

Miami Beach Employees' Retirement Plan

Financial Statements

Years Ended September 30, 2010 and 2009



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Miami Beach Employees' Retirement Plan

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Independent Auditors' Report

Board of Trustees
Miami Beach Employees' Retirement Plan
Miami Beach, Florida

We have audited the accompanying statements of plan net assets of the Miami Beach Employees' Retirement Plan (the "Plan") as of September 30, 2010 and 2009, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Miami Beach Employees' Retirement Plan as of September 30, 2010 and 2009, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the required supplementary information as listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The required supplementary information for the years ended September 30, 2005 through 2007 was reported on by Koch Reiss & Co., P.A., whose report states that they did not audit this information and did not express an opinion on it.



Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses (other supplementary schedules) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Other supplementary schedules have been subjected to auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
February 8, 2011



MIAMI BEACH

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Management's Discussion and Analysis (Required Supplementary Information - unaudited) September 30, 2010 and 2009

Our discussion and analysis of the Miami Beach Employees' Retirement Plan (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2010 and 2009. Please read it in conjunction with the Plan's financial statements, which follows this discussion.

Financial Highlights

- The Plan assets exceeded its liabilities at the close of fiscal years ended September 30, 2010 and 2009 by \$378,823,163 and \$349,416,064, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase of \$29,407,101 and the decrease of \$14,168,732, for the years ended September 30, 2010 and 2009, respectively, have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 86.4% as of October 1, 2007 actuarial valuation to 80.9% as of October 1, 2008 valuation and 76.2% as of the October 1, 2009 valuation.
- For the fiscal year ended September 30, 2010, liabilities decreased by \$14,602,856 (or 79.5%) from the fiscal year ended September 30, 2009, primarily due to the prepayment of the 2010 City contribution in prior year 2009. The prepaid 2010 City contribution totaled \$17,137,394.

For the fiscal year ended September 30, 2009, liabilities increased by \$16,864,403 (or 1,127%) from the fiscal year ended September 30, 2008, primarily due to the prepayment of the 2010 City contribution.

- For the fiscal year ending September 30, 2010 City contributions to the Plan, increased \$4,273,571 (or 33.2%). Actual City contributions are based primarily on the actuarial valuation and were \$17,137,394 and \$12,863,823 for 2010 and 2009, respectively.

For the fiscal year ending September 30, 2009 City contributions to the Plan, decreased \$1,047,722 (or 7.5%). Actual City contributions are based primarily on the actuarial valuation and were \$12,863,823 and \$13,911,545 for 2009 and 2008, respectively.

- For the fiscal year ending September 30, 2010, member contributions including buybacks increased by \$26,448 (or 0.4%). Actual member contributions, including buybacks were \$6,846,512 and \$6,820,064 for 2010 and 2009, respectively. Member contributions increased from 2009 due to member contributions fluctuating from year to year, based on increases in salaries and changes in participant funding percentages.

Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2010 and 2009

Financial Highlights - continued

For the fiscal year ending September 30, 2009, member contributions including buybacks increased by \$217,661 (or 3.3%). Actual member contributions, including buybacks were \$6,820,064 and \$6,602,403 for 2009 and 2008, respectively. Member contributions increased from 2008 due to member contributions fluctuating from year to year, based on the number of active members and increases in salaries.

- For the fiscal year ending September 30, 2010, the Plan had net investment income of \$38,988,745 compared to net investment loss of (\$3,019,825) in the fiscal year ended September 30, 2009. Actual results were \$35,791,125 and (\$6,201,923) in net appreciation (depreciation) in fair value of investments for 2010 and 2009, respectively, \$3,930,461 and \$3,760,663 income from interest and dividends, respectively and \$58,580 and \$78,299 from other income, respectively. Investment expenses increased by \$134,557 (or 20.5%).

For the fiscal year ending September 30, 2009, net investment loss decreased by \$54,754,392 (or 94.8%). Actual results were (\$6,201,923) and (\$62,466,782) in net depreciation in fair value of investments for 2009 and 2008, respectively, \$3,760,663 and \$5,650,222 income from interest and dividends, respectively and \$78,299 and \$98,981 from other income, respectively. Investment expenses decreased by \$399,774 (or 37.8%).

