Miami Beach Employees' Retirement Plan

Financial Statements
Years Ended September 30, 2011 and 2010

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Miami Beach Employees' Retirement Plan
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Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2011 and 2010, 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, 2011 and 2010, 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, 2006 and 2007 was reported on by Koch Reiss & Co., PA., 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 14, 2012

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Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2011 and 2010

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, 2011 and 2010. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. 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, 2011 and 2010 by $361,987,491 and $378,823,165, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The decrease of $16,835,674 and the increase of $29,407,101, for the years ended September 30, 2011 and 2010, 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 80.9% as of the October 1, 2008 actuarial valuation to 77.1% as of the October 1, 2009 valuation and 74.4% as of the October 1, 2010 valuation.

- Receivables at September 30, 2011 increased by $5,826,045 (674.1%) due primarily to an increase in proceeds from securities sold.

  Receivables at September 30, 2010 increased by $94,640 (or 12.3%) due primarily to an increase in interest and dividends receivable.

- For the fiscal year ended September 30, 2011, liabilities increased by $12,609,605 (or 335.6%) from the fiscal year ended September 30, 2010, primarily due to the increase in payables for securities purchased and an increase in the DROP payable. The payable for securities purchased and DROP payable totaled $10,700,944 and $5,522,157 as of September 30, 2011 and 2010, respectively.

  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.

Financial Highlights - continued

- For the fiscal year ending September 30, 2011 City contributions to the Plan, decreased $2,662,716 (or 15.5%). Actual City contributions are based primarily on the actuarial valuation and were $14,474,678 and $17,137,394 for 2011 and 2010, respectively.

  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, 2011, member contributions including buybacks increased by $431,815 (or 6.3%). Actual member contributions, including buybacks were $7,278,327and $6,846,512 for 2011 and 2010, respectively. Member contributions increased from 2010 due to member contributions fluctuating from year to year, based on increases in salaries and changes in participant funding percentages.

  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.

- For the fiscal year ending September 30, 2011, the Plan had a net investment loss of $3,484,142 compared to net investment income of $38,988,745 in the fiscal year ended September 30, 2010. Actual results were ($7,308,679) and $35,791,125 in net (depreciation) appreciation in fair value of investments for 2011 and 2010, respectively, $4,687,832and $3,930,461 income from interest and dividends, respectively and $50,464 and $58,580 from other income, respectively. Investment expenses increased by $122,338 (or 15.5%).

  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, 2011, benefit payments & refunds increased by $1,970,727 (or 6.1%).

  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, 2011, administrative expenses decreased by $23,576 from 2010 (or 3.3%).

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

Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2011 and 2010

Plan Highlights

As of September 30, 2011 the total return of the Plan's portfolio was -1.2% and ranked in the 83rd percentile of the universe of total funds, 2.1% below the benchmark return of 0.9%. Actual net loss from investments in 2011 was ($3,484,142), compared with net income of $38,988,745 in 2010.

As of September 30, 2010 the total return of the Plan's portfolio was 11.3% and ranked in the 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.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets and Notes to the Financial Statements. The Plan also includes in this report additional information to supplement the financial statements.

The Plan presents two types of required supplementary schedules, which provide historical trend information about the Plan's funding. The two types of schedules include a schedule of funding progress and a schedule of employer contributions.

The Plan prepares its financial statements on the accrual basis of accounting and in accordance with generally accepted accounting principles in the United States of America. These statements provide information about the Plan's overall financial status.

Description of the Financial Statements

The *Statement of Plan Net Assets* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Assets Held in Trust for Pension Benefits. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statement of Changes in Plan Net Assets* reports how the Plan's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plan from employers, city and members and net investment income (loss), which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The *Notes to the Financial Statements* are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

Description of the Financial Statements - continued

There are also two *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the Plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Employer Contributions* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

Additional information is presented as part of *Other Supplementary Schedules.* This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses.* The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the Plan and include financial management, consultant, and custodial fees. The *Schedule of Administrative Expenses* presents the expenses incurred in the administration of the Plan.

