \$19,680,000, as compared to the previous fiscal year in which the distribution was \$18,429,000.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Management's Discussion and Analysis (Unaudited)

Fund Net Position

The following table shows a comparative summary of Fund Net Position for fiscal years 2017 through 2019:

Table 1
Statements of Fiduciary Net Position
(In thousands)

	September 30,		
	2019	2018	2017
Assets:			
Cash:	\$ 589	\$ 673	\$ 477
Investments at fair value:			
U.S. Treasury bills	17,920	9,950	13,964
Money market funds	18,192	14,904	18,395
U.S. Government securities	80,007	93,397	107,494
Equity securities	1,589,913	1,641,804	1,556,151
Corporate/municipal bonds	358,517	328,584	271,514
Other	78,889	78,497	79,107
Total investments	2,143,438	2,167,136	2,046,625
Accrued receivables – due from brokers	4,071	4,246	3,085
Other receivables	898	838	-
Capital assets, net	1,526	543	482
Total assets	2,150,522	2,173,436	2,050,669
Total liabilities	7,854	6,075	4,383
Total net position restricted for pension benefits	\$ 2,142,668	\$ 2,167,361	\$ 2,046,286

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Management's Discussion and Analysis (Unaudited)

Changes in Fund Net Position

The following comparative summary of the Changes in Fund Net Position reflects the activities of the Fund for fiscal years 2017 through 2019:

Table 2
Statements of Changes in Fiduciary Net Position
(In thousands)

	September 30,		
	2019	2018	2017
Additions:			
Net investment income	\$ 80,254	\$ 217,985	\$ 267,152
Contributions	36,295	35,508	44,620
Total additions	116,549	253,493	311,772
Deductions:			
Benefits paid	138,980	130,709	121,911
Administrative expenses	2,262	1,709	1,757
Total deductions	141,242	132,418	123,668
Change in net position	(24,693)	121,075	188,104
Net position restricted for pension benefits			
Beginning of year	2,167,361	2,046,286	1,858,182
End of year	\$ 2,142,668	\$ 2,167,361	\$ 2,046,286

The Fund had net investment income from 2017 thru 2019. In 2019, the Fund experienced a return of 4%. In 2018, the Fund earned a return of 11%.

For the fiscal year ended September 30, 2019, employee and employer contributions increased by \$787,000 as a result of higher actuarially required contributions in 2019. The employee contribution rate is developed through an annual actuarial valuation as a percentage of covered payroll. City contributions are 134% of employee contributions. For the fiscal year ended September 30, 2018, employee and employer contributions decreased by \$9,112,000, as a result of lower actuarially required contribution rates.

Benefit and withdrawal payments increased over this period, totaling \$138,980,000 and \$130,709,000 for fiscal years 2019 and 2018, respectively, which was an increase of \$8,271,000. This was due primarily to the effect of higher average monthly pension benefit payments, annual cost-of-living adjustments (COLAs), and longer life expectancies. Additionally, there were 42 DROP distributions in 2019 totaling \$15,755,000, as compared to 38 DROP distributions totaling \$14,269,000 in the prior year. The Fund authorized payment of a 13th Check Program distribution in fiscal year 2019 of \$19,680,000, as compared to the previous fiscal year in which there was a distribution of \$18,429,000.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Management’s Discussion and Analysis (Unaudited)

Fund Membership

The following table reflects the composition of the Fund membership as of the October 1, 2018 and 2017 actuarial valuation:

**Table 3
Fund Membership**

	October 1,	
	2018	2017
Longevity retirees	1,341	1,301
DROP participants	181	191
Disabled retirees	313	311
Beneficiaries	311	322
Terminated vested	15	14
Total pension benefit recipients	2,161	2,139
Active members	1,410	1,379
Total fund members	3,571	3,518

The Fund membership has been stable over this time period.

Funding Status

Actuarial valuations of the Fund are conducted on an annual basis. Actuarial assumptions are reviewed on an annual basis by the actuary and the Board of Trustees of the Fund. Actuarial experience studies are also conducted periodically (every five years) to determine the accuracy of the actuarial assumptions based upon the actual experience of the Fund over time. There is also actuarial oversight by the state actuary for the Florida Division of Retirement, Local Retirement Section.

Long-Term Expected Rate of Return Assumption

The Fund’s investment policy outlines the Fund’s investment approach and provides direction as to how the Fund’s investment manager will invest its assets. The portfolio composition is made up of three sectors: cash, fixed income and equity. The plan document limits its investments in common stock to not more than 65% of the Fund, based on cost, and not more than 5% of the Fund shall be invested in any one corporation. The remaining investments are held in cash, fixed income and alternative investments. The plan document also limits its total investments in foreign holdings to 25% of the Fund, based on market value.