- For the fiscal year ending September 30, 2010, benefit payments & refunds increased by \$2,352,699 (or 7.8%).

For the fiscal year ending September 30, 2009, benefit payments & refunds increased by \$1,862,780 (or 6.6%).

- For the fiscal year ending September 30, 2010, administrative expenses increased by \$29,892 from 2009 (or 4.4%).

For the fiscal year ending September 30, 2009, administrative expenses increased by \$36,395 from 2008 (or 5.7%).

Plan Highlights

As of September 30, 2010 the total return of the Plan's portfolio was 11.3% and ranked in the top 21st percentile of the universe of total funds, 0.9% above the benchmark return of 10.4%. Actual net income from investments in 2010 was \$38,988,745, compared with net loss of (\$3,019,825) in 2009.

As of September 30, 2009 the total return of the Plan's portfolio was 0.6% and ranked in the top 55th percentile of the universe of total funds, 0.6% below the benchmark return of 1.2%. Actual net loss from investments in 2009 were (\$3,019,825), compared with net loss of (\$57,774,217) in 2008.

Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2010 and 2009

Using the Audited Financial Statements

The financial statements reflect the activities of the Plan and are reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements are presented on a full accrual basis; reflect all Plan activities as incurred.

Statement of Plan Net Assets

The table below shows a comparative summary of Plan Net Assets.

	2010	2009	2008
Cash and cash equivalents	\$ 5,978,247	\$ 4,630,264	\$ 2,634,584
Receivables	864,310	769,670	1,301,211
Investments	375,738,390	362,376,770	361,145,238
Total assets	382,580,947	367,776,704	365,081,033
Liabilities	3,757,784	18,360,640	1,496,237
Net assets held in trust for pension benefits	\$ 378,823,163	\$ 349,416,064	\$ 363,584,796

Statement of Changes in Plan Net Assets

The following comparative summary of the changes in net assets reflects the activities of

	2010	2009	2008
Additions:			
Contributions			
Member	\$ 6,846,512	\$ 6,802,064	\$ 6,602,403
City	17,137,394	12,863,823	13,911,545
Total contributions	23,983,906	19,683,887	20,513,948
Net investment income (loss)	38,988,745	(3,019,825)	(57,774,217)
Total additions (reductions)	62,972,651	16,664,062	(37,260,269)
Deductions:			
Benefits paid	31,872,195	29,346,790	27,336,122
Refund of contributions	579,709	752,415	900,303
Transfer out	408,164	57,999	-
Administrative expenses	705,482	675,590	639,195
Total deductions	33,565,550	30,832,794	28,875,620
Net increase (decrease)	29,407,101	(14,168,732)	(66,135,889)
Net assets held in trust for pension benefits at beginning of year	349,416,064	363,584,796	429,720,685
Net assets held in trust for pension benefits at end of year	\$ 378,823,165	\$ 349,416,064	\$ 363,584,796

The Plan's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns increased from those of fiscal years ended 2010 and 2009.

Management's Discussion and Analysis (Required Supplementary Information - unaudited) September 30, 2010 and 2009

Statement of Changes in Plan Net Assets (continued)

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At September 30, 2010, the domestic equity portion comprised 52.5% (\$200,186,573) of the total portfolio. The allocation to fixed income securities was 29.2% (\$111,672,560), while cash and cash equivalents comprised 1.6% (\$5,978,247). The allocation to international equity was \$63,879,257 (16.7%).

At September 30, 2009, the domestic equity portion comprised 61.5% (\$225,648,880) of the total portfolio. The allocation to fixed income securities was 29.1% (\$106,865,888), while cash and cash equivalents comprised 1.3% (\$4,630,264). The allocation to international equity was 8.1% (\$29,862,002).

The target asset allocation as of September 30, as follows:

	2010	2009
Domestic equity	51%	60%
Fixed income	31%	33%
International equity	18%	7%
Cash	0%	0%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact Miami Beach Employees' Retirement Plan, 1700 Convention Center Drive, Miami Beach, Florida 33139.

