



**CITY PENSION FUND FOR  
FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

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**FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

**These financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.**

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**  
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## **Independent Auditor's Report**

**Board of Trustees  
City Pension Fund for Firefighters and Police Officers in the  
City of Miami Beach, Florida**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2017 and 2016, and the related statement 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity's internal controls. 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 Pension Fund for Firefighters and Police Officers in the City of Miami Beach as of September 30, 2017 and 2016, and the related changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

#### *Adoption of New Accounting Pronouncement*

The Plan has adopted the disclosure requirements of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* in 2016. The provisions of the additional disclosure requirements are discussed in Note 4 to the financial statements. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that "Management's Discussion and Analysis" and the "Required Supplementary Information" listed on 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.

#### *Supplementary Information*

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 as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such



information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Miami, Florida  
February 6, 2018

BDO USA, LLP

Certified Public Accountants

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH



*City Pension Fund for Firefighters and Police Officers  
in the City of Miami Beach*



## **Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2017 and 2016**

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Our discussion and analysis of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2017 and 2016. 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 follow this discussion.

### ***Financial Highlights***

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2017 and 2016 by \$874,437,400 and \$806,424,132, respectively (reported as net position restricted for pensions). The Plan's net position is held in trust to meet future benefit payments. The increase of \$68,013,268 and \$55,806,634 of the respective years has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- Receivables at September 30, 2017 decreased by \$1,956,186 (or 43.7% decrease) due primarily to a decrease in the receivable for securities sold.

Receivables at September 30, 2016 increased by \$2,005,954 (or an 81.3% increase) due primarily to an increase in the receivable for securities sold.

- Liabilities at September 30, 2017 decreased by \$1,317,335 (or a 79.3% decrease) due primarily to a decrease in payable for securities purchased.

Liabilities at September 30, 2016 increased by \$1,227,138 (or a 283.2% increase) due primarily to an increase in payable for securities purchased.

For the fiscal year ending September 30, 2017, City contributions to the Plan increased by \$397,225 (or a 1.14% increase) based on the actuarial valuation. Actual employer contributions were \$35,247,317 and \$34,850,092 for 2017 and 2016, respectively. Contributions from the Share plan in the amounts of \$120,549 and \$120,549 were received in the fiscal years ending 2017 and 2016, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

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For the fiscal year ending September 30, 2016, City contributions to the Plan increased by \$1,821,253 (or a 5.5% increase) based on the actuarial valuation. Actual employer contributions were \$34,850,092 and \$33,028,839 for 2016 and 2015, respectively. Contributions from the Share plan in the amounts of \$120,549 and \$120,549 were received in the fiscal years ending 2016 and 2015, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

- For the fiscal year ending September 30, 2017, employee contributions including buybacks, increased by \$213,847 (or a 3.57% increase). Actual employee contributions, including buybacks, were \$6,198,244 and \$5,984,397 for 2017 and 2016, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

For the fiscal year ending September 30, 2016, employee contributions including buybacks, increased by \$39,983 (or a 0.7% increase). Actual employee contributions, including buybacks, were \$5,984,397 and \$5,944,414 for 2016 and 2015, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

- For the fiscal year ending September 30, 2017, net investment income increased by \$15,251,874. Actual results were \$73,657,973 and \$56,626,732 in net appreciation and net depreciation in fair value of investments for 2017 and 2016, respectively, and \$15,385,449 and \$17,156,573, of income from interest and dividends for 2017 and 2016, respectively. Investment expenses decreased by \$8,243 (or .25%).

For the fiscal year ending September 30, 2016, net investment income increased by \$64,849,967. Actual results were \$56,626,732 and \$8,170,202 in net appreciation and net depreciation in fair value of investments for 2016 and 2015, respectively, and \$17,156,573 and \$17,319,653, of income from interest and dividends for 2016 and 2015, respectively. Investment expenses decreased by \$216,113 (or 6.2%).

- For the fiscal year ending September 30, 2017, benefit payments and refunds of contributions increased by 3,713,277 (or 6.8%).

For the fiscal year ending September 30, 2016, benefit payments and refunds of contributions decreased by \$7,825,056 (or 12.5%).

- For the fiscal year ended September 30, 2017, administrative expenses decreased by \$56,965 (or 6.9%) primarily due to a decrease in professional services.

For the fiscal year ended September 30, 2016, administrative expenses increased by \$48,551 (or 6.2%) due primarily to an increase professional services.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

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### *Plan Highlights*

For the fiscal year ending September 30, 2017, the time-weighted return of the portfolio was 10.68% for the trailing year and ranked in the 74th percentile. Actual net returns from investments were net income in 2017 of \$85,791,174 compared with net income of \$70,539,300 in 2016.

For the fiscal year ending September 30, 2016, the time-weighted return of the portfolio was 9.51% for the trailing year and ranked in the 40th percentile. Actual net returns from investments were net income in 2016 of \$70,539,300 compared with net income of \$5,689,333 in 2015.

### *Overview of the Financial Statements*

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

The Plan presents required supplementary schedules, which provide historical trend information about the Plan.

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 Fiduciary Net Position* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Position Restricted for Pensions. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The *Statement of Changes in Fiduciary Net Position* reports how the Plan's net position changed during the fiscal year. The additions and deductions to net position are summarized in this statement. The additions include contributions to the retirement plans from employers (City) and employees and net investment income which include interest, dividends, investment expenses, and the net (depreciation) appreciation 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.



# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited)

There is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. These schedules consist of the Plan's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the Plan's investment returns.

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 for the administration of the Plan.

### *Condensed Statements of Fiduciary Net Position*

The table below reflects condensed comparative statements of fiduciary net position as of September 30:

	2017	2016	2015
Investments	\$ 872,242,536	\$ 803,591,005	\$ 748,561,343
Receivables	2,516,364	4,472,550	2,466,596
Cash	21,539	20,951	22,795
<b>Total assets</b>	<b>874,780,439</b>	<b>808,084,506</b>	<b>751,050,734</b>
<b>Liabilities</b>	<b>343,039</b>	<b>1,660,374</b>	<b>433,236</b>
<b>Net position restricted for pensions</b>	<b>\$ 874,437,400</b>	<b>\$ 806,424,132</b>	<b>\$ 750,617,498</b>

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**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)**

***Condensed Statements of Changes in Fiduciary Net Position***

The table below reflects a condensed comparative summary of the changes in fiduciary net position and reflects the activities of the Plan for the fiscal years ended September 30:

	2017	2016	2015
<b>Additions:</b>			
<b>Contributions</b>			
City	\$ 35,247,317	\$ 34,850,092	\$ 33,028,839
Employees	6,198,244	5,984,397	5,944,414
Share plan	120,549	120,549	120,549
<b>Total Contributions</b>	<b>41,566,110</b>	<b>40,955,038</b>	<b>39,093,802</b>
<b>Net investment income</b>	<b>85,791,174</b>	<b>70,539,300</b>	<b>5,689,333</b>
<b>Total additions</b>	<b>127,357,284</b>	<b>111,494,338</b>	<b>44,783,135</b>
<b>Deductions:</b>			
Benefits paid	58,509,958	54,861,660	62,600,040
Participants' contributions refunded	64,979	-	86,676
Administrative expenses	769,079	826,044	777,493
<b>Total deductions</b>	<b>59,344,016</b>	<b>55,687,704</b>	<b>63,464,209</b>
<b>Net increase (decrease)</b>	<b>68,013,268</b>	<b>55,806,634</b>	<b>(18,681,074)</b>
<b>Net position restricted for pensions at beginning of year</b>	<b>806,424,132</b>	<b>750,617,498</b>	<b>769,298,572</b>
<b>Net position restricted for pensions at end of year</b>	<b>\$ 874,437,400</b>	<b>\$ 806,424,132</b>	<b>\$ 750,617,498</b>

The Plan's investment activity, 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 the end of the fiscal year ended September 30, 2017, the domestic equity portion comprised 55.7% (\$470,673,287) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 34.2% (\$288,996,554), while cash and short-term investments comprised .7% (\$6,049,039). The portion of investments allocated to international equity was \$35,156,846 or 4.2% and to real estate was \$43,655,948 or 5.2% of the total portfolio.