The desired investment objective is a long-term rate of return on assets of at least 8.5%, which is anticipated to be approximately 3.5-5.5% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI) – All Urban Consumers. This target rate of return for the plan is based upon the assumption that future real returns will approximate the historical long-term rates of return experienced for each asset class held by the Fund. This target rate of return is also based upon the 5% rate of return of the base plan, and the ratio of the total fund to the base plan, which was 1.7 at September 30, 2012, as reported by the actuary (5% x 1.7 ratio = 8.5% target return for total fund).

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Management’s Discussion and Analysis (Unaudited)

The Fund reviews its long-term rate of return assumption no less than every five (5) years by having the Fund’s actuary perform a stochastic analysis of the Fund’s assets and liabilities. The most recent stochastic analysis was completed by the Fund’s actuary and presented to the Board of Trustees on December 18, 2019. At that time, the actuary concluded that the 8.5% long-term rate of return assumption was the 50th percentile outcome, which was reasonable given the Fund’s performance to date. The analysis provided the long-term expected rates of return for the equity and fixed income segments as shown below.

Asset Class	Long-Term Target Mix	Long-Term Expected Nominal Return	Long-Term Expected Real Return	Long-Term Expected Rate of Inflation
Equity	75%	12.40%	9.40%	3.00%
Fixed income	25%	5.00%	2.00%	3.00%

Asset Allocation and Investment Activities

The Board of Trustees has adopted a comprehensive, written investment policy, which is in compliance with Chapter 112, Florida Statutes. The Fund’s governing document places a limit of 65% on a cost basis in equities. As of September 30, 2019, the Fund was in compliance with the investment policy, with 65% on a cost basis invested in equities.

As of September 30, 2019, the Fund was in compliance with the investment policy, with 11.8% on a market value basis invested in international investments. The Fund’s investment manager, the firm investing the Fund’s diversified portfolio since September 1974, submits a written investment performance report monthly to the Board of Trustees and reports quarterly in person to the Board of Trustees. The Board of Trustees retains an independent performance measurement consultant, and although only required by state statutes to be prepared triennially (once every three years), a written report from an independent performance measurement consultant is submitted quarterly to the Board of Trustees.

According to the Fund’s independent performance measurement report as of September 30, 2019. The Fund’s time-weighted rate of return since its inception in September 1974 has been 11.57%, annualized. For the same time period, the Policy Benchmark Index (60% S&P 500; 15% MSCI-EAFE; 20% BCAP Govt/Credit; 5% U.S. Treasury Bills) has been 10.34%, annualized.

Contacting the Fund’s Financial Management

These financial statements are designed to provide citizens, taxpayers and Fund participants with an overview of the Fund’s finances and the prudent exercise of the Board of Trustees’ oversight. If you have any questions regarding this report or need additional financial information, please contact the Fund administrator at the Tampa Firefighters and Police Officers Pension Fund Office at (813) 274-8550, 3001 North Boulevard, Tampa, Florida 33603.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

**Statements of Fiduciary Net Position
September 30, 2019 and 2018
(In thousands)**

	2019	2018
Assets		
Cash	\$ 589	\$ 673
Investments:		
Debt and other interest-bearing investments	501,441	476,522
Equity securities	1,589,913	1,641,804
Partnerships	52,084	48,810
Total investments	2,143,438	2,167,136
Accrued receivables – due from brokers	4,071	4,246
Other receivables	898	838
Capital assets:		
Land	100	100
Buildings and improvements, net	406	375
Construction in progress	1,020	68
Capital assets, net	1,526	543
Total assets	\$ 2,150,522	\$ 2,173,436
Liabilities		
Accounts payable	\$ 137	\$ 102
Accrued liabilities – due to brokers	7,717	5,973
Total liabilities	\$ 7,854	\$ 6,075
Total net position restricted for pension benefits	\$ 2,142,668	\$ 2,167,361

See notes to financial statements.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

