Miami Beach Employees' Retirement Plan

Financial Statements
Years Ended September 30, 2013 and 2012

Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditors' Report

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

We have audited the accompanying statements of the Miami Beach Employees' Retirement Plan (the "Plan") which comprise the statements of plan net position as of September 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report
(continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Miami Beach Employees' Retirement Plan as of September 30, 2013 and 2012, and the changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

United States generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in the accompanying 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 (other supplementary schedules) as listed in the accompanying table of contents is 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. The 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 other supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
February 11, 2014

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Management's Discussion and Analysis
(Required Supplementary Information - unaudited)
September 30, 2013 and 2012

Our discussion and analysis of the Miami Beach Employees' Retirement Plan (the "Plan") financial performance provides an overview of the Plan's financial activities and funding conditions for the fiscal years ended September 30, 2013 and 2012. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. Please read it in conjunction with the Plan's financial statements, which follows this discussion.

Financial Highlights

- The Plan assets exceeded its liabilities at the close of fiscal years ended September 30, 2013 and 2012 by $466,151,540 and $422,514,412, respectively (reported as net position held in trust for pension benefits). Net position is held in trust to meet future benefit payments. The increase of $43,637,128 and $60,526,921, for the years ended September 30, 2013 and 2012, respectively, have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 74.4% as of the October 1, 2010 valuation to 70.7% as of the October 1, 2011 valuation and 66.1% as of the October 1, 2012 valuation.

- Receivables at September 30, 2013 increased by $593,953 (87.7%) due primarily to an increase in accrued interest and dividends.

  Receivables at September 30, 2012 decreased by $6,013,276 (89.9%) due primarily to a decrease in proceeds from securities sold.

- For the fiscal year ended September 30, 2013, liabilities decreased by $333,333 (or 5.1%) from the fiscal year ended September 30, 2012, primarily due to a decrease in DROP payable offset by an increase in payables for securities purchased. The payable for securities purchased and DROP payable totaled $6,133,506 and $6,428,661 as of September 30, 2013 and 2012, respectively.

  For the fiscal year ended September 30, 2012, liabilities decreased by $9,772,468 (or 60.0%) from the fiscal year ended September 30, 2011, primarily due to the decrease in payables for securities purchased. The payable for securities purchased and DROP payable totaled $6,428,661 and $16,233,101 as of September 30, 2012 and 2011, respectively.

Financial Highlights - continued

- For the fiscal year ending September 30, 2013 City contributions to the Plan, increased $4,909,983 (or 30.1%). Actual City contributions are based primarily on the actuarial valuation and were $21,222,051 and $16,312,068 for 2013 and 2012, respectively.

  For the fiscal year ending September 30, 2012 City contributions to the Plan, increased $1,837,390 (or 12.7%). Actual City contributions are based primarily on the actuarial valuation and were $16,312,068 and $14,474,678 for 2012 and 2011, respectively.

- For the fiscal year ending September 30, 2013, member contributions including buybacks decreased by $256,193 (or 3.5%). Actual member contributions, including buybacks were $7,168,858 and $7,425,051 for 2013 and 2012, respectively. Member contributions decreased from 2012 due to participants retiring in the current year.

  For the fiscal year ending September 30, 2012, member contributions including buybacks increased by $146,724 (or 2.0%). Actual member contributions, including buybacks were $7,425,051 and $7,278,327 for 2012 and 2011, respectively. Member contributions increased from 2011 due to member contributions fluctuating from year to year, based on increases in salaries and changes in participant funding percentages.

- For the fiscal year ending September 30, 2013, the Plan had net investment income of $54,530,616 compared to net investment income of $73,870,756 in the fiscal year ended September 30, 2012. Actual results were $49,188,741 and $70,024,991 in net appreciation in fair value of investments for 2013 and 2012, respectively, $6,315,393 and $4,753,342 income from interest and dividends, respectively. Investment expenses increased by $65,941 (or 7.3%).

  For the fiscal year ending September 30, 2012, the Plan had net investment income of $73,870,756 compared to net investment loss of $3,484,142 in the fiscal year ended September 30, 2011. Actual results were $70,024,991 and ($7,308,679) in net appreciation (depreciation) in fair value of investments for 2012 and 2011, respectively, $4,753,342 and $4,687,832 income from interest and dividends, respectively and $0 and $50,464 from other income, respectively. Investment expenses decreased by $6,182 (or 0.7%).