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Management's Discussion and Analysis  
(Required Supplementary Information - Unaudited)**

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At the end of the fiscal year ended September 30, 2016, the domestic equity portion comprised 53.5% (\$419,379,399) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 36.6% (\$286,933,882), while cash and short-term investments comprised 0.8% (\$5,880,951). The portion of investments allocated to international equity was \$29,484,393 or 3.8% and to real estate was \$42,306,906 or 5.3% of the total portfolio.

The target asset allocation was as follows, at September 30:

	<b>2017</b>	<b>2016</b>
Domestic equity	<b>50%</b>	<b>50%</b>
Fixed income	<b>35%</b>	<b>35%</b>
International equity	<b>5%</b>	<b>5%</b>
Real estate equity	<b>5%</b>	<b>5%</b>
Cash/short-term investments	<b>5%</b>	<b>5%</b>

*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's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach, 1691 Michigan Avenue, Suite 355, Miami Beach, Florida 33139.

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**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH  
Statements of Fiduciary Net Position**

<i>September 30,</i>	2017	2016
<b>ASSETS</b>		
Cash	\$ 21,539	\$ 20,951
Receivables:		
Receivable for securities sold	172	1,754,543
Accrued interest and dividends	2,516,192	2,718,007
<b>Total Receivables</b>	<b>2,516,364</b>	<b>4,472,550</b>
Investments, at fair value:		
Short-term investments	6,027,546	5,860,046
U.S. government securities	39,911,871	64,658,443
Common stocks	324,225,831	342,649,084
Domestic equity fund	146,447,456	76,730,314
International equity fund	35,156,846	29,484,393
Domestic fixed income	202,131,813	175,131,361
International fixed income	46,952,870	47,144,078
Real estate fund	43,655,948	42,306,906
Mutual funds self-directed DROP participants	27,732,355	19,626,380
<b>Total Investments</b>	<b>872,242,536</b>	<b>803,591,005</b>
<b>Total Assets</b>	<b>874,780,439</b>	<b>808,084,506</b>
<b>LIABILITIES</b>		
Accounts payable	343,039	392,680
Payable for securities purchased	-	1,267,694
<b>Total Liabilities</b>	<b>343,039</b>	<b>1,660,374</b>
<b>Net Position Restricted for Pensions</b>	<b>\$ 874,437,400</b>	<b>\$ 806,424,132</b>

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

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**  
**Statements of Changes in Fiduciary Net Position**

<i>Years ended September 30,</i>	<b>2017</b>	<b>2016</b>
<b>ADDITIONS</b>		
Contributions:		
City	\$ 35,247,317	\$ 34,850,092
Share plan	120,549	120,549
<b>Total Employer</b>	<b>35,367,866</b>	<b>34,970,641</b>
Employees:		
Contributions	6,034,612	5,706,014
Buybacks	163,632	278,383
<b>Total Employees</b>	<b>6,198,244</b>	<b>5,984,397</b>
<b>Total Contributions</b>	<b>41,566,110</b>	<b>40,955,038</b>
Investment income:		
Net appreciation in fair value of investments	73,657,973	56,626,732
Interest and dividends	15,385,449	17,156,573
<b>Total Investment Income</b>	<b>89,043,422</b>	<b>73,783,305</b>
Less: investment expenses	3,252,248	3,244,005
<b>Net investment income</b>	<b>85,791,174</b>	<b>70,539,300</b>
<b>Total Additions</b>	<b>127,357,284</b>	<b>111,494,338</b>
<b>DEDUCTIONS</b>		
Benefits paid	58,509,958	54,861,660
Participants' contributions refunded	64,979	-
Administrative expenses	769,079	826,044
<b>Total Deductions</b>	<b>59,344,016</b>	<b>55,687,704</b>
<b>Net Increase</b>	<b>68,013,268</b>	<b>55,806,634</b>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
<b>Beginning of Period</b>	<b>806,424,132</b>	<b>750,617,498</b>
<b>End of Period</b>	<b>\$ 874,437,400</b>	<b>\$ 806,424,132</b>

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

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

### 1. Description of the Plan

#### *Organization*

The Plan is a single employer defined benefit pension plan established by the City of Miami Beach, Florida (the "City") and was created under Chapter 23414, Laws of Florida, Special Acts of 1945, as amended through September 27, 2016. Since the Plan is sponsored by the City, it is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity. The Plan's governing board is the Board of Trustees, which consists of nine members: three of which are elected by the fire department, three of which are elected by the police department, and three of which are appointed by the Mayor.

The following is a brief description of the Plan provided for general information purposes only. Members should refer to the Plan document for more complete information. The Plan document governs in the event a question arises.

#### *Members*

Members are substantially all certified police officers and firefighters employed by of the City of Miami Beach, Florida. Members are further divided in the following four tiers:

Tier One members are those hired prior to July 14, 2010.

Tier Two members are those hired on or after July 14, 2010, but prior to September 30, 2013.

Tier Three members are those hired on or after September 30, 2013, but prior to June 8, 2016 and July 20, 2016 for Fire Department and Police Department members, respectively.

Tier Four members are those hired on or after June 8, 2016 and July 20, 2016 for Fire Department and Police Department members, respectively.

At October 1, the Plan membership consisted of:

	2016	2015
Active Members	494	508
<u>Deferred Vested Members</u>	<u>25</u>	<u>20</u>
	519	528
Retired Members:		
a. Service	569*	556*
b. Disabled	52	56
c. Beneficiaries	121	112
	<u>742</u>	<u>724</u>
<b>Total</b>	<b>1,261</b>	<b>1,252</b>

\*Including members in the DROP

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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### *Contributions*

All Tier One and Tier Two members are required to contribute 10% of their salary to the Plan, while all Tier Three and Tier Four member are required to contribute 10.5% of their salary to the Plan.

### *Service retirement benefits*

#### Tier One members

Members who met eligibility to retire on or before September 30, 2013 may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when age and length of creditable service equals to at least 70 years.

Members eligible to retire after September 30, 2013 may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when the member attains age 47 and length of creditable service equals to at least 70 years.

Upon retirement, a member who met eligibility to retire on or before September 30, 2013 will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 15 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 15 years, provided that the pension does not exceed 90% of the average monthly salary.

Members who met eligibility to retire after September 30, 2013 will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary.

A members' benefit multiplier for creditable pension service earned before October 1, 2013 shall not be reduced.

For members eligible to retire on or before September 30, 2015, the average monthly salary of the member is computed based on the average of the two highest paid years or the average of the two last paid years prior to retirement, whichever produces the greater benefit after consideration of the overtime limitations.

For members eligible to retire after September 30, 2015, the average monthly salary of the members is computed based on the average of the three highest paid years or the average of the three last paid years prior to retirement, whichever produces the greater benefit after consideration of the overtime limitations.