Miami Beach Employees' Retirement Plan

Statements of Plan Net Assets

September 30, 2010 and 2009

	2010	2009
Assets		
Cash and cash equivalents	\$ 5,978,247	\$ 4,630,264
Receivables:		
Member contributions	242,998	222,637
Accrued interest and dividends	571,187	547,033
Proceeds from securities sold	50,125	-
Total receivables	864,310	769,670
Investments, at fair value:		
U.S. Government securities	17,352,665	8,166,629
Domestic fixed income	24,301,164	27,154,019
International fixed income	250,000	250,000
Municipal bonds	196,357	287,965
Domestic corporate equities	44,081,857	49,501,753
Domestic equity fund	153,542,179	175,674,920
International equity fund	63,879,257	29,862,002
Domestic bond fund	69,572,374	71,007,275
Mutual funds - Deferred Retirement Option Plan	2,562,537	472,207
Total investments	375,738,390	362,376,770
Total assets	382,580,947	367,776,704
Liabilities		
Accounts payable and accrued expenses	178,165	134,539
Payable for securities purchased	1,017,080	616,500
Prepaid city contributions	-	17,137,394
Deferred Retirement Option Plan	2,562,537	472,207
Total liabilities	3,757,782	18,360,640
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 21)	\$ 378,823,165	\$ 349,416,064

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

Miami Beach Employees' Retirement Plan

Statements of Changes in Plan Net Assets

For the Years Ended September 30, 2010 and 2009

	2010	2009
Additions		
Contributions:		
Members	\$ 6,414,743	\$ 6,820,064
Members - 2%	431,769	-
City	17,137,394	12,863,823
Total contributions	23,983,906	19,683,887
Investment Income:		
Net appreciation (depreciation) in fair value of investments	35,791,125	(6,201,923)
Interest and Dividends	3,930,461	3,760,663
Other	58,580	78,299
Total investment income (loss)	39,780,166	(2,362,961)
Less: Investment expenses	791,421	656,864
Net investment income (loss)	38,988,745	(3,019,825)
Total additions	62,972,651	16,664,062
Deductions		
Pension benefits paid	31,872,195	29,346,790
Refunds of contributions	579,709	752,415
Transfer out, net	408,164	57,999
Administrative expenses	705,482	675,590
Total deductions	33,565,550	30,832,794
Net increase (decrease)	29,407,101	(14,168,732)
Net assets held in trust for benefits		
Beginning of year	349,416,064	363,584,796
End of year	\$ 378,823,165	\$ 349,416,064

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

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 1 - Description of the Plan

Organization

The Miami Beach Employees' Retirement Plan (the "Plan") is a single employer defined benefit pension plan for general employees established by the City of Miami Beach, Florida (the "City") effective March 18, 2006. The Miami Beach Employees' Retirement System was created under and by the authority of Chapter 18691, Laws of Florida, Act of 1937, as amended, by merging the "Retirement System for General Employees of the City of Miami Beach" created by Ordinance 1901 with the "Retirement System for Unclassified Employees and Elected Officials of the City of Miami Beach" created by Ordinance 88-2603, as amended. Since the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

Classified employees in the Plan are segregated into three unions and into a category called "Others": American Federation of State, County and Municipal Employees ("AFSCME"), Communications Workers of America ("CWA") and Government Supervisors Association of Florida ("GSAF"). Unclassified and Others employees are not represented by a bargaining unit.

The following brief description of the Plan is provided for general information purposes only. Members should refer to the Plan document for more detailed and comprehensive information.

Members

Members are all full-time employees, classified and unclassified positions, who work more than 30 hours per week except for policemen and firemen and persons who elected to join the defined contribution retirement Plan sponsored by the City.

Membership

As of October 1, membership in the Plan consisted of:

	<u>2009</u>	<u>2008</u>
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them	<u>1,127</u>	<u>1,098</u>
Current employees	<u>1,154</u>	<u>1,158</u>

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 1 - Description of the Plan - continued

Pension Benefits

The Plan provides for retirement benefits as well as death and disability benefits at three different tiers depending on when the members entered the Plan.