- For the fiscal year ending September 30, 2013, benefit payments & refunds increased by $2,216,386 (or 6.1%).

  For the fiscal year ending September 30, 2012, benefit payments & refunds increased by $1,951,870 (or 5.7%).

- For the fiscal year ending September 30, 2013, administrative expenses decreased by $12,943 from 2012 (or 1.8%).

  For the fiscal year ending September 30, 2012, administrative expenses increased by $24,547 from 2011 (or 3.6%).

Plan Highlights

As of September 30, 2013 the total return of the Plan's portfolio was 13.0% and ranked in the 32nd percentile of the universe of total funds, 1.4% below the benchmark return of 14.4%. Actual net investment income in 2013 was $54,530,616, compared with net investment income of $73,870,756 in 2012.

As of September 30, 2012 the total return of the Plan's portfolio was 20.5% and ranked in the 5th percentile of the universe of total funds, 1.1% above the benchmark return of 19.4%. Actual net investment income in 2012 was $73,870,756, compared with net investment loss of ($3,484,142) in 2011.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Position and Statements of Changes in Plan 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 two types of required supplementary schedules, which provide historical trend information about the Plan's funding. The two types of schedules include a schedule of funding progress and a schedule of employer contributions.

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

Description of the Financial Statements

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

The *Statement of Changes in Plan Net 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 plan from the city and members and net investment income, which include interest, dividends, investment expenses, and the net 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.

Description of the Financial Statements - continued

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

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

Statements of Plan Net Position

The table below shows comparative summarized statements of Plan Net Position:

	2013	2012	2011
Cash and cash equivalents	**$ 5,640,604**	$ 8,587,189	$ 11,420,963
Receivables	**1,271,032**	677,079	6,690,355
Investments	**465,501,490**	419,845,063	360,243,560
Total assets	**472,413,126**	429,109,331	378,354,878
Liabilities	**6,261,586**	6,594,919	16,367,387
Net position held in trust for pension benefits	**$ 466,151,540**	$ 422,514,412	$ 361,987,491

Statements of Changes in Plan Net Position

The table below shows comparative summarized statements of the changes in plan net position:

	2013	2012	2011
Additions:			
Contributions			
Member	**$ 7,168,858**	$ 7,425,051	$ 7,278,327
City	**21,222,051**	16,312,068	14,474,678
Total contributions	**28,390,909**	23,737,119	21,753,005
Net investment income (loss)	**54,530,616**	73,870,756	(3,484,142)
Total additions	**82,921,525**	97,607,875	18,268,863
Deductions:			
Benefits paid	**37,569,618**	35,562,763	33,699,801
Refund of contributions	**1,021,269**	811,738	722,830
Administrative expenses	**693,510**	706,453	681,906
Total deductions	**39,284,397**	37,080,954	35,104,537
Net increase (decrease)	**43,637,128**	60,526,921	(16,835,674)
Net position held in trust for pension benefits at beginning of year	**422,514,412**	361,987,491	378,823,165
Net position held in trust for pension benefits at end of year	**$ 466,151,540**	$ 422,514,412	$ 361,987,491

The Plan's investment activities, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At September 30, 2013, the domestic equity portion, excluding DROP mutual fund, comprised 53.7% ($250,644,127) of the total portfolio. The allocation to fixed income securities was 27.8% ($129,623,577), while cash and cash equivalents comprised 1.2% ($5,640,604). The allocation to international equity was $80,535,134 or 17.3% of the total portfolio.

At September 30, 2012, the domestic equity portion, excluding DROP mutual fund, comprised 52.3% ($220,807,764) of the total portfolio. The allocation to fixed income securities was 28.6% ($120,540,877), while cash and cash equivalents comprised 2.0% ($8,587,189). The allocation to international equity was $72,280,878 or 17.1% of the total portfolio.