#### Tier Two members

Members may retire on a service retirement pension upon the attainment of age 50 and the completion of at least 5 years of creditable pension service or, if earlier, the date when the member attains age 48 plus the length of creditable service equals to at least 70 years.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary.

The average monthly salary of the member is computed based on the average of the three highest paid years or the average of the three last paid years prior to retirement, whichever produces the greater benefit after consideration of the overtime limitations.

### Tier Three members

Members may retire on a service retirement pension upon the attainment of age 50 and the completion of at least 5 years of creditable pension service or, if earlier, the date when the member attains age 48 plus the length of creditable service equals to at least 70 years.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary.

The average monthly salary of the member is computed based on the average of the five highest paid years or the average of the five last paid years prior to retirement, whichever produces the greater benefit after consideration of the overtime limitations.

### Tier Four members

Members may retire on a service retirement pension upon the attainment of age 52 and the completion of at least five (5) years of creditable pension service or, if earlier, the date when the members attains age 48 plus the length of creditable services equals to at least 70 years.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 20 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 20 years, provided that the pension does not exceed 85% of the average monthly salary.

The average monthly salary of the member is computed based on the average of the five highest paid years or the average of the five last paid years prior to retirement, whichever produces the greater benefit after consideration of the overtime limitations.

### Overtime limitations - All Tiers:

- a. For firefighter members, the inclusion of overtime and/or off duty pay in the member's salary shall be limited in each year to an amount which is equal to 11% of the highest annualized pay rate for the same salary rank that the member is in at the time of retirement.
- b. For police members, the inclusion of overtime and/or off duty pay in the member's salary shall be limited in each year to an amount which is equal to 11% of the highest annualized pay rate for the same salary rank that the member is in at the time of



# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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retirement. However, the 11% limitation shall not apply to any member who holds the rank of Sergeant or Lieutenant on September 30, 2013, or any Police Officer who is promoted into the position of Police Sergeant prior to the date the 2013 Certified Police Sergeant Promotional Register expires in 2015. For these members, the inclusion of overtime and/or off duty pay in the member's salary shall be limited in each year to an amount which is equal to 70% of the difference between the member's annualized pay rate at retirement and the highest annualized pay rate for the next higher salary rank. In addition, effective July 20, 2016 any member excluded from the 11% limitation, if such member self-demotes the amount of overtime and/or off-duty included in the average monthly salary shall not exceed 11% of the highest annualized pay rate for the same salary rank that the member is in at time of retirement.

- c. In no case can the overtime limit exceed 300 hours for each year

### *Disability benefits*

**Service connected** - Any member who becomes totally and permanently disabled at any time as a result of illness or injury suffered in the line of duty may be retired on an accidental disability pension. For a service connected disability, the minimum pension payable is 85% of monthly salary of the employee at the time of disability retirement, less any offset for worker's compensation.

**Non-service connected** - Any member who becomes totally or permanently disabled after 5 years of creditable service as a result of illness or injury not suffered in the line of duty may be retired on an ordinary disability retirement pension. Upon disability retirement, a member receives a monthly pension equal to the monthly pension benefit accrued to date of disability.

### *Cost of living adjustment*

#### **Tier One members**

All retirees and beneficiaries receiving a monthly pension as of September 30, 2010 will receive a 2.5% increase in benefits on October 1<sup>st</sup> of each year. Members that retire after September 30, 2010 will receive a 2.5% increase in benefits annually on the anniversary date of the member's retirement.

#### **Tier Two, Tier Three and Tier Four members**

All retirees and beneficiaries will receive a 1.5% increase in benefits annually on the anniversary date of the member's retirement.

### *Refund of employee contributions*

If a member resigns or is lawfully discharged before retirement, their employee contributions with 3% interest per annum are returned to them. The Plan also provides a special provision for vested benefits for members who terminate employment after 5 years of service.

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
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**Notes to Financial Statements**

*Deferred retirement option plan*

**All Members**

Deferred Retirement Option Plan ("DROP") participants have self-directed accounts, and the rate of return earned will therefore depend on the return of the particular accounts selected by the individuals. Once a member enters the DROP, their monthly retirement benefit is fixed, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including earnings, is payable to them and they will begin to receive their normal retirement benefit. The DROP is administered by the Plan's Board of Trustees.

**Tier One members:**

An active member may enter into the DROP on the first day of any month after meeting eligibility to retire. Members who entered the DROP on or before September 30, 2015, shall be eligible to participate for a period not to exceed 72 months. Members who entered the DROP on or after October 1, 2015, shall be eligible to participate for a period not to exceed 96 months. All members shall receive a 2.5% COLA increase in benefits annually on the anniversary date of the member's entry into the DROP, in conjunction with a few annual exceptions.

**Tier Two, Tier Three and Tier Four:**

An active member may enter into the DROP on the first day of any month after meeting eligibility to retire. Members who entered the DROP on or after October 1, 2015, shall be eligible to participate for a period not to exceed 96 months. All members shall receive a 1.5% COLA increase in benefits annually on the anniversary date of the member's entry into the DROP, in conjunction with a few annual exceptions.

A summary of the changes in the DROP balance as of September 30 is as follows:

	2017	2016
Beginning balance	\$ 19,626,380	\$ 11,437,162
Additions	9,488,673	7,364,295
Distributions	(2,864,477)	(132,415)
Interest	1,481,779	957,338
Ending balance	\$ 27,732,355	\$ 19,626,380

*Beneficiary benefits options:*

The Standard Benefit provides benefits to the specified beneficiaries defined under the Plan. Upon the death of the member, the surviving spouse or domestic partner will receive 100% of said benefit for one year, and thereafter the greater of 75% of the total benefit or 25% of the average monthly salary for the two highest paid years. All benefits cease upon the surviving spouse's remarriage or death, or the domestic partner's marriage or entry into another domestic partnership or death.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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If there is no surviving spouse or domestic partner, or upon the surviving spouse's remarriage or death, or upon the domestic partner's marriage or entry into another domestic partnership or death, the benefit set forth shall be paid to the member's children in equal portions to each child of the deceased member and shall cease when:

- (1) The child attains the age of 18, or
- (2) The child attains the age of 22, provided the child is a full-time student in high school or college, or
- (3) The child marries or dies

A legally adopted child shall have the same rights as a natural born child but no benefit shall be allowed to any stepchild of a deceased member.

If there are no benefits payable to a child or children, then the benefits set forth shall be paid to the dependent parent of the deceased member.

### Exceptions:

If the surviving spouse was married to the deceased member for less than 10 years, or the domestic partnership was registered for less than 10 years, then the benefits are payable for a period no longer than the normal life expectancy of the deceased member at the time of death.

If the child attains the age of 18 and is handicapped, the benefits will continue to the handicapped child until the handicapped child ceases to be handicapped.

Effective November 4, 2003, and in lieu of the Standard Benefit, a member who retires, enters the DROP, or separates from City employment or is entitled to service or disability benefits may elect, in lieu of the standard benefit, a joint and contingent survivor option, at any time prior to retirement. Under the joint and contingent survivor option, the member shall receive an actuarially adjusted retirement benefit during the member's lifetime, and have a designated percentage of 25%, 50%, 66-2/3% or 75% thereof continued after the member's death to and for the lifetime of the member's designated joint pensioner. The election of the joint and contingent survivor option shall be null and void if the designated joint pensioner dies before the member's retirement. The value of the joint and contingent survivor option shall be actuarially equivalent to the value otherwise payable.

