

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

**Financial Statements
Years Ended September 30, 2015 and 2014**



City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
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Independent Auditors' Report

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

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, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Independent Auditors' Report (continued)

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the schedules included under 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.

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplemental 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.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
January 21, 2016



*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, 2015 and 2014

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, 2015 and 2014. 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, 2015 and 2014 by \$750,617,498 and \$769,298,572, respectively (reported as net position restricted for pensions). The Plan's net position is held in trust to meet future benefit payments. The decrease of \$18,681,074 and increase of \$58,968,750 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, 2015 increased by \$90,911 (or a 3.8% increase) due primarily to an increase in the receivable for securities sold.

Receivables at September 30, 2014 decreased by \$1,000,732 (or a 29.6% decrease) due primarily to the decrease in employee buybacks.

- Liabilities at September 30, 2015 decreased by \$61,936 (or a 12.5% decrease) due primarily to a decrease in payable for securities purchased.

Liabilities at September 30, 2014 increased by \$106,927 (or a 27.5% increase) due primarily to an increase in payable for securities purchased.

- For the fiscal year ending September 30, 2015, City contributions to the Plan decreased by \$2,810,938 (or a 7.8% decrease) based on the actuarial valuation. Actual employer contributions were \$33,028,839 and \$35,839,777 for 2015 and 2014, respectively. Contributions from the Share plan in the amounts of \$120,549 and \$120,549 were received in the fiscal years ending 2015 and 2014, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

For the fiscal year ending September 30, 2014, City contributions to the Plan decreased by \$3,531,724 (or a 9.0% decrease) based on the actuarial valuation. Actual employer contributions were \$35,839,777 and \$39,371,501 for 2014 and 2013, respectively. Contributions from the Share plan in the amounts of \$120,549 and \$120,549 were received in the fiscal years ending 2014 and 2013, 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)
September 30, 2015 and 2014**

Financial Highlights - continued

- For the fiscal year ending September 30, 2015, employee contributions including buybacks, increased by \$685,440 (or a 13.0% increase). Actual employee contributions, including buybacks, were \$5,944,414 and \$5,258,974 for 2015 and 2014, respectively. Employee contributions have fluctuated from year to year based on the number of active members and an increase in buybacks.

For the fiscal year ending September 30, 2014, employee contributions including buybacks, decreased by \$4,458,362 (or a 45.9% decrease). Actual employee contributions, including buybacks, were \$5,258,974 and \$9,717,336 for 2014 and 2013, respectively. Employee contributions have fluctuated from year to year based on the number of active members and a decrease in buybacks.

- For the fiscal year ending September 30, 2015, net investment income decreased by \$66,570,341. Actual results were \$8,170,202 and \$59,715,467 in net depreciation and net appreciation in fair value of investments for 2015 and 2014, respectively, and \$17,319,653 and \$15,844,449, of income from interest and dividends for 2015 and 2014, respectively. Investment expenses increased by \$159,876 (or 4.8%).

For the fiscal year ending September 30, 2014, net investment income decreased by \$9,954,469. Actual results were \$59,715,467 and \$68,981,253 in net appreciation in fair value of investments for 2014 and 2013, respectively, and \$15,844,449 and \$16,143,057, of income from interest and dividends for 2014 and 2013, respectively. Investment expenses increased by \$390,075 (or 13.4%).

- For the fiscal year ending September 30, 2015, benefit payments and refunds of contributions increased by \$9,081,622 (or 16.8%).

For the fiscal year ending September 30, 2014, benefit payments and refunds of contributions increased by \$1,500,489 (or 3.3%).

- For the fiscal year ended September 30, 2015, administrative expenses decreased by \$127,637 (or 14.1%) due primarily to a decrease in salaries and payroll taxes.

For the fiscal year ended September 30, 2014, administrative expenses increased by \$99,211 (or 12.3%) due primarily to an increase in fringe benefits.

Plan Highlights

For the fiscal year ending September 30, 2015, the time-weighted return of the portfolio was 0.45% for the trailing year and ranked in the 7th percentile. Actual net returns from investments were net income in 2015 of \$5,689,333 compared with net income of \$72,259,674 in 2014.

For the fiscal year ending September 30, 2014, the time-weighted return of the portfolio was 9.98% for the trailing year and ranked in the 12th percentile. Actual net returns from investments were net income in 2014 of \$72,259,674 compared with net income of \$82,214,143 in 2013.

**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, 2015 and 2014**

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.

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 Supplemental 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.