**Statements of Changes in Fiduciary Net Position
Fiscal Years Ended September 30, 2019 and 2018
(In thousands)**

	2019	2018
Additions:		
Contributions:		
City	\$ 16,182	\$ 15,868
Members	12,076	11,856
State	7,008	6,761
Employee buybacks	1,029	1,023
Total contributions	36,295	35,508
Investment income:		
Interest and dividend income	46,889	41,511
Net appreciation in fair value of investments	38,591	181,716
Total investment income	85,480	223,227
Less investment expenses	(5,226)	(5,242)
Net investment income	80,254	217,985
Total additions	116,549	253,493
Deductions:		
Benefit and withdrawal payments:		
Pension benefits	119,202	112,004
Withdrawal payments	98	276
13th check benefit	19,680	18,429
Administrative expenses	2,262	1,709
Total deductions	141,242	132,418
Change in net position	(24,693)	121,075
Net position restricted for pension benefits:		
Beginning of year	2,167,361	2,046,286
End of year	\$ 2,142,668	\$ 2,167,361

See notes to financial statements.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 1. Plan Description and Significant Accounting Policies

General: The City of Tampa, Florida (the City) sponsors the City of Tampa, Florida Firefighters and Police Officers Pension Fund (the Fund), a single-employer, defined-benefit plan covering all full-time firefighters and police officers who have passed a medical examination and met all of the requirements of the City's Civil Service Board.

The Fund is administered by an independent Board of Trustees, which consists of nine members:

- (i) Three (3) members of the City Administration appointed by the Mayor.
- (ii) Three (3) members of the Fire Department who are elected by active and retired firefighters.
- (iii) Three (3) members of the Police Department who are elected by active and retired police officers.

Pension benefits: Benefit eligibility requirements and benefit provisions are as follows: vesting for participants in the Fund occurs at 10 years of service, and participants may begin drawing monthly pension benefits at the earlier of attaining age 46 with 10 or more years of service or 20 years of service, regardless of age. The annual pension is 3.15% for each year of service times the employee's final average compensation (highest 3 of the last 10 years of service), but no less than the federal poverty level for a family of 1 or 2 (as the case may be) and no more than 100% of the employee's final average compensation. The Fund also provides both service and nonservice-related disability and pre-retirement death benefits.

Members with at least 20 years, but no more than 30 years, of credited service are eligible to participate in the Deferred Retirement Option Program (DROP). Members may participate in the DROP for the lesser of 5 years or until the member would have earned 30 years of service. An election to participate in the DROP is irrevocable. During the DROP period, the member accrues a benefit amount equal to what would have been the member's longevity retirement benefit had the member retired as of the date of entry into the DROP, adjusted for net investment returns on Fund assets. Net returns are calculated from the date of entry into the DROP until departure from service. This accumulated amount, less the portion attributable to the employee's after-tax pension contributions, may be either rolled over to a tax-qualified vehicle, paid in a lump sum, or some combination of the two, based upon the member's request when the member leaves active service at the end of the DROP period.

All eligible retired members and surviving spouses receive a 13th Check Program benefit payment that is paid each June 30th, provided sufficient investment return is available at the fiscal year end, and the Fund has cumulative actuarial gains. The benefit is an equal dollar amount for all eligible retirees and one-half of that amount to eligible surviving spouses. Effective October 1, 2007, the 13th Check Program is funded by investment returns in excess of 10% (limited to 1%) on the base plan plus the post-retirement adjustment account market value of assets at each fiscal year-end.

For the fiscal year ended September 30, 2019, there was sufficient investment return in the prior year to fund a 13th Check Program distribution in June 2019 of \$19,680,000. For the fiscal year ended September 30, 2018, there was sufficient investment return in the prior year to fund a 13th Check Program distribution in June 2018 of \$18,429,000.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 1. Plan Description and Significant Accounting Policies (Continued)

Members terminating employment who are not eligible to retire are entitled to a refund of their contributions made to the Fund without interest.

On each January 1, the benefit payments of all recipients will be increased or decreased according to the net change in the average cost-of-living index from the previous year, provided that adjustments may not be increased beyond what the Post-Retirement Adjustment Account (PRAA) will support, as determined by the actuary, and adjustments may not be decreased below the level at which they were first determined (base benefits). The PRAA had assets of \$904,476,000 and \$837,853,000 at October 1, 2018 and 2017, respectively. Benefits paid from the PRAA amounted to \$30,963,000 and \$28,892,000 for the years ended September 30, 2019 and 2018, respectively.