In lieu of the standard benefit, the member may, at any time prior to retirement, elect to receive a lifetime retirement benefit with 120 monthly payments guaranteed. If the member should die before 120 monthly payments are made, benefits will continue to be paid to the member's designated beneficiary for the balance of the 120 month period. If the retired member is living after 120 monthly payments are made, the payments shall be continued for the member's remaining lifetime.

Also in lieu of the standard benefit, the member may, at any time prior to retirement, elect to receive a life of member only benefit. This option provides payments to the member as long as the member lives. All benefits cease at the member's death. There are no beneficiary benefits under this option.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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### *Termination*

In case of termination of the Plan, benefits accrued to members to the extent funded, will be non-forfeitable.

### *Funding requirements*

The City is required to pay into the Plan such amounts as necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid the members. The City contribution is reduced by any available State contributions (Share Plan).

### *Investments*

The Plan has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The Plan requires the City of Miami Beach to be custodian of all assets. The City in turn has a custodial agreement with a trust company which provides for the custody and handling of all transactions. The Plan provides for investment in U.S. Government securities, money market funds, bonds, notes, real estate, common stock, private placement international bond funds and international equity securities.

## **2. Summary of Significant Accounting Policies**

### *Basis of accounting*

The Plan financial statements are prepared using the accrual basis of accounting. Employee 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. Share plan contributions are recognized as revenues in the period in which they are approved by the State. 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.

### *Investments*

Investments are recorded at fair value in the Statement of Fiduciary Net Position. Fair value 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. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. Refer to Note 4 to the financial statements for more detail regarding the methods used to measure the fair value of investments.

Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the Statement of Changes in Fiduciary Net Position along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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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 fiduciary net position.

### *Use of estimates*

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

### *Income Tax Status*

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

### *Risk 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 setting assumptions, that the effect of such changes could be material to the financial statements.

### *Adoption of Accounting Pronouncements*

In 2016, the Plan adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). GASB 72 addresses accounting and financial reporting issues related to fair value measurement of assets and liabilities. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of GASB 72 resulted in increased disclosures related to the fair value measurement of investments.

### *Subsequent Events*

Management has evaluated subsequent events through February 6, 2018, the date which the financial statements were available for issue.

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
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**Notes to Financial Statements**

**3. Contributions**

*Actual contributions*

The actual contributions from the City and the Share Plan for active employees for the fiscal years ended September 30, 2017 and 2016, amounted to \$35,367,866 and \$34,970,641, respectively, and the actual amount of covered payroll (excluding DROP members) was \$59,907,167 and \$56,759,632, respectively. The contributions consisted of the following for the fiscal years ended September 30:

	2017		2016	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 35,247,317	58.8%	\$ 34,850,092	61.4%
Share Plan	120,549	0.2	120,549	0.2
<b>Total contributions from employer and other contributing entities</b>	<b>\$ 35,367,866</b>	<b>59.0%</b>	<b>\$ 34,970,641</b>	<b>61.6%</b>

	2017		2016	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
Employee contributions	\$ 6,034,612	10.07%	\$ 5,706,014	10.0%
Employee buybacks/transfers	163,632	.27	278,383	0.5
<b>Total contributions from employees</b>	<b>\$ 6,198,244</b>	<b>10.34%</b>	<b>\$ 5,984,397</b>	<b>10.5%</b>

*Actuarially determined contributions*

Effective, May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contribution) that best fits the funding requirements of the Plan. For the years ended September 30, 2017 and 2016, the Plan selected to use the fixed dollar contribution amount.

The contributions required from the City, and the Share Plan for the fiscal years ended September 30, 2017 and 2016, were actuarially determined by the October 1, 2015 and 2014 valuations to be \$35,367,866 and \$34,970,641, respectively. The amount of actuarially computed projected annual pensionable payroll (excluding DROP members) used in October 1, 2015 and 2014 valuations was \$61,075,230 and \$50,491,405, respectively.

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
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**Notes to Financial Statements**

The required City and Share Plan contributions cover the following for the fiscal years ended September 30:

	Amount	2017	Amount	2016
		Percent of Actuarially Computed Projected Annual Pensionable Payroll		Percent of Actuarially Computed Projected Annual Pensionable Payroll
Normal cost	\$ 19,945,746	32.7%	\$ 18,162,040	36.0%
Amortization of Unfunded liability and other costs	15,422,120	25.3	16,808,601	33.3
<b>Total required from City and Share Plan</b>	<b>\$ 35,367,866</b>	<b>58.0%</b>	<b>\$ 34,970,641</b>	<b>69.3%</b>

**4. Deposits 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 to achieve a favorable rate of return using both absolute and relative measures against inflation, preservation of capital and long term growth, which will keep the Plan actuarially sound. The Trustees are authorized to acquire and retain every kind of property investment.

*Types of Investments*

The Plan's investment policy allowed for investment in bonds, equities, commercial paper, savings accounts, government securities, real estate, insurance contracts of domestic corporations and bonds issued by the State of Israel as follows:

Short-term investments

- a. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.
- b. Money market obligations issued by the United States Government or in obligations guaranteed as to principal and interest by the United States government.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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### Equity

1. Domestic and International Equities: equities defined as common stocks and issues convertible to equities, provided:
  - a. Each holding shall be listed on a major U.S. exchange (excluding Wellington who may hold Private Placements).
  - b. Not more than five percent (5%) of the market value of the Plan's total assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.
2. The use of un-hedged and/or leveraged derivatives will not be allowed in any form, except Wellington who may have up to fifteen percent (15%) maximum, in their total fund portfolio.

### Fixed Income

1. Short-term investments
  - a. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.
  - b. Money market funds, defined as fixed income securities having a maturity of less than one year, provided that all issues shall meet or exceed Standard & Poor's A1, or Moody's P1 credit rating.
2. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities, or foreign bonds or other evidence of indebtedness denominated in United States Dollars. The U.S. government securities which may be purchased include direct obligations issued by the United States Treasury, such as Treasury bills, certificates on indebtedness, notes and bonds as well as instruments issued or guaranteed by agencies or instrumentalities of the United States government, including mortgage-related securities. Mortgage-related securities or asset-backed securities not issued by the U.S. government or an agency or instrumentality thereof may also be purchased.
3. Fixed income investments defined as preferred issues and fixed income securities provided:
  - a. All corporate debt issues shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poor's, or Fitch's Manual. Anything herein to the contrary notwithstanding, a maximum of 25% of the Inverness bond portfolio may be rated in the fourth (4) highest categories.
  - b. Any issue, if downgraded below the fourth (4) highest category by two (2) of the three (3) of the above mentioned ratings services must either be sold or specifically approved for retention by the Board of Trustees.



# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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4. Bonds issued by the State of Israel.
5. Commingled stocks, bonds, or money market funds whose investments are restricted to securities meeting the above criteria.
6. In addition to the above, Inverness Counsel, Inc. (money manager) is subject to the following specific guidelines:
  - a. Inverness Counsel's investment in corporate common stock, convertible bonds and convertible preferred issues shall not exceed forty-six percent (46%) of their total fund assets at market value.
  - b. No limitations are placed on percentage commitments to fixed income or money market investments.
7. In addition to the above, Wells Capital Management Inc. (money manager) is subject to the following specific guidelines:
  - a. Wells Capital's will generally invest at least eighty percent (80%) of its assets in debt securities, including obligations of foreign government or corporate entities or supranational agencies (such as the World Bank) denominated in various currencies.
  - b. Up to thirty-five percent (35%) of the debt securities may be below investment grade (which are rated below BBB by Standard & Poor's or Fitch, Inc. or below Baa by Moody's Investors Service, Inc.).
  - c. Wells Capital will invest in at least three countries or supranational agencies (such as World Bank).
  - d. No more than five percent (5%) of Wells Capital's assets will be invested in debt obligations or similar securities denominated in the currencies of developing countries.
  - e. Wells Capital may also enter into foreign currency exchange contracts to hedge currency exposure, where required, helping to manage the overall risk profile of the strategy.