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Condensed Statements of Fiduciary Net Position

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

	2015	2014	2013
Investments	\$ 748,561,343	\$ 766,758,713	\$ 707,321,650
Receivables	2,466,596	2,375,685	3,376,417
Cash	22,795	659,346	20,000
Total assets	751,050,734	769,793,744	710,718,067
Liabilities	433,236	495,172	388,245
Net position restricted for pensions	\$ 750,617,498	\$ 769,298,572	\$ 710,329,822

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:

	2015	2014	2013
Additions:			
Contributions			
City	\$ 33,028,839	\$ 35,839,777	\$ 39,371,501
Employees	5,944,414	5,258,974	9,717,336
Share plan	120,549	120,549	120,549
Total	39,093,802	41,219,300	49,209,386
Net investment income	5,689,333	72,259,674	82,214,143
Total additions	44,783,135	113,478,974	131,423,529
Deductions:			
Benefits paid	62,600,040	53,605,094	51,917,400
Participants' contributions refunded	86,676	-	187,205
Administrative expenses	777,493	905,130	805,919
Total deductions	63,464,209	54,510,224	52,910,524
Net (decrease) increase	(18,681,074)	58,968,750	78,513,005
Net position restricted for pensions at beginning of year	769,298,572	710,329,822	631,816,817
Net position restricted for pensions at end of year	\$ 750,617,498	\$ 769,298,572	\$ 710,329,822

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.

**City Pension Fund for Firefighters and Police Officers
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 Management's Discussion and Analysis
 (Required Supplementary Information - Unaudited)
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Asset Allocation

At the end of the fiscal year ended September 30, 2015, the domestic equity portion comprised 50.6% (\$373,081,692) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 38.7% (\$285,139,090), while cash and short-term investments comprised 1.7% (\$12,844,341). The portion of investments allocated to international equity was \$25,794,216 or 3.5% and to real estate was \$40,287,637 or 5.5% of the total portfolio, net of DROP mutual funds.

At the end of the fiscal year ended September 30, 2014, the domestic equity portion comprised 51.1% (\$384,146,024) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 36.3% (\$273,364,748), while cash and short-term investments comprised 3.1% (\$23,462,912). The portion of investments allocated to international equity was \$34,416,123 or 4.6% and to real estate was \$36,892,451 or 4.9% of the total portfolio, net of DROP mutual funds.

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

	2015	2014
Domestic equity	50%	50%
Fixed income	35%	35%
International equity	5%	5%
Real estate equity	5%	5%
Cash/short-term investments	5%	5%

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.

City Pension Fund for Firefighters and Police Officers
In The City of Miami Beach
Statements of Fiduciary Net Position
September 30, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 22,795	\$ 659,346
Receivables:		
Receivable for securities sold	99,050	40,955
Accrued interest and dividends	2,367,546	2,334,730
Total receivables	2,466,596	2,375,685
Investments, at fair value:		
Short-term investments	12,821,546	22,803,566
U.S. government securities	30,501,825	20,122,576
Common stocks	307,219,899	320,417,690
Domestic equity fund	65,861,793	63,728,334
International equity fund	25,794,216	34,416,123
Domestic corporate bonds	208,341,514	201,231,499
International fixed income	46,295,751	52,010,673
Real estate fund	40,287,637	36,892,451
Mutual funds self-directed DROP participants	11,437,162	15,135,801
Total investments	748,561,343	766,758,713
Total assets	751,050,734	769,793,744
Liabilities		
Accounts payable	395,095	414,791
Payable for securities purchased	38,141	80,381
Total liabilities	433,236	495,172
Net position restricted for pensions	\$ 750,617,498	\$ 769,298,572

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
For the Years Ended September 30, 2015 and 2014**

	2015	2014
Additions		
Contributions:		
City	\$ 33,028,839	\$ 35,839,777
Share plan	120,549	120,549
Total employer	33,149,388	35,960,326
Employees:		
Contributions	5,668,857	5,076,394
Buybacks	275,557	182,580
Total employees	5,944,414	5,258,974
Total contributions	39,093,802	41,219,300
Investment income:		
Net (depreciation) appreciation in fair value of investments	(8,170,202)	59,715,467
Interest and dividends	17,319,653	15,844,449
Total investment income	9,149,451	75,559,916
Less: investment expenses	3,460,118	3,300,242
Net investment income	5,689,333	72,259,674
Total additions	44,783,135	113,478,974
Deductions		
Benefits paid	62,600,040	53,605,094
Participants' contributions refunded	86,676	-
Administrative expenses	777,493	905,130
Total deductions	63,464,209	54,510,224
Net (decrease) increase	(18,681,074)	58,968,750
Net position restricted for pensions		
Beginning of period	769,298,572	710,329,822
End of period	\$ 750,617,498	\$ 769,298,572

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
September 30, 2015 and 2014**

Note 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 October 14, 2015. 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 comprises 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 police officers and firefighters employed by of the City of Miami Beach, Florida. Members are further divided in the following three 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.