Statements of Plan Net Assets

The tables below show a comparative summary of Plan Net Assets.

	2011	2010	2009
Cash and cash equivalents	**$ 11,420,963**	$ 5,978,247	$ 4,630,264
Receivables	**6,690,355**	864,310	769,670
Investments	**360,243,560**	375,738,390	362,376,770
Total assets	**378,354,878**	382,580,947	367,776,704
Liabilities	**16,367,387**	3,757,782	18,360,640
Net assets held in trust for pension benefits	**$ 361,987,491**	$ 378,823,165	$ 349,416,064

Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2011 and 2010

Statements of Changes in Plan Net Assets

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

	2011	2010	2009
Additions:			
Contributions			
Member	$ 7,278,327	$ 6,846,512	$ 6,802,064
City	14,474,678	17,137,394	12,863,823
Total contributions	21,753,005	23,983,906	19,683,887
Net investment (loss) income	(3,484,142)	38,988,745	(3,019,825)
Total additions	18,268,863	62,972,651	16,664,062
Deductions:			
Benefits paid	33,699,801	31,872,195	29,346,790
Refund of contributions	722,830	579,709	752,415
Transfer out	-	408,164	57,999
Administrative expenses	681,906	705,482	675,590
Total deductions	35,104,537	33,565,550	30,832,794
Net (decrease) increase	(16,835,674)	29,407,101	(14,168,732)
Net assets held in trust for pension benefits at beginning of year	378,823,165	349,416,064	363,584,796
Net assets held in trust for pension benefits at end of year	$ 361,987,491	$ 378,823,165	$ 349,416,064

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. 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, 2011, the domestic equity portion comprised 51.2% ($190,521,888) of the total portfolio. The allocation to fixed income securities was 28.7% ($106,545,271), while cash and cash equivalents comprised 3.1% ($11,420,963). The allocation to international equity was $63,176,401 (17.0%).

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%).

Asset Allocation - continued

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

	2011	2010
Domestic equity	**51%**	51%
Fixed income	**31%**	31%
International equity	**18%**	18%
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, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 11,420,963	$ 5,978,247
Receivables:		
Member contributions	-	242,998
Accrued interest and dividends	658,714	571,187
Proceeds from securities sold	6,031,641	50,125
Total receivables	6,690,355	864,310
Investments, at fair value:		
U.S. Government securities	21,168,647	17,352,665
Domestic fixed income	24,654,740	24,301,164
International fixed income	250,000	250,000
Municipal bonds	110,226	196,357
Domestic corporate equities	37,080,000	44,081,857
Domestic equity fund	147,919,731	153,542,179
International equity fund	63,176,401	63,879,257
Domestic bond fund	60,361,658	69,572,374
Mutual funds - Deferred Retirement Option Plan	5,522,157	2,562,537
Total investments	360,243,560	375,738,390
Total assets	378,354,878	382,580,947
Liabilities		
Accounts payable and accrued expenses	144,286	178,165
Payable for securities purchased	10,700,944	1,017,080
Deferred Retirement Option Plan	5,522,157	2,562,537
Total liabilities	16,367,387	3,757,782
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 20)	$ 361,987,491	$ 378,823,165

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, 2011 and 2010

	2011	2010
Additions		
Contributions:		
Members	$ 7,278,327	$ 6,846,512
City	14,474,678	17,137,394
Total contributions	21,753,005	23,983,906
Investment (Loss) Income:		
Net (depreciation) appreciation in fair value of investments	(7,308,679)	35,791,125
Interest and Dividends	4,687,832	3,930,461
Other	50,464	58,580
Total investment (loss) income	(2,570,383)	39,780,166
Less: Investment expenses	913,759	791,421
Net investment (loss) income	(3,484,142)	38,988,745
Total additions	18,268,863	62,972,651
Deductions		
Pension benefits paid	33,699,801	31,872,195
Refunds of contributions	722,830	579,709
Transfer out, net	-	408,164
Administrative expenses	681,906	705,482
Total deductions	35,104,537	33,565,550
Net (decrease) increase	(16,835,674)	29,407,101
Net assets held in trust for benefits		
Beginning of year	378,823,165	349,416,064
End of year	$ 361,987,491	$ 378,823,165

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

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:

	2010	2009
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them	**1,145**	1,127
Current employees	**1,117**	1,154

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.