Membership data of the Fund is summarized as follows. Participant data as of October 1, 2018 and 2017, the dates of the most recent actuarial valuations follows:

	2018	2017
Inactive Members in Receipt (Retirees, Disabled, Beneficiaries)	2,146	2,125
Non-Active, Non-Retired Members (Fully Vested, Nonvested)	15	14
Active Members	1,410	1,379
	<u>3,571</u>	<u>3,518</u>

Employer contributions: The pension plan document, which is a Special Act of the Florida Legislature, governs the City and employee contribution requirements for the Fund. The City's contribution to the Fund is an actuarially determined, periodic amount that is a minimum of 134% of the employees' contributions and is calculated annually under the funding requirements of Part VII, Chapter 112, Florida Statutes. The employees' contribution for the Fund uses a progressive scale (full-scale contribution rate or FSCR) that ranges from 6% to 25% of earnings, which may be discounted by the actuary. Members who have elected the DROP do not make contributions during their DROP participation period. Contributions provided by the State of Florida are in accordance with state statutes. Total contributions to the Fund were \$36,295,000 and \$35,508,000 for the years ended September 30, 2019 and 2018, respectively.

A summary of the Plan's significant accounting policies follows:

Basis of accounting: The Fund's financial statements are prepared using the accrual basis of accounting. Fund member contributions are recognized in the period in which the contributions are due. Employer contributions to the Fund 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 Fund's policy.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as well as additions and deductions to the Fund. Actual results could differ from management's estimates. Significant estimates include the liability for pension benefits and annual required contributions.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 1. Plan Description and Significant Accounting Policies (Continued)

Investments: Investments of the Fund are held by the Fund's custodian. The Board of Trustees of the Fund has adopted a comprehensive written investment policy, which is in compliance with Chapter 112, Florida Statutes. Fund Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment transactions are recognized on the trade date.

Investments are categorized in accordance with the fair value hierarchy established by Governmental Accounting Standards Board (GASB) *Statement No. 72, Fair Value Measurement and Application*. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets or liabilities; Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted market prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations where there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment. Money market funds are measured at amortized cost. The Plan is allowed to report money market investments at amortized cost if the investment has a remaining maturity at time of purchase of one year or less and the fair value of those investments are not significantly affected by the impairment of the credit standing of the issuer or by other factors.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 2. Investments

The Fund's investments are categorized by level as follows according to the GASB 72 fair value hierarchy as of September 30, 2019:

	2019 Fair Value (In thousands)	Fair Value Measurements by Level		Weighted Average Maturity (Years)
		Level 1	Level 2	
Investment type:				
U.S. Treasuries	\$ 17,920	\$ 17,920	\$ -	0.12
U.S. Agencies:				
Federal Farm Credit Bank	46,032	-	46,032	4.84
Federal Home Loan Bank	15,012	-	15,012	3.44
Government National:				
Mortgage Association	314	-	314	20.07
Inflation indexed U.S. Treasuries	18,649	18,649	-	7.05
Corporate bonds	358,517	-	358,517	3.27
Commercial paper	26,805	-	26,805	0.21
Equity securities:				
American Depositary Receipts	179,355	-	179,355	not applicable
Consumer discretionary	85,786	85,786	-	not applicable
Consumer staples	174,034	174,034	-	not applicable
Energy	24,906	24,906	-	not applicable
Financials	153,496	153,496	-	not applicable
Health care	120,496	120,496	-	not applicable
Industrials	374,025	374,025	-	not applicable
Information technology	370,095	370,095	-	not applicable
Materials	50,678	50,678	-	not applicable
Telecommunication services	27,947	27,947	-	not applicable
Miscellaneous	29,095	25,380	3,715	not applicable
Partnerships	52,084	14,729	37,355	not applicable
Total fair value	2,125,246	\$ 1,458,141	\$ 667,105	
		Portfolio weighted-average maturity		3.13
Measured at amortized costs:				
Money market funds	18,192			
Total investments	\$ 2,143,438			

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 2. Investments (Continued)

The Fund's investments are categorized by level according to the GASB 72 fair value hierarchy as of September 30, 2018:

Investment type:	2018 Fair Value (In thousands)	Fair Value Measurements by Level		Weighted Average Maturity (Years)
		Level 1	Level 2	
U.S. Treasuries	\$ 9,950	\$ 9,950	\$ -	0.12
U.S. Agencies:				
Federal Farm Credit Bank	36,690	-	36,690	2.91
Federal Home Loan Bank	30,696	-	30,696	2.33
FICO Strip	2,995	-	2,995	0.09
Tennessee Valley Authority Zero Coupon	1,197	-	1,197	0.09
Government National:				
Mortgage Association	400	-	400	21.07
Inflation indexed U.S. Treasuries	21,420	21,420	-	5.02
Corporate bonds	328,584	-	328,584	2.65
Commercial paper	29,686	-	29,686	0.26
Equity securities:				
American Depositary Receipts	150,933	-	150,933	not applicable
Consumer discretionary	71,618	71,618	-	not applicable
Consumer staples	136,208	136,208	-	not applicable
Energy	24,456	24,456	-	not applicable
Financials	124,561	124,561	-	not applicable
Health care	164,833	164,833	-	not applicable
Industrials	366,527	366,527	-	not applicable
Information technology	429,335	429,335	-	not applicable
Materials	136,844	136,844	-	not applicable
Miscellaneous	36,489	32,705	3,784	not applicable
Partnerships	48,810	24,281	24,529	not applicable
Total fair value	2,152,232	\$ 1,542,738	\$ 609,494	
		Portfolio weighted-average maturity		2.49
Measured at amortized costs:				
Money market funds	14,904			
Total investments	\$ 2,167,136			

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 2. Investments (Continued)

Investment policy: The Fund's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. The objective of the policy is to seek the highest possible return consistent with prudent regard for risk, safety of capital, diversification, legal considerations, liquidity and fiduciary responsibility across a broad selection of distinct asset classes. The Fund's adopted asset allocation policy as of September 30, 2019 and 2018, follows:

Asset Class	Target Allocation
Equities	Not to exceed 65% on a cost basis and not more than 5% invested in any one corporation
International investments	Not to exceed 25% on a market value basis

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policies for the Fund do not place limits on investment maturities. The weighted-average maturity of the Fund's debt type investments was 3.13 years and 2.49 years at September 30, 2019 and 2018, respectively, and assumes no investments will be called prior to maturity. As a result, the Fund is exposed to the risk of fair value losses arising from increasing interest rates.

Credit risk: Credit risk is the risk that an issuer or counterparty to a debt-type investment will not fulfill its obligation to the Fund. The investment policy of the Fund requires purchases of investments in fixed income securities to be limited to a rating of A or better at time of purchase. The Fund's investments in fixed income securities were rated as follows for the years ended September 30, 2019 and 2018, respectively.

Investment Type	(In thousands)		Moody's Rating
	2019	2018	
U.S. Agencies	\$97,927	\$103,348	Aaa
Corporate bonds	358,517	328,584	BA3 or better
Money market funds	18,192	14,904	Aaa
Commercial paper	26,805	29,686	A1/P1 or better

When fixed income securities fall below the specified credit rating required by the Fund's policy, the investment manager will report the changes in writing to the Board of Trustees on a quarterly basis and make a recommendation to either liquidate or hold.

Concentration of credit risk: Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Fund's investment in a single issuer. The investment policy of the Fund limits investment in any one issuer to 5% of the total portfolio. The Fund had no investments in a single issuer that either exceeded 5% of the total portfolio or 5% of the Fund's net position at September 30, 2019 and 2018, respectively.

Rate of return: For the years ended September 30, 2019 and 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 3.65% and 10.95%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 2. Investments (Continued)

Custodial credit risk: For investments, this is the risk that in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, this is the risk that in the event of the failure of the bank, the Fund will not be able to recover its deposits. The Fund's investment policy requires securities be held by a third party custodian in the Fund's name. As of September 30, 2019, the Fund's investment portfolio was held with a third-party custodian and designated as Fund assets, as required by the Fund's investment policy.

Investments in foreign entities: The Fund held investments in the following foreign entities as of September 30, 2019:

Investment	Country of Origin	Investment Type	Fair Value (In thousands)
Banco Santander	Spain	Commercial Paper	\$ 2,984
Alberta Province	Canada	Commercial Paper	2,966
Unilever Capital	Great Britain	Corporate Bonds	4,994
Shlumberger	Netherlands	Corporate Bonds	4,063
Glaxosmithkline	Great Britain	Corporate Bonds	4,103
Rolls Royce PLC	Great Britain	Corporate Bonds	2,915
Anheuser Busch	Belgium	Corporate Bonds	5,349
Bank of Nova Scotia	Canada	Corporate Bonds	4,057
BNP Paribas	France	Corporate Bonds	3,314
Accenture LTD	Ireland	Equity Security	29,814
Garmin LTD	Switzerland	Equity Security	25,407
Glaxosmithkline PLC ADR	Great Britain	Equity Security	26,462
Nokia	Finland	Equity Security	15,180
Nestle SA ADR	Switzerland	Equity Security	30,352
Schlumberger Limited	Netherlands	Equity Security	13,668
Sony Corp	Japan	Equity Security	20,104
Wheaton Precious Metals	Canada	Equity Security	18,368
Brookfield Renewable Common LP	Canada	Partnerships	11,171
Brookfield Property Partners LP	Canada	Partnerships	5,075
Brookfield Infrastructure Partners LP	Canada	Partnerships	21,109
Total			<u>\$ 251,455</u>