Asset Allocation - continued

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

	2013	2012
Domestic equity	**51%**	51%
Fixed income	**31%**	31%
International equity	**18%**	18%
Cash	**0%**	0%

Contacting the Plan's Financial Management

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

Miami Beach Employees' Retirement Plan
Statements of Plan Net Position
September 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	**$ 5,640,604**	$ 8,587,189
Receivables:		
Accrued interest and dividends	**1,271,032**	677,079
Investments, at fair value:		
U.S. Government securities	**11,265,008**	18,646,364
Common Stock	**-**	47,998,190
Domestic equity fund	**250,644,127**	172,809,574
International equity fund	**80,535,134**	72,280,878
Domestic corporate bonds	**37,918,958**	29,478,743
Foreign Bonds	**5,244,053**	543,630
Municipal bonds	**238,599**	1,041,326
Domestic bond fund	**74,956,959**	70,830,814
Mutual funds - Deferred Retirement Option Plan	**4,698,652**	6,215,544
Total investments	**465,501,490**	419,845,063
Total assets	**472,413,126**	429,109,331
Liabilities		
Accounts payable and accrued expenses	**128,080**	166,258
Payable for securities purchased	**1,434,854**	213,117
Deferred Retirement Option Plan	**4,698,652**	6,215,544
Total liabilities	**6,261,586**	6,594,919
Net position held in trust for pension benefits (a schedule of funding progress is presented on page 23)	**$ 466,151,540**	$ 422,514,412

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

Miami Beach Employees' Retirement Plan

Statements of Changes in Plan Net Position

For the Years Ended September 30, 2013 and 2012

	2013	2012
Additions:		
Contributions:		
Members	**$ 7,168,858**	$ 7,425,051
City	**21,222,051**	16,312,068
Total contributions	**28,390,909**	23,737,119
Investment Income:		
Net appreciation in fair value of investments	**49,188,741**	70,024,991
Interest and Dividends	**6,315,393**	4,753,342
Total investment income	**55,504,134**	74,778,333
Less: Investment expenses	**973,518**	907,577
Net investment income	**54,530,616**	73,870,756
Total additions	**82,921,525**	97,607,875
Deductions:		
Benefits paid	**37,569,618**	35,562,763
Refunds of contributions	**1,021,269**	811,738
Administrative expenses	**693,510**	706,453
Total deductions	**39,284,397**	37,080,954
Net increase	**43,637,128**	60,526,921
Net position held in trust for benefits		
Beginning of year	**422,514,412**	361,987,491
End of year	**$ 466,151,540**	$ 422,514,412

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

Note 1 - Description of the Plan

Organization

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

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

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

Members

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

Membership

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

	2012	2011
Retirees and beneficiaries currently receiving benefits, including DROP and terminated employees entitled to benefits but not yet receiving them	**1,163**	1,143
Current employees	**1,049**	1,072

Pension Benefits

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

Note 1 - Description of the Plan - continued

Pension Benefits - continued

The First Tier is for members that entered the Plan prior to the Second Tier Dates. The Second Tier is for members that entered the Plan on or after the Second Tier Dates, but before the Third Tier Dates. The Third Tier is for members that entered the Plan on or after the Third Tier Dates. Both the Second Tier and Third Tier Dates were established when each of the unions bargained with the City to establish new guidelines for retirement benefits relating to employees associated with their Unions. The Second Tier Dates are April 30, 1993 for members of AFSCME; August 1, 1993 for those classified as Other and GSAF, and February 21, 1994 for members of CWA. The Third Tier Dates are September 30, 2010 for members of AFSCME, GSAF and for those classified as other, and October 27, 2010 for members of CWA.

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

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

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

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

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

Note 1 - Description of the Plan - continued

A Member with five or more years of creditable service may, at any time prior to retirement, elect to purchase a maximum of two years additional creditable service. Effective September 30, 2013, Members whose classification is included in the CWA bargaining unit and Members who are not included in any collective bargaining unit shall not be eligible to purchase additional creditable service.

Funding Requirements

Member Contributions:
All First Tier members who participate are required to contribute 12% of their covered salary to the Plan. All Second and Third Tier members are required to contribute 10% of their covered salary.

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

City Contributions:
The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid to the members. The City also provides indirect administrative support such as office space and utilities.

Investments

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

Deferred Retirement Option Plan (DROP)

A DROP was enacted on January 28, 2009 by Ordinance 2009-3626. Under this Plan, First and Second Tier members who have attained eligibility for Normal Retirement may continue working with the City for up to three years, while receiving a retirement benefit that is deposited into a DROP account. Third Tier members may participate in a DROP account for up to five years. Effective July 17, 2013, Members within classifications in the CWA bargaining unit who were hired prior to October 27, 2010, and Members not included in any bargaining unit who were hired prior to September 10, 2010, may elect to retire for the purposes of the Plan but continue employment with the City for up to sixty months, and have their monthly retirement benefit paid into a DROP account during the DROP period. The amount of the benefit is calculated as if the participant had retired on the date of DROP commencement. Upon termination with the City, the accumulated value of the DROP account is distributed to the participant. A member's creditable service, accrued benefit and compensation calculation shall be frozen.