Note 1 - Description of the Plan - continued

Pension Benefits - continued

The First Tier is for members that entered the Plan prior to the Second Tier Dates. The Second Tier is for members that entered the Plan on or after the Second Tier Dates, but before the Third Tier Dates. The Third Tier is for members that entered the Plan on or after the Third Tier Dates. Both the Second Tier and Third 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 Third Tier Dates are September 30, 2010 for members of AFSCME, GSAF and for those classified as Other, and November 27, 2010 for 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.

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 proceeding March 18, 2006. Effective as of September 30, 2010, FAME for members 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.

Note 1 - Description of the Plan - continued

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.

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.

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.

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.

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.

Note 1 - Description of the Plan - continued

Deferred Retirement Option Plan (DROP) - continued

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, 2011 and 2010, there were 59 and 49 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 income is recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash Equivalents

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

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, 2011 and 2010. 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.

Note 2 - Summary of Significant Accounting Policies - continued

Investments - continued

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.

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, 2011 and 2010:

Transfer to other plan:

	2011	2010
Firefighters and Police Officers Plan	$ -	$ 408,164

Note 2 - Summary of Significant Accounting Policies - continued

Subsequent Events

Management has evaluated subsequent events through February 14, 2012, 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, 2010, 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
10/01/10	$ 431,479	$ 580,246	$ 148,767	74.4%	$ 68,844	216.1%

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.

Additional information as of the latest actuarial valuation follows:

Valuation date:	October 1, 2010
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 that 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*	8.25%
Salary increases	Salary increases are in accordance with a service based table ranging from 5.5% - 8.0% based on merit and seniority.
COLA	2.5%, members hired after September 30, 2010 are at 1.5%
*Inflation	4.00%

Note 4 - Contributions

Actual Contributions

The actual City contributions for active employees for the years ended September 30, 2011 and 2010 amounted to $14,474,678 and $17,137,394, respectively, and the actual amount of non-DROP covered payroll was approximately $66,201,000 and $68,109,000, respectively. The amount of covered payroll including DROP was approximately $70,751,000 and $71,577,000, for the years ended September 30, 2011 and 2010, respectively.

City and Employee contributions consisted of the following:

2011

	Amount	Percent of Actual Annual Covered Payroll	Percent of Actual Annual Covered Payroll[(a)]
City contributions	**$ 14,474,678**	**21.86%**	**20.46%**
Plan members	**6,494,016**	**9.81%**	**9.18%**
Buybacks	**784,311**	**1.18%**	**1.11%**
Total	**$ 21,753,005**	**32.86%**	**30.75%**

(a) includes payroll for employees in the DROP

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

Actuarially Determined Contributions

The contributions required from the City for the fiscal years ended September 30, 2011 and 2010, were actuarially determined using valuation dates of October 1, 2010 and 2009, respectively. The actuarially computed annual covered payroll used in the October 1, 2010, valuation was $68,009,550 and the actuarially computed annual covered payroll used in the October 1, 2009 valuation was $70,097,549.

Note 4 - Contributions - continued

Actuarially Determined Contributions - continued

The amounts cover the following:

2011

		Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	**$**	**8,139,378**	**11.61%**
Amortization of the unfunded frozen Actuarial accrued liability		**6,335,300**	**9.04%**
Total	**$**	**14,474,678**	**20.65%**

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%

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.

Note 5 - Deposit and Investment Risk Disclosures - continued

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:

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

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, 2011 and 2010.