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 2. Investments (Continued)

Investments in foreign entities: The Fund held investments in the following foreign entities as of September 30, 2018:

Investment	Country of Origin	Investment Type	Fair Value (In thousands)
Bank of Nova Scotia	Canada	Commercial Paper	\$ 3,022
Ontario Teachers Financial	Canada	Commercial Paper	2,958
Prudential PLC	Great Britain	Commercial Paper	2,974
Toronto-Dominion Bank Cpdn	Canada	Commercial Paper	2,936
BNP Paribas	France	Corporate Bonds	2,944
National Australia Bank	Australia	Corporate Bonds	2,970
Schlumberger Fin CA	France	Corporate Bonds	3,875
Shell International Fin	Great Britain	Corporate Bonds	4,962
Unilever Capital Corp	Great Britain	Corporate Bonds	4,904
Accenture PLC	Ireland	Equity Security	20,424
Allergan, PLC	Ireland	Equity Security	15,238
Garmin Ltd	Switzerland	Equity Security	17,862
Manulife Financial Corp.	Canada	Equity Security	17,880
Mellanox Technologies Ltd	Israel	Equity Security	16,159
Nokia Corp.	Finland	Equity Security	19,530
Orion Engineered Carbons	Luxemborg	Equity Security	24,075
Vermilion Energy, Inc.	Canada	Equity Security	19,764
Brookfield Infrastructure Partners, L.P.	Canada	Partnerships	16,969
Brookfield Renewable Partners L.P.	Canada	Partnerships	7,560
Total			\$ 207,006

The Fund's investment policy permits it to invest up to 25% in foreign investments based on the Fund's total market value of all investments held. The Fund's position invested in foreign entities is 11.8% and 9.6% at September 30, 2019 and 2018, respectively.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 3. Net Pension Liability of the City

The components of the net pension liability for the City as of September 30, 2019 and 2018, were as follows (in thousands):

	2019	2018
Total pension liability	\$ 2,244,619	\$ 2,248,652
Plan fiduciary net position	(2,142,668)	(2,167,361)
City's net pension liability	\$ 101,951	\$ 81,291
Plan fiduciary net position as a percentage of the total pension liability	95%	96%

Actuarial Assumptions

The total pension liability was based on actuarial valuations dated October 1, 2018 and 2017 and rolled-forward to September 30, 2019 and 2018, respectively, using the following actuarial assumptions applied to all periods included in the measurements:

Inflation	3.0%
Projected salary increases	12.00% to 5.00% for firefighters 9.0% to 4.0% for police officers
Investment rate of return	8.5%

Mortality rates were based on the RP-2000 Generational, 10% combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB for males and RP-2000 Generational, 100% Combined Healthy White Collar, Scale BB for females. Twenty percent (20%) of deaths among active members are assumed to be service incurred and 80% are assumed to be non-service incurred.

The assumed rates of mortality above were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2017 FRS actuarial valuation report for special risk employees.

The actuarial assumptions used as of September 30, 2019 and 2018, were adopted by the Board in consultation with the Fund's actuary. The Board's established practice is to review the experience of the Fund at least once every 5 years to determine if any changes to the valuation assumptions are warranted. The assumptions used are based on recommendations made and approved by the Board as part of an experience study covering the 5-year period ending September 30, 2017. In addition, the Board reviewed the investment rate of return assumption of 8.50% in December 2019, based on an asset and liability study reflecting the investment policy of the Fund.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 3. Net Pension Liability of the City (Continued)

Real Rate of Return

The Fund's investment policy outlines the Fund's investment approach and provides direction as to how the Fund's investment manager will invest its assets. The desired investment objective is a long-term rate of return on assets of at least 8.5%, which is anticipated to be approximately 3.5% – 5.5% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI) – All Urban Consumers. This target rate of return for the plan is based upon the assumption that future real returns will approximate the historical long-term rates of return experienced for each asset class held by the Fund. Best estimates of real rates of return for each major asset class included in the Fund's target asset allocation as of September 30, 2019 and 2018, are summarized in the following table:

Asset Class	Real Rate of Return
Equities	9.4%
Fixed income	2.0%

Discount Rate

The discount rate used to measure the total pension liability as of September 30, 2019 and 2018, was 8.5%. The projection of cash flows used to determine the discount rate assumed that plan member and state contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates less the member and State contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following tables present the net pension liability (asset) as of September 30, 2019 and 2018, calculated using the discount rate of 8.5%. The tables present the Fund's net pension liability (asset) if it were calculated using a discount rate that is 1-percentage-point lower (7.5%) or 1-percentage-point higher (9.5%) than the current rate (amount in thousands):

City's Net Pension Liability (Asset) 2019		
1% Decrease (7.5%)	Current Discount Rate (8.5%)	1% Increase (9.5%)
\$246,387	\$101,951	(\$18,977)

City's Net Pension Liability (Asset) 2018		
1% Decrease (7.5%)	Current Discount Rate (8.5%)	1% Increase (9.5%)
\$221,189	\$81,291	(\$35,748)

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

Notes to Financial Statements

Note 4. Deferred Retirement Option Program (DROP) Balances

The Fund includes terms that permit members to be credited for benefit payments into an individual member account within the Fund while continuing to provide services to the employer and to be paid a salary. The balance of the amounts held by the Fund pursuant to the DROP as of September 30, 2018 and 2017, was \$51,574,000 and \$47,423,000, respectively. DROP balances as of each fiscal year end are determined by the Fund's actuary each May, subsequent to each fiscal year end.

Note 5. Retirement Plan for Staff

The administrative employees of the Fund participate in a separate plan sponsored by the Tampa Fire & Police Pension Fund (the Fund), which is a single employer defined benefit pension plan for the staff of the Fund, which was created in the fiscal year ended September 30, 2019. The annual contribution to the plan is based on a specified percentage of the eligible employees' compensation, as determined by the Fund's actuary. For fiscal year ended September 30, 2019, the employee's contribution rate was 5.84%. The Fund shall contribute such amounts as necessary to provide the plan with assets sufficient to meet the benefits to be paid to the participants. Total required contributions for the fiscal years ended September 30, 2019 was \$107,000 and total assets of the plan was \$1,019,000.

Note 6. Federal Income Tax Status

The Internal Revenue Service (IRS) has issued favorable determination letters to the Fund, most recently in December 4, 2016, indicating that the Fund is designed in accordance with applicable sections of the Internal Revenue Code (IRC) and is exempt from federal income taxes. The Fund has been amended since receiving such determination letters. The Fund administrator and the Fund's tax counsel believe that the Fund is designed and is currently being operated in material compliance with the applicable requirements of the IRC and remain exempt from federal income taxes. Therefore, no provision for income taxes have been included in the Fund's financial statements.

City of Tampa, Florida
Firefighters and Police Officers Pension Fund

Schedule of Changes in the City's Net Pension Liability and Related Ratios (Unaudited)
Last Six Fiscal Years
(In thousands)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 30,222	\$ 28,832	\$ 27,993	\$ 25,998	\$ 24,706	\$ 24,066
Interest	106,732	101,782	97,949	92,573	89,282	86,644
Changes of benefit terms	-	2,549	-	-	-	-
Differences between expected and actual experience	(3,541)	10,641	33,301	(2,303)	(10,348)	-
Changes in assumptions	-	-	5,696	-	-	-
Changes for investment return allocated to DROP, PRAA, 13th check accounts.	1,536	120,962	153,525	3,144	(43,227)	130,933
Benefit payments, including refunds of employee contributions	(138,982)	(130,709)	(121,911)	(124,907)	(125,717)	(109,130)
Net change in total pension liability	(4,033)	134,057	196,553	(5,495)	(65,304)	132,513
Total pension liability – Beginning	2,248,652	2,114,595	1,918,042	1,923,537	1,988,841	1,856,328
Total pension liability – Ending (a)	\$ 2,244,619	\$ 2,248,652	\$ 2,114,595	\$ 1,918,042	\$ 1,923,537	\$ 1,988,841
Plan Fiduciary Net Position						
Contributions – City	\$ 16,182	\$ 15,868	\$ 21,213	\$ 18,954	\$ 17,077	\$ 17,180
Contributions – Member (including service purchases)	13,105	12,879	16,965	15,077	14,044	14,069
Contributions – State	7,008	6,761	6,443	6,483	6,484	6,393
Net investment income (loss)	78,719	97,023	113,627	213,460	(48,964)	78,764
Investment return (loss) allocated to DROP, PRAA, 13th check accounts	1,535	120,962	153,524	3,144	(42,817)	130,523
Benefit payments, including refunds of employee contributions	(138,980)	(130,709)	(121,911)	(124,907)	(125,717)	(109,130)
Administrative expense	(2,262)	(1,709)	(1,757)	(1,559)	(1,646)	(1,372)
Net service purchases receivable	-	-	-	-	(409)	15
Net change in plan fiduciary net position	(24,693)	121,075	188,104	130,652	(181,948)	136,442
Plan fiduciary net position – Beginning	2,167,361	2,046,286	1,858,182	1,727,530	1,909,478	1,773,036
Plan fiduciary net position – Ending (b)	\$ 2,142,668	\$ 2,167,361	\$ 2,046,286	\$ 1,858,182	\$ 1,727,530	\$ 1,909,478
City's net pension liability – Ending (a) – (b)	\$ 101,951	\$ 81,291	\$ 68,309	\$ 59,860	\$ 196,007	\$ 79,363
Plan fiduciary net position as a percentage of the total pension liability	95%	96%	97%	97%	90%	96%
Covered payroll	\$ 127,501	\$ 124,412	\$ 113,643	\$ 103,926	\$ 98,498	\$ 98,670
City's net pension liability as a percentage of covered payroll	80%	65%	60%	58%	199%	80%