The First Tier is for members that entered the Plan prior to the Second Tier Dates. The Second Tier Dates were established when each of the unions bargained with the City to establish new guidelines for retirement benefits relating to employees associated with their Unions. The Second Tier Dates are April 1, 1993 for members of AFSCME; August 1, 1993 for those classified as Other and GSAF, and February 21, 1994 for members of CWA. The Second Tier is for members that entered the Plan on or after the Second Tier Dates, but before September 30, 2010. The Third Tier Dates are for employees hired on or after September 30, 2010 other than members of CWA.

Classified members administered under the First Tier are eligible for normal retirement at age 50 and five years of Creditable Service and are entitled to benefits of 3% of Final Average Monthly Earnings ("FAME") multiplied by the first 15 years of Creditable Service plus 4% of FAME multiplied by years of service in excess of 15 years, with the total not to exceed 90% of FAME. First Tier unclassified members accrued 4% for creditable service before October 18, 1992. Unclassified First Tier members accrued 3% per year of service after October 18, 1992, with the total not to exceed 80% of FAME.

Classified and unclassified members administered under the Second Tier are eligible for Normal Retirement at age 55 and five years of creditable service and are entitled to benefits of 3% of FAME multiplied by creditable service, subject to a maximum of 80% of FAME.

Classified and unclassified members administered under the Third Tier are eligible for Normal Retirement at age 55 with at least 30 years of creditable service, or age 62 with at least five years of creditable service and are entitled to benefits of 2.5% of FAME multiplied by creditable service, subject to a maximum of 80% of FAME.

For elected officials, City Manager or City Attorney, the benefit is 4% of FAME for each year of creditable service as an elected official, city manager or city attorney plus the retirement benefit as defined above for any other period of city employment, subject to a maximum of 80% of FAME.

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 1 - Description of the Plan - continued

Pension Benefits- continued

Final average monthly earnings (FAME) means one-twelfth of the average annual earnings during the highest two paid years of credible service. For Unclassified First Tier members who became a member prior to October 18, 1992 and was continuously a member from that date until March 18, 2006, FAME is defined as the larger of one-twelfth average covered salary during the two highest paid years of creditable service or one-twelfth of the pay of the year immediately preceding March 18, 2006. Effective as of September 30, 2010, FAME for those members who are in a classification within the AFSCME or GSA bargaining units, and for any Unclassified or "Other" member who have obtained normal retirement age or are within 24 months from normal retirement age is defined as average covered salary during the two highest paid years of creditable service. FAME for those members who as of September 30, 2010 are between 24 and 36 months from normal retirement age is defined as average covered salary during the three highest paid years of creditable service. FAME for those members who as of September 30, 2010 are between 36 and 48 months from normal retirement age is defined as average covered salary during the four highest paid years of creditable service. FAME for those members who as of September 30, 2010 are more than 48 months from normal retirement age is defined as average covered salary during the five highest paid years of creditable service.

Funding Requirements

Member Contributions:

All First Tier members who participate are required to contribute 12% (10% prior to July 14, 2010) of their covered salary to the Plan. All Second and Third Tier members are required to contribute 10% (8% for Second Tier members prior to July 14, 2010) of their covered salary.

City Contributions:

The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the members.

Any First Tier member who terminates employment may either request a refund of their own contributions plus interest, or receive their accrued benefit beginning at age 50, if at least five years of creditable service are completed. Any Second Tier member who entered on or after the Second Tier Date and who terminates employment after five years of creditable service may either request a refund of their own contributions plus interest or receive their accrued benefit beginning at age 55. Any Third Tier member who entered on or after the Third Tier Date and who terminates employment after five years of creditable service but prior to the normal or early retirement date shall be eligible to receive a normal retirement benefit at age 62.

Investments

The Plan has contracts with investment managers who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment advisor who monitors the investing activity. The investments owned are held by a custodian in the name of the Plan. The Plan provides for investments in U.S. Government securities, money market funds, bonds, notes, common stock and international securities.