2011

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. treasuries	**$ 14,778,294**	**$ -**	**$ 6,840,389**	**$ 2,426,048**	**$ 5,511,857**
U.S. agencies	**6,390,353**	**75,697**	**789,886**	**768,013**	**4,756,757**
Corporate bonds and notes	**24,654,740**	**276,646**	**8,591,148**	**9,660,181**	**6,126,765**
Municipal bonds	**110,226**	**6,832**	**-**	**-**	**103,394**
Bond funds	**60,361,658**	**-**	**-**	**60,361,658**	**-**
State of Israel	**250,000**	**-**	**250,000**	**-**	**-**
	$ 106,545,271	**$ 359,175**	**$ 16,471,423**	**$ 73,215,900**	**$ 16,498,773**

2010

		Investment Maturities (in years)			
Investment Type	Fair Value	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

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, 2011 and 2010.

	2011		2010	
	Fair Value	**Percent of Portfolio**	Fair Value	Percent of Portfolio
U.S. Government Guaranteed *	$ 21,168,647	19.87%	$ 17,352,665	15.54%
Quality rating of credit risk debt securities:				
AAA	4,164,666	3.91	1,865,262	1.67
AA+	914,281	0.86	42,759,670	38.29
AA	516,511	0.48	28,521,579	25.54
AA-	61,800,969	58.00	1,896,749	1.70
A+	1,476,156	1.39	1,564,618	1.40
A	4,208,516	3.95	5,613,289	5.03
A-	3,738,631	3.51	1,877,850	1.68
BBB+	3,043,866	2.86	3,327,916	2.98
BBB	3,297,029	3.09	4,345,812	3.89
BBB-	2,215,999	2.08	2,547,150	2.28
Total credit risk debt securities	85,376,624	80.13	94,319,895	84.46
Total fixed income securities	$ 106,545,271	100.00%	$ 111,672,560	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, 2011 and 2010.

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.

Required Supplementary Information

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
10/1/05	$ 325,727	$ 368,096	$ 42,369	88.5%	$ 36,680	115.5%
10/1/06	358,459	448,933	90,474	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	545,537	125,017	77.1	70,098	178.3
10/1/10	431,479	580,246	148,767	74.4	68,844	216.1

Schedule "2" - Schedule of Contributions by Employer

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
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
2011	14,474,678	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, 2011 and 2010

		2011		2010
Schedule "1"				
Schedule of Investment Expenses				
Financial management expenses				
Wentworth, Hauser & Violich Investments	$	**355,755**	$	275,645
Wellington Management Co.		**188,996**		170,961
ICC Capital Management, Inc.		**170,021**		166,767
Rhumbline Advisers		**78,953**		69,809
Total financial management expenses		**793,725**		683,182
Investment consultant fees				
Milliman USA, Inc.		**60,400**		68,900
Investment custodial fees				
Fiduciary Trust International		**59,634**		39,339
Total investment expenses	$	**913,759**	$	791,421
Schedule "2"				
Schedule of Administrative Expenses				
Personnel services				
Salaries and payroll taxes	$	**358,886**	$	356,943
Total personnel services		**358,886**		356,943
Professional services				
Legal		**65,165**		57,350
Actuarial		**46,481**		73,034
Audit		**25,000**		25,000
Bookkeeping		**4,200**		4,000
Total professional services		**140,846**		159,384
Other				
Bank charges		**9,056**		11,946
Computer consultant		**4,286**		1,816
Education, dues and subscriptions		**31,929**		29,851
Insurance		**46,926**		40,438
Medical		**5,736**		4,012
I.T. dept. computer and phone charges		**34,894**		42,713
Storage fees		**1,030**		571
Office supplies		**1,068**		2,224
Copier lease and copy fees		**2,743**		2,847
Property management fees		**17,045**		21,710
Printing and postage		**26,653**		28,999
Miscellaneous board of directors' expenses		**808**		2,028
Total other		**182,174**		189,155
Total administrative expenses	$	**681,906**	$	705,482

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