Note 1 - Description of the Plan - continued

Deferred Retirement Option Plan (DROP) - continued

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

A DROP participant shall not be entitled to receive an ordinary or service disability retirement and in the event of death of a DROP participant, there shall be no accidental death benefit for pension purposes. DROP participation does not affect any other death or disability benefit provided to a member under federal law, state law, City ordinance, or any rights or benefits under any applicable collective bargaining agreement. At September 30, 2013 and 2012, there were 56 and 59, respectively, DROP participants at the end of each year.

Cost of Living Adjustment

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

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Cash Equivalents

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

Investments

Investments are recorded at fair value in the Statement of Plan 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 Trust has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

- Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporate bonds, foreign bonds, municipal bonds and bond funds. 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.

Note 2 - Summary of Significant Accounting Policies - continued

- Equity securities: These include common stock and domestic and international equity funds. Domestic securities, which include common stock and domestic equity funds, 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, 2013 and 2012. 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.

- Mutual funds: Mutual funds are held on behalf of participants in the DROP. These mutual funds are priced daily at net asset value (NAV) by the fund sponsor based generally upon the exchange traded last or official closing price of the securities held by the fund.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in plan net position along with gains and losses realized on sales of investments. Purchases and sales of securities are reflected on a trade-date basis. Interest income is recognized as earned and dividend income is recorded as of the ex-dividend date. Realized gains and losses on the sale of investments are based on average cost identification method.

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

Use of Estimates

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

Income Tax Status

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

Risks and Uncertainties

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

Note 2 - Summary of Significant Accounting Policies - continued

Recently Adopted Accounting Pronouncements

The Plan has adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB Statement No. 63). The adoption of this Statement resulted in a change in the presentation of the Statement of Plan Net Assets to what is now referred to as the Statement of Plan Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation. The reclassification did not have an impact on the net position held in trust for pension benefits.

Subsequent Events

Management has evaluated subsequent events through February 11, 2014, the date which the financial statements were available for issue.

Note 3 - Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2012, the most recent actuarial valuation date, is as follows, (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/2012	$ 421,376	$ 637,364	$ 215,988	66.1%	$ 65,054	332%

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

Note 3 - Funded Status and Funding Progress - continued

Additional information as of the latest actuarial valuation follows:

Valuation date:	October 1, 2012
Actuarial cost method:	Individual Entry-Age Actuarial Cost Method
Amortization method:	Level Dollar
Remaining Amort. Period:	30 years
Asset valuation method:	The actuarial value of assets phase in the difference between the expected actuarial value and actual market value of assets at the rate of 20% per year. The actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the market value of plan assets and whose upper limit is 120% of the market value of plan assets. During periods when investment performance exceeds the assumed rate, actuarial value of assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, actuarial value of assets will tend to be greater than market value.
Actuarial assumptions:	
Investment rate of return*	8%
Salary increases	Salary increases are in accordance with a service based table ranging from 4.5% - 7% based on merit and seniority.
COLA	2.5% per year, 1.5% for members hired after September 30, 2010
*Inflation	4%

Note 4 - Contributions

Actual Contributions

The actual City contributions for active employees for the years ended September 30, 2013 and 2012 amounted to $21,222,051 and $16,312,068, respectively, and the actual amount of non-DROP covered payroll was approximately $63,603,000 and $64,989,000, respectively. The amount of covered payroll including DROP was approximately $67,933,000 and $71,259,000, for the years ended September 30, 2013 and 2012, respectively.