Notes to schedule:

a. Changes of assumptions: None

b. This Schedule is presented to illustrate the requirements of GASB 67. Currently only data for fiscal years ended September 30, 2019 through 2014 are available.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

**Schedule of Employer Contributions (Unaudited)
Last 10 Fiscal Years
(In thousands)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 16,182	\$ 15,868	\$ 21,213	\$ 18,954	\$ 17,077	\$ 17,180	\$ 17,404	\$ 15,286	\$ 17,923	\$ 8,889
Actual contributions	16,182	15,868	21,213	18,954	17,077	17,180	17,404	15,286	17,923	8,889
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 127,501	\$ 124,412	\$ 113,643	\$ 103,926	\$ 98,498	\$ 98,670	\$ 96,208	\$ 90,739	\$ 88,544	\$ 95,114
Contributions as a percentage of covered payroll	12.69%	12.75%	18.67%	18.24%	17.34%	17.41%	18.09%	16.85%	20.24%	9.35%

Notes to schedule:

Valuation date: Actuarially determined contributions calculated as of October 1, 2017, applies for the fiscal year ended September 30, 2019.

Methods and assumptions used to determine the actuarially determined contribution as of October 1, 2017:

Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Amortization period	30 years for plan amendments, and assumption and method changes 15 years for actuarial gains and losses
Asset valuation method	Actuarial value
Inflation	3.0%
Salary increases	Age related increase rates which include inflation – range from 4% to 12 %
Payroll growth	4.0%
Investment rate of return	8.5%, net of investment expenses
Retirement age	Eligible employees are assumed to retire at the rate of 35% after 20 years of service, 25% after 21-22 years of service, 35% after 23 years of service, 50% after 24-25 years of service, 45% after 26-29 years of service and 100% after 30 years of service. For firefighters with less than 20 years of service, employees are assumed to retire at the rate of 6.0% between the ages of 40-59 and 100% at 60 and thereafter. For Police Officers with less than 20 years of service, employees are assumed to retire at the rate of 6.5% between the ages of 40-59 and 100% at 60 and thereafter.
Mortality	Active participants: Males – RP-2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB. Females – RP-2000 Generational, 100% Combined Healthy White Collar, Scale BB. Mortality for healthy inactive participants: Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB. Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Mortality for disabled participants: Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale. Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

This Schedule is presented to illustrate the requirements of GASB 67.

**City of Tampa, Florida
Firefighters and Police Officers Pension Fund**

**Schedule of Investment Returns (Unaudited)
Last 10 Fiscal Years
(In thousands)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	3.65%	10.95%	14.70%	12.94%	-5.00%	12.10%	14.80%	22.20%	2.00%	12.40%

This Schedule is presented to illustrate the requirements of GASB 67.

**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***

Independent Auditor's Report

The Board of Trustees
City of Tampa, Florida Firefighters
and Police Officers Pension Fund
Tampa, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of fiduciary net position of the City of Tampa, Florida Firefighters and Police Officers Pension Fund (the Fund), which comprise the statement of fiduciary net position as of September 30, 2019, and the statement of changes in fiduciary net position for the year then ended, and related notes to the financial statements, and have issued our report thereon dated February 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

RSM US LLP

Tampa, Florida
February 18, 2020