The Plan's investment policy and guidelines include an addendum that allowed the Board to define a formal set of investment objectives and guidelines and procedures for management of the DROP assets.

In accordance with the provisions of Florida Senate Bill 1462, no more than 25% of the Plan's total assets can be invested in foreign securities.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), the Board is prohibited from directly investing in any companies, identified by the State Board of Administration (SBA) on its website each quarter, as a scrutinized company.

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocations of these investments at September 30, 2017 and 2016 are as follows:

<u>Authorized investments</u>	<u>Target % of portfolio</u>	<u>2017</u>	<u>Target % of portfolio</u>	<u>2016</u>
Domestic equity	50%	56%	50%	53%
Fixed income	35%	34%	35%	37%
International equity	5%	4%	5%	4%
Real estate equity	5%	5%	5%	5%
Cash/short-term investments	5%	1%	5%	1%

### *Rate of Return*

For the years ended September 30, 2017 and 2016, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was 10.63% and 8.74%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates that 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>2017</u> <u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
<b>U.S. agencies</b>	\$ 39,911,871	\$ 3,995,800	-	\$ 35,916,071	-
<b>Domestic</b>					
corporate bonds	202,131,813	9,179,588	99,035,141	93,917,084	-
<b>International</b>					
corporate bonds	12,943,369	4,310,082	8,633,288	-	-
<b>Private placement</b>	34,009,501	42,618	1,074,009	32,402,836	490,038
<b>Total fixed income</b>					
<b>Securities</b>	\$ 288,996,554	\$ 17,528,088	\$ 108,742,438	\$ 162,235,991	\$ 490,038

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
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**Notes to Financial Statements**

Investment Type	2016				
	Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 64,658,443	\$ -	\$ -	\$ 40,345,473	\$ 24,312,970
Domestic					
corporate bonds	175,131,361	-	57,000,625	113,780,176	4,350,560
International					
corporate bonds	12,205,125	-	9,874,980	2,330,145	-
Private placement	34,938,953	1,713,066	4,133,567	21,160,598	7,931,722
Total fixed income					
Securities	\$ 286,933,882	\$ 1,713,066	\$ 71,009,172	\$ 177,616,392	\$ 36,595,252

**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, as applicable:

	2017		2016	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government				
Guaranteed*	\$ 39,911,871	13.81%	\$ 64,658,443	22.53%
Quality rating of credit risk debt securities:				
AAA	8,658,754	3.00	6,089,089	2.12
AA+	1,649,635	0.57	4,016,586	1.40
AA	14,371,600	4.97	14,075,987	4.91
AA-	13,851,099	4.79	17,790,413	6.20
A+	31,201,087	10.80	15,638,644	5.45
A	50,076,578	17.33	57,254,180	19.95
A-	48,561,020	16.80	51,535,826	17.96
BBB+	71,038,801	24.58	29,087,024	10.14
BBB	3,126,595	1.08	4,230,357	1.47
BBB-	2,201,857	0.76	1,541,558	0.54
BB+	2,480	0.00	567,492	0.20
BB	32,506	0.01	1,143,643	0.40
BB-	349	0.00	352,619	0.12
B+	891	0.00	285,098	0.10
B	1,124	0.00	399,697	0.14
B-	271	0.00	162,647	0.06
Not rated	4,310,036	1.50	18,104,579	6.31
Total credit risk debt securities	249,084,683	86.19	222,275,439	77.47
Total fixed income securities	\$ 288,996,554	100.00%	\$286,933,882	100.00%

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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\* Obligations of the U.S. government or obligations explicitly or implicitly 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 the fiduciary net position at September 30, 2017 and 2016.

### *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 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 the Plan's custodial bank and registered in the Plan's name. All of the Plan's investments are insured and or collateralized by a financial institution separate from the Plan's depository financial institution.

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**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
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**Notes to Financial Statements**

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of an investment or a deposit. The Plan has exposure through international holdings in a private placement trust fund. The Plan has exposure to currency fluctuations at September 30, as follows:

Currency	2017	2016
	Holdings Valued in U.S. Dollars Private Placement	Holdings Valued in U.S. Dollars Private Placement
Australian Dollar	\$ 34,747,684	\$ 4,613,866
Brazilian Real	7,144,013	959,102
British Pound Sterling	5,131,811	3,647,572
Canadian Dollar	10,470,067	535,665
Columbian Peso	7,180,941	-
Danish Krone	15,151,679	-
Euro	15,065,312	5,034,682
Hungarian Forint	5,800,674	848,559
Malaysian Ringgit	11,409,923	1,596,263
Mexican Pesos	11,267,112	1,585,600
New Zealand Dollar	11,426,643	1,685,296
Norwegian Krone	11,353,481	1,713,066
Polish Zloty	11,305,075	1,617,463
Romanian Leu	2,355,997	-
Singapore Dollar	11,443,450	1,473,796
South African Rand	6,931,833	918,349
Thai Baht	6,759,138	1,232,314
<b>Total</b>	<b>\$ 184,944,833</b>	<b>\$ 27,461,593</b>

*Investment Valuation*

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents 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. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

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Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 - Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 - Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

The Plan has established a framework to consistently measure the fair value of the Plan's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

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**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Notes to Financial Statements**

The following table summarizes the valuation of the Plan's investments in accordance with the above mentioned fair value hierarchy levels as of September 30:

	<u>Fair Value Measurements Using</u>			
	2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Short-term investment funds	\$ 10,337,628	\$ 6,027,546	\$ 4,310,082	\$ -
<b>Total short-term investment funds</b>	<b>10,337,628</b>	<b>6,027,546</b>	<b>4,310,082</b>	<b>-</b>
<b>Equity securities</b>				
Common stocks	324,225,831	324,225,831	-	-
<b>Total equity securities</b>	<b>324,225,831</b>	<b>324,225,831</b>	<b>-</b>	<b>-</b>
<b>Debt securities</b>				
Government	23,246,330	-	23,246,330	-
Municipal/provincial obligations	5,697,250	-	5,697,250	-
Corporate bonds	221,733,391	-	221,733,391	-
<b>Total debt securities</b>	<b>250,676,971</b>	<b>-</b>	<b>250,676,971</b>	<b>-</b>
<b>Total investments by fair value level</b>	<b>585,240,430</b>	<b>\$330,253,377</b>	<b>\$254,987,053</b>	<b>\$ -</b>
<b>Investments measured at the net asset value ("NAV")</b>				
Commingled domestic equity funds	146,447,456			
Real estate fund	43,655,948			
Private placement	34,009,501			
Commingled international equity funds	35,156,846			
Mutual funds	27,732,355			
<b>Total investments measured at the NAV</b>	<b>287,002,106</b>			
<b>Total investments</b>	<b>\$ 872,242,536</b>			

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Notes to Financial Statements**