City and Employee contributions consisted of the following:

	2013		
	Amount	**Percent of Actual Annual Covered Payroll**	**Percent of Actual Annual Covered Payroll[(a)]**
City contributions	**$ 21,222,051**	**33.37%**	**31.24%**
Plan members	**6,246,030**	**9.82%**	**9.19%**
Buybacks	**922,828**	**1.45%**	**1.36%**
Total	**$ 28,390,909**	**44.64%**	**41.79%**

(a) includes payroll for employees in the DROP

Note 4 – Contributions - continued

Actual Contributions - continued

2012			
	Amount	Percent of Actual Annual Covered Payroll	Percent of Actual Annual Covered Payroll[(a)]
City contributions	$ 16,312,068	25.10%	22.89%
Plan members	6,447,043	9.92%	9.05%
Buybacks	978,008	1.50%	1.37%
Total	$ 23,737,119	36.52%	33.31%

(a) includes payroll for employees in the DROP

Actuarially Determined Contributions

The contributions required from the City for the fiscal years ended September 30, 2013 and 2012, were actuarially determined using valuation dates of October 1, 2011 and 2010, respectively. The actuarially computed annual covered payroll used in the October 1, 2011, valuation was $66,346,904 and the actuarially computed annual covered payroll used in the October 1, 2010 valuation was $68,844,264.

Funding requirements for valuations prior to October 1, 2011, disclosed a specific dollar amount for the minimum required employer contribution which was based on the actuarially projected payroll. For the year ended September 30, 2012, at the request of the Division of Retirement, the Town was required to contribute an amount based on the actuarially determined percentage of actual pensionable payroll ("percentage of payroll method"). The actuarially determined percentage was 25.54% for the fiscal year ended September 30, 2012.

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 contributions) that best fits the funding requirements of the Plan. For the years ended September 30, 2013 and 2012, the Plan determined to use the "fixed dollar contribution amount".

The amounts cover the following:

2013		
	Amount	**Percent of Actuarially Computed Annual Covered Payroll**
Normal cost	**$ 8,515,306**	**12.83%**
Amortization of the unfunded frozen Actuarial accrued liability	**12,706,745**	**19.15%**
Total	**$ 21,222,051**	**31.98%**

Note 4 - Contributions - continued

Actuarially Determined Contributions - continued

	2012	
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost	$ 8,773,538	12.74%
Amortization of the unfunded frozen Actuarial accrued liability	8,809,653	12.80%
Total	$ 17,583,191	25.54%

Note 5 - Deposit and Investment Risk Disclosures

Cash and cash equivalents

Deposits are carried at cost and are included in cash and cash equivalents in the statement of plan net position. Cash and cash equivalents include demand accounts and short-term investment funds (STIF). The cash is invested through daily sweeps of excess cash by the Plan's custodial bank into the custodial short-term (money market) commingled fund or invested in certificates of deposit, commercial paper, U.S. Treasury bills and repurchase agreements. Cash and cash equivalents at September 30 consists of the following:

	2013	2012
Deposits – managed overdraft	**$ 71,266**	$ 182,191
Short-term investment	**5,569,338**	8,404,998
Total	**$ 5,640,604**	$ 8,587,189

Investment Authorization

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

Investment in all equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 60% (at market) of the Plan's total asset value with no more than 5% of an investment manager's equity portfolio invested in the shares of a single corporate issuer. Investments in stocks of foreign companies shall be limited to 25% (at cost) of the value of the portfolio.

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

Note 5 - Deposit and Investment Risk Disclosures - continued

Types of Investments

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

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

Interest Rate Risk

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

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity at September 30, 2013 and 2012.

Interest Rate Risk

		2013			
		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. treasuries	**$ 11,265,008**	**$ 8,303,361**	**$ 2,961,647**	**$ -**	**$ -**
Corporate bonds and notes	**37,918,958**	**9,910,310**	**21,914,680**	**6,093,968**	**-**
Municipal bonds	**238,599**	**140,638**	**-**	**97,961**	**-**
Bond funds	**74,956,959**	**-**	**-**	**74,956,959**	**-**
Foreign bonds	**5,244,053**	**670,988**	**3,660,450**	**912,615**	**-**
	$ 129,623,577	**$ 19,025,297**	**$ 28,536,777**	**$ 82,061,503**	**$ -**

		2012			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	$ 16,280,103	$ -	$ 10,031,015	$ 791,217	$ 5,457,871
U.S. agencies	2,366,261	683,030	400,015	367,501	915,715
Corporate bonds and notes	29,478,743	676,094	9,950,521	11,038,207	7,813,921
Municipal bonds	1,041,326	-	77,953	157,724	805,649
Bond funds	70,830,814	-	-	70,830,814	-
Foreign bonds	543,630	250,000	-	168,750	124,880
	$ 120,540,877	$ 1,609,124	$ 20,459,504	$ 83,354,213	$ 15,118,036

Note 5 - Deposit and Investment Risk Disclosures - continued

Credit Risk

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

The following table discloses credit ratings by investment type, at September 30, 2013 and 2012.