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 1 - Description of the Plan - continued

Deferred Retirement Option Plan (DROP)

A DROP was enacted on January 28, 2009 by Ordinance 2009-3626. Under this Plan, First and Second Tier members who have attained eligibility for Normal Retirement may continue working with the City for up to three years, while receiving a retirement benefit that is deposited into a DROP account. Third Tier members may participate in a DROP account for up to five years. The amount of the benefit is calculated as if the participant had retired on the date of DROP commencement. Upon termination with the City, the accumulated value of the DROP account is distributed to the participant. A member's creditable service, accrued benefit and compensation calculation shall be frozen.

A series of investment vehicles which are established by the board of trustees are made available to DROP participants to choose from. Any losses, charges, or expenses incurred by the participant in their DROP account are not made up by the City or the Trust, but shall be borne by the participant. Upon termination of employment, a member may receive distributions in accordance with the Plan.

A DROP participant shall not be entitled to receive an ordinary or service disability retirement and in the event of death of a DROP participant, there shall be no accidental death benefit for pension purposes. DROP participation does not affect any other death or disability benefit provided to a member under federal law, state law, City ordinance, or any rights or benefits under any applicable collective bargaining agreement. At September 30, 2010 and 2009, there were 49 and 19 DROP participants, respectively.

Cost of Living Adjustment

First and Second Tier members receive an annual cost-of-living adjustment (COLA) of 2.5%. The COLA is not payable while members are in the DROP. For Third Tier members the COLA is 1.5%.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income are recorded as earned.

Cash Equivalents

The Plan considers all highly liquid investments with an original maturity of one year or less when purchased, to be cash equivalents.

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies - continued

Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value of quoted investments is based on the closing sales price or bid price as reported by recognized security exchanges. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2010 and 2009. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investment securities is based on appraisals plus fiscal year-to-date capital expenditures. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, discounted cash flow analysis, recent sales prices of comparable investments, and other pertinent information.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses on the sale of investments are based on average cost identification method.

Given the inherent nature of investments, it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Plan is tax exempt from Federal income taxes under the Internal Revenue Code, and therefore has recorded no income tax liability or expense.

Risks and Uncertainties

Contributions to the Plan and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

Miami Beach Employees' Retirement Plan
Notes to Financial Statements
September 30, 2010 and 2009

Note 2 - Summary of Significant Accounting Policies - continued

Net Transfers to Other Plans

Plan assets transferred into and out of the Plan from and to other City-sponsored qualified plans as a result of employee department changes are included in the "Transfer out" line item of the accompanying Statements of Changes in Net Assets Available for Benefits. The following summarizes such plan transfers for the years ended September 30, 2010 and 2009:

Transfer to other plan:

	2010	2009
Firefighters and Police Officers Plan	\$ 408,164	\$ 57,999

Subsequent Events

Management has evaluated subsequent events through February xx, 2011, the date which the financial statements were available for issue.

Note 3 - Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2009, the most recent actuarial valuation date, is as follows, (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/09	\$ 420,520	\$ 551,698	\$ 131,178	76.2%	\$ 70,098	187.1%

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

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 3 - Funded Status and Funding Progress - continued

Additional information as of the latest actuarial valuation follows:

Valuation date:	October 1, 2009
Actuarial cost method:	Individual Entry Age Normal
Amortization method:	Level Dollar
Remaining Amort. Period:	30 years
Asset valuation method:	The actuarial value of assets phase is the difference between the expected actuarial value and actual market value of assets at the rate of 20% per year. The actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the market value of plan assets and whose upper limit is 120% of the market value of plan assets. During periods when investment performance exceeds the assumed rate, actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, actuarial value of assets will tend to be greater than market value.

Actuarial assumptions:

Investment rate of return*	8.35%
Salary increases*	6%
COLA	2.5%
*Inflation	4.00%

Note 4 - Contributions

Actual Contributions

The actual City contributions for active employees for the years ended September 30, 2010 and 2009 amounted to \$17,137,394 and \$12,863,823, respectively, and the actual amount of non-DROP covered payroll was approximately \$68,109,000 and \$70,098,000, respectively. The amount of covered payroll including DROP was approximately \$71,577,000 and \$72,835,000, for the years ended September 30, 2010 and 2009, respectively.