	Fair Value Measurements Using			
	2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short-term investment funds	\$ 5,860,046	\$ 5,860,046	\$ -	\$ -
<b>Total short-term investment funds</b>	<b>5,860,046</b>	<b>5,860,046</b>	<b>-</b>	<b>-</b>
Equity securities				
Common stocks	342,649,084	342,649,084	-	-
<b>Total equity securities</b>	<b>342,649,084</b>	<b>342,649,084</b>	<b>-</b>	<b>-</b>
Debt securities				
Government	64,658,443	-	64,658,443	-
Municipal/provincial obligations	5,893,600	-	5,893,600	-
Corporate bonds	181,442,886	-	181,442,886	-
<b>Total debt securities</b>	<b>251,994,929</b>	<b>-</b>	<b>251,994,929</b>	<b>-</b>
<b>Total investments by fair value level</b>	<b>600,504,059</b>	<b>\$ 348,508,130</b>	<b>\$ 251,994,929</b>	<b>\$ -</b>
Investments measured at the net asset value ("NAV")				
Commingled domestic equity funds	76,730,314			
Real estate fund	42,306,906			
Private placement	34,938,953			
Commingled international equity funds	29,484,393			
Mutual funds	19,626,380			
<b>Total investments measured at the NAV</b>	<b>203,086,946</b>			
<b>Total investments</b>	<b>\$ 803,591,005</b>			

Short-term investment funds: These consist primarily of money market funds, commercial paper and similar instruments with maturities of less than one year. Short term investments are reported at fair value or at cost or amortized cost, which approximates fair value. For those investments which are reported at fair value, the investments are valued using similar methodologies as described within the debt securities section below.



**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Notes to Financial Statements**

Equity securities: These include common stock, domestic and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. 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, 2017 and 2016. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, and foreign debt securities (included in international fixed income in the Statement of Fiduciary Net Position). These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

The Plans valuation methods for investments measured at the net asset value ("NAV") per share (or its equivalent) as of September 30, 2017, are as follows:

2017					
Investments Measured at the NAV					
	Fair Value	Unfunded Commitments	-	Redemption Frequency	Redemption Notice Period
<b>Commingled</b>					
domestic equity fund (1)	\$ 146,447,456	\$ -		Monthly	10 Days
Real estate fund (2)	43,655,948	-		Quarterly	45 Days
Private placement	34,009,501	-		Weekly	1 Day
<b>Commingled</b>					
international equity fund (4)	35,156,846	-		Daily	Same Day
Mutual funds (5)	27,732,355	-		Daily	Same Day
<b>Total investments measured at the NAV</b>	<b>\$ 287,002,106</b>	<b>\$ -</b>			

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

- (1) Commingled domestic equity fund consists of one comingled investment vehicle which invests primarily in publicly traded equity securities. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (2) The real estate fund invests primarily in United States commercial real estate. The fair value of the investment in the fund is valued at the net asset value of outstanding units held at the end of the period based upon the fair value of the underlying investments. Real estate funds are valued using their respective net asset value ("NAV") as of September 30, 2017 and 2016. The most significant input into the NAV of such funds is the fair value of the investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors.
- (3) The private placement fund invests primarily in international bonds. The fair value of this investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (4) Commingled international equity fund consists of one comingled investment vehicle which invests primarily in publicly traded global equity securities. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (5) These mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. They are determined to be actively traded.

### 5. Commitments

The Plan renewed its operating lease for office space on March 24, 2016, which expires on March 31, 2027. The base rent for the first twelve months of the lease was \$9,965 per month, net of electricity. The lease contains a provision for future rent increases annually by an amount equal to 3% of the prior year's base rent. During the years ended September 30, 2017 and 2016, rent expense under the lease agreement amounted to \$80,073 and \$125,290, respectively. The net minimum rental payments on this lease as of September 30, 2017 are as follows:

Rent Expense	
2018	\$ 123,161
2019	126,862
2020	130,677
2021	134,606
2022	138,649
Thereafter	677,771
<b>Total</b>	<b>\$ 1,331,726</b>

# CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS IN THE CITY OF MIAMI BEACH

## Notes to Financial Statements

### 6. Net Pension Liability of the City

The components of the net pension liability of the City at September 30, were as follows:

	2017	2016
Total pension liability	\$ 1,175,854,766	\$ 1,104,054,031
Plan's fiduciary net position	(874,437,400)	(806,424,132)
<b>City net pension liability</b>	<b>\$ 301,417,366</b>	<b>\$ 297,629,899</b>

Plan's fiduciary net position as a percentage of total pension liability 74.37% and 73.04% for the years ended September 30, 2017 and 2016, respectively.

#### *Actuarial Assumptions*

The total pension liability was determined using an actuarial valuation as of October 1, 2015 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	3%
Salary increases	0.7% - 10.7%
Cost-of-living increases	1.5%, 2.0%, or 2.5%
Investment rate of return	7.85% compounded annually, net of pension plan investment expense, including inflation.

Healthy mortality rates during employment are calculated with RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participants post-employment, RP-2000 Annuitant Mortality Tables, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, 60% RP 2000 Disabled Male Mortality Table setback four years / 40% RP 2000 Annuitant Male Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements. For disabled female participants, 60% RP 2000 Disabled Female Mortality Table set forward two years / 40% RP 2000 Annuitant Female Mortality Table with White Collar Adjustment with no setback, without projected mortality improvements.

The actuarial assumptions used in the October 1, 2015 valuation were based on the results of an actuarial experience study for the period October 1, 2009 - September 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*.

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Notes to Financial Statements**

ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table as of September 30:

Asset Class	Long-Term Expected Real Rate of Return*	
	2017	2016
Domestic equity	7.50%	7.50%
International equity	8.50%	8.50%
Domestic bonds	2.50%	2.50%
International bonds	3.50%	3.50%
Real estate	4.50%	4.50%
Alternative investments	6.24%	5.45%

\* Real rates of return are net of the long-term inflation assumption of 2.5% for 2017 and 2016.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.85% and 7.90% for 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Net Pension Liability to changes in the Discount Rate***

The following presents the net pension liability of the City calculated using the discount rate of 7.85% and 7.90% for 2017 and 2016, respectively, as well as what the employer net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**Notes to Financial Statements**

	Employer Net Pension Liability - 2017		
	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% Increase (8.85%)
September 30, 2017	\$ 453,430,257	\$301,417,366	\$177,550,350

	Employer Net Pension Liability - 2016		
	1% Decrease (6.90%)	Current Discount Rate (7.90%)	1% Increase (8.90%)
September 30, 2016	\$ 434,381,124	\$ 297,629,899	\$ 184,950,173

**7. Pension Plan for Employees of the Plan**

The administrative employees of the Plan, who do not participate in the plan described herein, participate in the City of Miami Beach Employees Retirement Plan ("MBERP") which is a single employer defined benefit pension plan for general employees of the City of Miami Beach, Florida. MBERP provides retirement, death, and disability benefits to plan members and beneficiaries. The employees of the Plan are required to contribute 8-10% of their base salary. The MBERP issues a publicly available financial report that can be obtained by contacting Miami Beach Employees Retirement Plan, 1700 Convention Center Drive, Miami Beach, Florida 33139.