	2013		2012	
	Fair Value	**Percent of Portfolio**	Fair Value	Percent of Portfolio
U.S. Government Guaranteed *	**$ 11,265,008**	**8.69%**	$ 18,646,364	15.47%
Quality rating of credit risk debt securities:				
AAA	**8,802,355**	**6.79**	4,920,735	4.08
AA+	**2,164,681**	**1.67**	1,413,562	1.17
AA	**45,136,768**	**34.82**	744,404	0.62
AA-	**32,681,992**	**25.21**	71,642,901	59.43
A+	**1,325,728**	**1.02**	1,690,808	1.40
A	**4,680,041**	**3.61**	2,091,626	1.74
A-	**5,807,671**	**4.48**	6,638,567	5.51
BBB+	**8,120,336**	**6.27**	4,795,588	3.98
BBB	**6,610,405**	**5.10**	6,091,034	5.05
BBB-	**2,047,872**	**1.58**	1,801,373	1.50
BB+	**-**	**-**	63,915	0.05
N/R	**980,720**	**.76**	-	-
Total credit risk debt securities	**118,358,569**	**91.31**	101,894,513	84.53
Total fixed income securities	**$ 129,623,577**	**100.00%**	$ 120,540,877	100.00%

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

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of plan net position at September 30, 2013 and 2012.

Note 5 - Deposit and Investment Risk Disclosures - continued

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Plan's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in the Plan's name. The Plan is only exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance.

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

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

Required Supplementary Information

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/07	$ 412,824	$ 478,067	$ 65,243	86.4%	$ 59,632	109.4%
10/1/08	425,715	526,482	100,767	80.9	68,010	148.2
10/1/09	420,520	545,537	125,017	77.1	70,098	178.3
10/1/10	431,479	580,246	148,767	74.4	68,844	216.1
10/1/11	425,781	602,577	176,796	70.7	66,347	266.5
10/1/12	421,376	637,364	215,988	66.1	65,054	332.0

Schedule "2" - Schedule of Contributions by Employer

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2008	$ 13,911,545	100%
2009	12,863,823	100
2010	17,137,394	100
2011	14,474,678	100
2012	17,583,191	100
2013	21,222,051	100

Other Supplementary Schedules

Miami Beach Employees' Retirement Plan

Other Supplementary Schedules of Investment Expenses and Administrative Expenses

For the Years Ended September 30, 2013 and 2012

		2013		2012
Schedule "1"				
Schedule of Investment Expenses				
Financial management expenses:				
WHV Investments	**$**	**343,730**	$	322,428
WHV - Emerging Markets		**102,934**		30,302
Wellington Management Co.		**222,979**		198,952
ICC Capital Management, Inc.		**-**		166,541
Pimco		**96,245**		-
Rhumbline Advisers		**80,104**		79,303
Total financial management expenses		**845,992**		797,526
Investment consultant fees:				
Milliman USA, Inc.		**77,400**		60,400
Investment custodial fees:				
Fiduciary Trust International		**50,126**		49,651
Total investment expenses	**$**	**973,518**	$	907,577
Schedule "2"				
Schedule of Administrative Expenses				
Personnel services:				
Salaries and payroll taxes	**$**	**381,460**	$	407,013
Total personnel services		**381,460**		407,013
Professional services:				
Legal		**61,350**		60,000
Actuarial		**40,962**		34,266
Audit		**26,000**		25,000
Bookkeeping		**4,200**		4,200
Total professional services		**132,512**		123,466
Other				
Bank charges		**3,339**		9,789
Computer consultant		**1,596**		1,593
Education, dues and subscriptions		**46,119**		33,016
Insurance		**57,617**		56,297
Medical		**4,379**		3,452
I.T. dept. computer and phone charges		**31,680**		30,856
Storage fees		**681**		2,107
Office supplies		**1,797**		2,226
Copier lease and copy fees		**1,816**		2,539
Property management fees		**14,126**		14,334
Printing and postage		**14,840**		18,555
Verification services		**710**		613
Miscellaneous board of directors' expenses		**838**		597
Total other		**179,538**		175,974
Total administrative expenses	**$**	**693,510**	$	706,453

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