City and Employee contributions consisted of the following:

	2010		
	Amount	Percent of Actual Annual Covered Payroll	Percent of Actual Annual Covered Payroll ^(a)
City contributions	\$ 17,137,394	25.16%	23.94%
Plan members	6,097,359	8.95%	8.52%
Buybacks	749,153	1.00%	1.05%
Total	\$ 23,983,906	35.21%	33.51%

(a) includes payroll for employees in the DROP

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 4 - Contributions - continued

Actual Contributions- continued

	2009		
	Amount	Percent of Actual Annual Covered Payroll	Percent of Actual Annual Covered Payroll ^(a)
City contributions	\$ 12,863,823	18.35%	17.66%
Plan members	5,917,680	8.44%	8.12%
Buybacks	902,384	1.29%	1.24%
Total	\$ 19,683,887	28.08%	27.02%

(a) includes payroll for employees in the DROP

Actuarially Determined Contributions

The contributions required from the City and other contributing entities for the fiscal years ended September 30, 2010 and 2009, were actuarially determined using valuation dates of October 1, 2009 and 2008, respectively. The actuarially computed annual covered payroll used in the October 1, 2009, valuation was \$70,097,549 and the actuarially computed annual covered payroll used in the October 1, 2008 valuation was \$68,009,550.

The amounts cover the following:

	2010	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 9,954,456	14.64%
Amortization of the unfunded frozen Actuarial accrued liability	7,182,938	10.56%
Total	\$ 17,137,394	25.20%

	2009	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	\$ 8,057,511	13.51%
Amortization of the unfunded frozen Actuarial accrued liability	4,806,312	8.06%
Total	\$ 12,863,823	21.57%

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 5 - Deposit and Investment Risk Disclosures

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board as having the greatest expected investment return, and the resulting positive impact on asset values, funded status, and benefits, without exceeding a prudent level of risk. The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account.

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 60% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 10% (at cost) of the value of the portfolio.

The fixed income portfolio shall be comprised of securities rated "BBB" or higher by Standard & Poors rating services with no more than 5% of an investment manager's total fixed income portfolio invested in the securities of a single corporate issuer.

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target allocation of these investments at market is as follows:

<u>Authorized investments</u>	<u>Target % of portfolio</u>
Domestic equities	51%
Fixed income	31%
International equities	18%
Cash	0%

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 5 - Deposit and Investment Risk Disclosures - continued

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2010 and 2009.

Investment Type	Fair Value	2010 Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 14,431,076	\$ 8,265,167	\$ -	\$ 3,890,984	\$ 2,274,925
U.S. agencies	2,921,589	-	966,719	787,577	1,167,293
Corporate bonds and notes	24,301,164	581,309	7,131,668	10,550,610	6,037,577
Municipal bonds	196,357	-	103,165	-	93,192
Bond funds	69,572,374	-	-	69,572,374	-
State of Israel	250,000	-	250,000	-	-
	\$ 111,672,560	\$ 8,846,476	\$ 8,451,552	\$84,801,545	\$ 9,572,987

Investment Type	Fair Value	2009 Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 3,707,089	\$ -	\$ 651,118	\$ 1,995,260	\$ 1,060,711
U.S. agencies	4,459,540	-	1,833,597	424,049	2,201,894
Corporate bonds and notes	27,154,019	661,210	6,959,951	8,893,506	10,639,352
Municipal bonds	287,965	-	195,382	-	92,583
Bond funds	71,007,275	-	-	71,007,275	-
State of Israel	250,000	-	250,000	-	-
	\$ 106,865,888	\$ 661,210	\$ 9,890,048	\$82,320,090	\$ 13,994,540

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 5 - Deposit and Investment Risk Disclosures - continued

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type, at September 30, 2010 and 2009.