## Required Supplementary Schedules

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**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**  
Required Supplementary Information  
Schedule of Changes in the City's Net Pension Liability (Unaudited)  
Last Four Fiscal Years

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 17,530,982	\$ 17,803,602	\$ 16,098,560	\$ 14,763,595
Interest	87,422,136	82,627,847	78,415,039	75,108,912
Changes of benefit terms				
Benefit changes	(9,688,441)	-	-	-
Differences between expected and actual experience	141,740	14,588,712	12,428,547	7,685,043
Changes of assumptions	34,969,254	2,447,885	5,686,196	-
Benefit payments, including refunds of member contributions	(58,574,936)	(54,861,660)	(62,686,716)	(53,605,094)
<b>Net Change in Total Pension Liability</b>	<b>71,800,735</b>	<b>62,606,386</b>	<b>49,941,626</b>	<b>43,952,456</b>
<b>Total Pension Liability - Beginning</b>	<b>1,104,054,031</b>	<b>1,041,447,645</b>	<b>991,506,019</b>	<b>947,553,563</b>
<b>Total Pension Liability- Ending</b>	<b>1,175,854,766</b>	<b>1,104,054,031</b>	<b>1,041,447,645</b>	<b>991,506,019</b>
<b>Plan fiduciary net position</b>				
Contributions - City and State	35,367,866	34,970,641	33,149,388	35,960,326
Contributions - employees	6,198,244	5,984,397	5,944,414	5,258,974
Net investment income	85,791,174	70,539,300	5,689,333	72,259,674
Benefit payments, including refunds of member contributions	(58,574,937)	(54,861,660)	(62,686,716)	(53,605,094)
Administrative expenses	(769,079)	(826,044)	(777,493)	(905,130)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>68,013,268</b>	<b>55,806,634</b>	<b>(18,681,074)</b>	<b>58,968,750</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>806,424,132</b>	<b>750,617,498</b>	<b>769,298,572</b>	<b>710,329,822</b>
<b>Plan Fiduciary Net Position - Ending</b>	<b>\$ 874,437,400</b>	<b>\$ 806,424,132</b>	<b>\$ 750,617,498</b>	<b>\$ 769,298,572</b>
<b>City's Net Pension Liability</b>	<b>\$ 301,417,366</b>	<b>\$ 297,629,899</b>	<b>\$ 290,830,147</b>	<b>\$ 222,207,447</b>

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

*See accompanying independent auditor's report and notes to required supplementary information.*

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH  
Required Supplementary Information  
Schedule of Changes in the City's Net Pension Liability (Unaudited) - continued  
Last Four Fiscal Years**

	2017	2016	2015	2014
Total pension liability	\$ 1,175,854,766	\$ 1,104,054,031	\$ 1,041,447,645	\$ 991,506,019
Plan fiduciary net position	874,437,400	806,424,132	750,617,498	769,298,572
<b>City's Net Pension Liability</b>	<b>\$ 301,417,366</b>	<b>\$ 297,629,899</b>	<b>\$ 290,830,147</b>	<b>\$ 222,207,447</b>
Plan fiduciary net position as a percentage of the total pension liability	74.37%	73.04%	72.07%	77.59%
Covered - employee payroll excluding DROP	\$ 59,907,167	\$ 56,759,632	\$ 56,545,113	\$ 50,740,542
City's net pension liability as a percentage of covered - employee payroll excluding DROP	503.14%	524.37%	514.33%	437.93%

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

*See accompanying independent auditor's report and notes to required supplementary information.*



**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**  
Required Supplementary Information  
Schedule of Contributions by Employer (Unaudited)  
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 35,367,866	\$ 34,970,641	\$ 33,149,388	\$ 35,960,326	\$ 39,492,050
Contributions in relation to the actuarially determined contribution	35,367,866	34,970,641	33,149,388	35,960,326	39,492,050
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll (excluding DROP members)	\$ 59,907,167	\$ 56,759,632	\$ 56,545,113	\$ 50,740,542	\$ 47,164,030
Contributions as a percentage of covered-employee payroll	59.04%	61.61%	58.62%	70.87%	83.73%
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 36,297,459	\$ 32,811,570	\$ 23,403,818	\$ 20,159,995	\$ 17,618,045
Contributions in relation to the actuarially determined contribution	36,297,459	32,811,570	23,403,818	20,159,995	17,618,045
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll (excluding DROP members)	\$ 53,273,735	\$ 49,041,435	\$ 49,144,179	\$ 50,393,490	\$ 49,192,010
Contributions as a percentage of covered-employee payroll	68.13%	66.91%	47.62%	40.01%	35.81%

*See accompanying independent auditor's report and notes to required supplementary information.*

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH  
Required Supplementary Information  
Schedule of Investment Returns (Unaudited)  
Last Ten Fiscal Years**

	2017	2016	2015
Annual money-weighted rate of return, net of investment expense	10.63%	8.74%	0.70%
	2014	2013	2012
Annual money-weighted rate of return, net of investment expense	10.19%	12.87%	19.60%
	2011	2010	2009
Annual money-weighted rate of return, net of investment expense	-0.49%	10.65%	1.17%
	2008		
Annual money-weighted rate of return, net of investment expense	-10.24%		

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

*See accompanying independent auditor's report and notes to required supplementary information.*

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH  
Required Supplementary Information  
Notes to Required Supplementary Information (Unaudited)  
Last Ten Fiscal Years**

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*Method and assumptions used in calculations of the City's actuarially determined contributions. The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of October 1. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.*

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage, Closed
Amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Payroll growth	2.60%
Salary increases	0.7% - 10.7%
Investment rate of return	7.85%
Cost-of-Living Increases	1.5%, 2.0% or 2.5%

**Retirement Age:** Experience-based table of rates that are specific to the type of eligibility condition.

**Mortality Rates:**

**Healthy:** For healthy participants, Healthy mortality rates are calculated with RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality Improvements projected to each future decrement date with Scale BB. For healthy participants post employment, RP-2000 Annuitant Mortality Tables, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB.

**Disabled:** For disabled male participants, 60% RP 2000 Disabled Male Mortality Table setback four years / 40% RP 2000 Annuitant Male Mortality Table with White Collar Adjustment with no setback, without projected mortality Improvements. For disabled female participants, 60% RP 2000 Disabled Female Mortality Table set forward two years / 40% RP 2000 Annuitant Female Mortality Table with White Collar Adjustment with no setback, without projected mortality Improvements.

**Disability Rates:** Representative values of the assumed annual rates of disability among members in active service are as follows:

<u>Age</u>	<u>Disability Rates</u>	<u>Age</u>	<u>Disability Rates</u>
20	0.07%	45	0.58%
25	0.11%	50	0.99%
30	0.16%	55	1.42%
35	0.22%	60	2.00%
40	0.32%	64	2.69%

35% of disabilities are assumed to be non-service Incurred; 65% are assumed to be service incurred.

**Employee Withdrawal Rates:** Representative values of the assumed annual rates of withdrawal among members in active service are as follows:

<u>Age</u>	<u>Withdrawal Rates</u>	<u>Age</u>	<u>Withdrawal Rates</u>
20	2.00%	35	1.25%
25	1.75%	40	1.00%
30	1.50%	45	0.75%

**Marital Assumptions:**

- 77% of members are assumed married or entitled to benefits for dependents, including registered domestic partners.
- Male spouses are assumed to be three years older than female spouses.

*See accompanying independent auditor's report.*

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS**  
**IN THE CITY OF MIAMI BEACH**  
Required Supplementary Information  
Notes to Required Supplementary Information (Unaudited) - continued  
Last Ten Fiscal Years

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*Benefit Changes*

In 2016, a Tier 4 was added for Fire Department members hired on or after June 8, 2016 and Police Department members hired on or after July 20, 2016. Tier 4 members Final Average Monthly Earnings (FAME) is average of the 5 highest paid years prior to date of retirement taking into consideration the overtime limit, the Normal Retirement eligibility is earlier of attainment of age 52 with 5 years of creditable service or Rule of 70 but must be at least attained age 48. Members currently participating in the DROP were permitted to extend DROP participation but no COLA will be paid during the extended years of participation. Members who elect the DROP in the future can participate for up to 96 months - no COLA will be provided for the first through fourth year of DROP participation for these members. In 2013, participants were categorized into different Tiers: Tier 1 - members hired prior to July 14, 2010, Tier 2 - members hired on or after July 14, 2010 but prior to September 30, 2013 and Tier 3 - members hired on or after September 30, 2013. Final average monthly earnings (FAME) were updated to the greater of the average of the 2 highest paid years prior to date of retirement or the 2 last paid years after taking into consideration the overtime limit (Tier 1 and eligible to retire prior to September 30, 2015), the greater of the average of the 3 highest paid years prior to date of retirement or the 3 last paid years after taking into consideration the overtime limit (Tier 1 and eligible to retire on or after September 30, 2015), the greater of the average of the 3 highest paid years prior to date of retirement or the 3 last paid years after taking into consideration the overtime limit (Tier 2) and the greater of the average of the 5 highest paid years prior to date of retirement or the 5 last paid years after taking into consideration the overtime limit (Tier 3).