	2010		2009	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government Guaranteed *	\$ 17,352,665	15.54%	\$ 8,166,629	7.64%
Quality rating of credit risk debt securities:				
AAA	1,865,262	1.67	35,204,724	32.94
AA+	42,759,670	38.29	45,391,863	42.48
AA	28,521,579	25.54	203,254	0.19
AA-	1,896,749	1.70	1,288,901	1.21
A+	1,564,618	1.40	910,857	0.85
A	5,613,289	5.03	5,055,698	4.50
A-	1,877,850	1.68	2,191,337	2.28
BBB+	3,327,916	2.98	2,687,493	2.52
BBB	4,345,812	3.89	3,991,146	3.73
BBB-	2,547,150	2.28	1,238,367	1.16
CCC	-		535,619	0.50
Total credit risk debt securities	94,319,895	84.46	98,699,259	92.36
Total fixed income securities	\$ 111,672,560	100.00%	\$ 106,865,888	100.00%

*Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net assets at September 30, 2010 and 2009.

Miami Beach Employees' Retirement Plan

Notes to Financial Statements

September 30, 2010 and 2009

Note 5 - Deposit and Investment Risk Disclosures - continued

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name. All of the Plan's deposits are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

Note 6 - Pension Plan for Employees of the Plan

As employees of the City of Miami Beach, City employees working for the Plan participate in the City of Miami Beach Employees' Retirement Plan ("retirement plan"), a single employer defined benefit pension plan for general employees established by the City of Miami Beach, Florida. The retirement plan provides retirement, death, and disability benefits to plan members and beneficiaries. The contribution requirements of plan members are mandated by Florida law. Plan members are required to contribute 12% or 10% of their annual covered payroll depending upon service class.

Required Supplementary Information

Miami Beach Employees' Retirements Plan
Required Supplementary Information - unaudited
September 30, 2010

Schedule "1" - Schedule of Funding Progress - (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/04	\$ 320,736	\$ 352,105	\$ 31,369	91.1%	\$ 34,619	90.6%
10/1/05	325,727	368,096	42,369	88.5	36,680	115.5
10/1/06	358,459	448,933	90,585	79.8	57,391	157.6
10/1/07	412,824	478,067	65,243	86.4	59,632	109.4
10/1/08	425,715	526,482	100,767	80.9	68,010	148.2
10/1/09	420,520	551,698	131,178	76.2	70,098	187.1

Schedule "2" - Schedule of Contributions by Employer and Other Contributing Entity

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2005	\$ 5,082,595	100%
2006	5,500,329	100
2007	12,234,519*	100
2008	13,911,545	100
2009	12,863,823	100
2010	17,137,394	100

*February 28, 2006 actuarial impact statement

Other Supplementary Schedules

Miami Beach Employees' Retirement Plan

Other Supplementary Schedules of Investment Expenses and Administrative Expenses

For the Years Ended September 30, 2010 and 2009

	2010	2009
Schedule "1"		
Schedule of Investment Expenses		
Financial management expenses		
Wentworth, Hauser & Violich Investments	\$ 275,645	\$ 218,474
Wellington Management Co.	170,961	154,174
ICC Capital Management, Inc.	166,767	143,688
Rhumbline Advisers	69,809	55,466
Total financial management expenses	683,182	571,802
Investment consultant fees		
Milliman USA, Inc.	68,900	60,400
Investment custodial fees		
Fiduciary Trust International	39,339	24,662
Total investment expenses	\$ 791,421	\$ 656,864

Schedule "2"		
Schedule of Administrative Expenses		
Personnel services		
Salaries and payroll taxes	\$ 356,943	\$ 329,007
Total personnel services	356,943	329,007
Professional services		
Legal	57,350	59,326
Actuarial	73,034	22,922
Audit	25,000	29,000
Bookkeeping	4,000	3,300
Total professional services	159,384	114,548
Other		
Bank charges	11,946	11,334
Computer consultant	1,816	36,966
Education, dues and subscriptions	29,851	23,707
Insurance	40,438	46,276
IRS fee	-	8,500
Medical	4,012	2,425
I.T. dept. computer and phone charges	42,713	38,497
Storage fees	571	812
Office supplies	2,224	6,269
Copier lease and copy fees	2,847	3,236
Property management fees	21,710	32,730
Printing and postage	28,999	18,293
Miscellaneous board of directors' expenses	2,028	2,990
Total other	189,155	232,035
Total administrative expenses	\$ 705,482	\$ 675,590



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