Additionally in 2013, normal retirement eligibility was updated to the earlier of attainment of age 50 or Rule of 70 (Tier 1 and eligible to retire prior to September 30, 2013), the earlier of attainment of age 50 or Rule of 70 and attainment of age 47 (Tier 1 and eligible to retire on or after September 30, 2013) and the earlier of attainment of age 50 or Rule of 70 and attainment of age 48 (Tier 2 and 3). Benefits were updated to not exceed 85% of FAME (if eligible to retire on or after September 30, 2013) unless exceeded 85% as of September 30, 2013 (Tier 1 and eligible to retire on or after September 30, 2013 but prior to September 30, 2015). Pensionable salary was updated to exclude overtime pay in excess of 300 hours per calendar year, withdrawal benefit eligibility was updated to any age prior to 50 with at least 5 years of service for members who terminate employment on or after September 30, 2013, member contributions were updated to 10.0% of salary per year for members hired prior to September 30, 2013 and 10.5% of salary per year for members hired on or after September 30, 2013, members will no longer be able to purchase an additional multiplier or pre-employment public safety service as a police officer or firefighter and overtime for police officers was limited in each year to an amount that is equal to 11% of highest annualized pay rate for the same salary rank that the member is in at the time of retirement.

In 2010, for members who enter the DROP on or after September 1, 2012, the DROP period was updated to a maximum of 60 months and a 2.5% COLA will be paid annually on the anniversary date of the member's retirement. Pensionable pay was updated to include off-duty pay, overtime for police officers was limited in each year to an amount that is equal to 70% of the difference between the member's annualized pay rate at retirement and the highest annualized pay rate for the next higher salary rank, overtime for firefighters was limited in each year to an amount that is equal to 11% of highest annualized pay rate for the same salary rank that the member is in at the time of retirement and members with ten or more years of service were allowed to purchase up to four years of pre-employment military service, up to two years pre-employment public safety service, or either 3% or 6% additional benefit multiplier. In 2010, for new hires on or after July 14, 2010, the pension multiplier was updated to 3% for each year of service up to 20 years and 4% for each year of service thereafter (subject to a maximum of 90%), the Rule of 70 retirement was updated to state that members must attain age 48 to be eligible, final average salary was updated to the three highest paid years of last three years prior to retirement and the cost of living adjustment was updated to 1.5% annually.

*Assumption Changes*

In 2016, investment return was decreased from 7.90% to 7.85% and the mortality assumption was updated to the assumption used in the Florida Retirement System July 1, 2016 Actuarial Valuation. In 2015, investment return was decreased from 7.95% to 7.90%, withdrawal and retirement rates were updated, disability incidence was updated to 65% service incurred / 35% non-service incurred and the load for compensation and projected pensionable payroll was replaced with actual pensionable pay - these changes do not affect the contribution until the fiscal year ending September 30, 2017. In 2014, investment return was decreased from 8.00% to 7.95% and payroll growth assumption was limited to 10 year average. In 2013, the asset valuation method was updated to phase in the deviation between the expected and actual return on assets at the rate of 20% per year and the load for projected pensionable payroll was decreased to 16%. In 2012, investment return was updated to 8.0%, expected salary increases for final years 2013 and 2014 were reduced by 2.17% and increased by 3.00% respectively, contingency compensation load for overtime and other pays was decreased to 16% and contingency pre-employment service load was decreased to 0.275%. In 2011, investment return was updated to 8.1%, mortality tables for healthy pre and post retirement participants were projected 15 and 7 years from the valuation date and the contingency compensation load for overtime and other pays was increased to 18%. In 2010, investment return was updated to 8.2% and the freeze on the cost of living increase component of the salary scale was extended to March 31, 2012.

In 2009, investment return was updated to 8.3%, mortality rates were changed to the RP-2000 Combined Mortality Table with a blue collar adjustment for healthy lives and the RP-2000 Disabled Mortality table for disabled participants, a 20% load was added to the projected base payroll, retirement and withdrawal rates were updated to reflect the results of the October 1, 2003 through October 1, 2008 experience study, salary increase rates were updated to 3.83% for plan year 2009 and 6.0% for all subsequent plan years and the load for overtime and other pays was updated to 16%. In 2008, investment return was updated to 8.5%, the salary scale was reduced by 50 basis points, loadings for contingencies were increased by 100 basis points and the retirement assumption was updated to reflect an increase in the level of retirements starting at age 45.

*See accompanying independent auditor's report.*

## **Other Supplementary Schedules**

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**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**  
Other Supplementary Schedules of Investment Expenses and Administrative Expenses

Years ended September 30,	2017	2016
<b>Schedule "1"</b>		
<b>Schedule of Investment Expenses</b>		
<b>Financial management expenses:</b>		
JP Morgan Investment Management, Inc.	\$ 428,496	\$ 417,095
RBC Global Asset Management (U.S.) Inc.	35,542	176,692
Logan Capital Management, Inc.	311,224	272,411
Wentworth, Hauser and Violich	-	33,556
Wellington Trust Company, NA	523,012	420,508
Inverness Counsel	1,565,271	1,553,770
RhumbLine Advisers	87,103	69,797
Wells Capital Management	117,213	117,470
<b>Total Financial Management Expenses</b>	<b>3,067,862</b>	<b>3,061,299</b>
<b>Investment consultant fees:</b>		
The Bogdahn Group	73,244	71,140
<b>Investment custodial fees:</b>		
Fiduciary Trust Company	111,142	111,566
<b>Total Investment Expenses</b>	<b>\$ 3,252,248</b>	<b>\$ 3,244,005</b>
<b>Schedule "2"</b>		
<b>Schedule of Administrative Expenses</b>		
<b>Personnel services</b>		
Salaries and payroll taxes	\$ 296,508	\$ 272,493
Fringe benefits	34,606	33,207
<b>Total Personnel Services</b>	<b>331,114</b>	<b>305,700</b>
<b>Professional services</b>		
Legal	81,269	88,790
Actuarial	50,036	50,794
Audit	31,099	28,843
Bookkeeping	3,165	2,921
<b>Total Professional Services</b>	<b>165,569</b>	<b>171,348</b>
<b>Other</b>		
Rent	80,073	125,290
Insurance	56,299	79,829
I.T. dept. computer and phone charges	40,560	40,560
Education, dues & subscriptions	37,053	45,131
Office expense	29,223	36,355
Computer consultant	13,431	7,388
Equipment rental	5,071	5,183
Utilities	4,136	4,580
Computer and Furniture	3,600	-
Medical fees	2,950	4,680
<b>Total Other</b>	<b>272,396</b>	<b>348,996</b>
<b>Total Administrative Expenses</b>	<b>\$ 769,079</b>	<b>\$ 826,044</b>