At October 1, the Plan membership consisted of:

	2014	2013
Active Members	487	458
Deferred Vested Members	16	15
	503	473
Retired Members:		
a. Service	543*	540*
b. Disabled	57	58
c. Beneficiaries	107	98
	707	696
Total	1,210	1,169

*Including members in the DROP

Contributions

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

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan - continued

Service retirement benefits

Tier One members

Members who met eligibility to retire prior to 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 on or 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 prior to 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 on or 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 prior to September 30, 2013, the average monthly salary of the employee is computed based on the average of the two highest paid years or the average of the last two paid years prior to retirement, whichever produces the greater benefit after consideration of the below overtime limitations.

For members eligible to retire after September 30, 2013, the average monthly salary of the employee is computed based on the average of the three highest paid years or the average of the last three paid years prior to retirement, whichever produces the greater benefit after consideration of the below overtime limitations.

Overtime limitations:

- a. For firefighter members, the inclusion of overtime and/or off duty 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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan - continued

Service retirement benefits

Tier One members – continued

Overtime limitations:

- b. For police members, the inclusion of overtime and/or off duty 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. 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 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.
- c. In no case can overtime exceed 300 hours for each year.

Tier Two members

Any member may retire on a service retirement pension upon the attainment of age 50 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 employee is computed based on the average of the three highest paid years or the average of the last three paid years prior to retirement, whichever produces the greater benefit after consideration of the below overtime limitations.

Overtime limitations:

- a. For firefighter members, the inclusion of overtime and/or off duty 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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan - continued

Service retirement benefits

Tier Two members – continued

Overtime limitations:

- b. For police members, the inclusion of overtime and/or off duty 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. 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 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.
- c. In no case can the overtime limit exceed 300 hours for each year.

Tier Three members

Any member may retire on a service retirement pension upon the attainment of age 50 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 employee is computed based on the average of the five highest paid years or the average of the last five paid years prior to retirement, whichever produces the greater benefit after consideration of the below overtime limitations.

Overtime limitations:

- a. For firefighter members, the inclusion of overtime and/or off duty 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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan - continued

Service retirement benefits

Tier Three members – continued

Overtime limitations:

- b. For police members, the inclusion of overtime and/or off duty 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. 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 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.
- 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.

Death benefits

The Plan also provides benefits for beneficiaries of members for service connected and non-service connected death.

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 1st 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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan – continued

Cost of living adjustment – continued

Tier Two and Tier Three 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 contributions with 3% interest per annum are returned to them. The Plan also provides a special provision for vested benefits for members who terminate after 5 years of service.

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 enter the DROP on or after September 1, 2012 shall be eligible to participate for a period not to exceed 60 months. All members shall receive a 2.5% COLA increase in benefits annually on the anniversary date of the member's retirement. The exception is members who entered the DROP on or after September 1, 2012 and before September 30, 2013 shall receive a 0% COLA adjustment for the 3rd and 4th annual adjustment dates, regardless of whether the member remains in the DROP for the maximum 60 month period.

Tier Two and Tier Three members

An active member may enter into the DROP on the first day of any month after meeting eligibility to retire. Upon becoming eligible to participate in the DROP, a member may elect to enter that program for a period not to exceed 60 months. All members shall receive a 1.5% COLA increase in benefits annually on the anniversary date of the member's retirement.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan - continued

Deferred retirement option plan - continued

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

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 15,135,801	\$ 11,807,256
Additions	6,112,563	7,705,655
Distributions	(10,213,631)	(5,079,670)
Interest	402,429	702,560
Ending balance	<u>\$ 11,437,162</u>	<u>\$ 15,135,801</u>

Other benefits

Effective November 4, 2003, 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.

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).

**City Pension Fund for Firefighters and Police Officers
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Notes to Financial Statements
September 30, 2015 and 2014**

Note 1 – Description of the Plan - continued

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.

Note 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. The overall valuation processes and information sources by major investment classification are as follows:

- Short-term investments 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.
- 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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
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Note 2 - Summary of Significant Accounting Policies – continued

Investments – continued

- **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, 2015 and 2014. 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.
- **Real estate:** Real estate funds are valued using their respective net asset value (“NAV”) as of September 30, 2015 and 2014. 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.

Unrealized gains and losses are presented as net (depreciation) appreciation 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.

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.

City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies - continued

Subsequent Events

Management has evaluated subsequent events through January 21, 2016, the date which the financial statements were available for issue.

Note 3 - Contributions

Actual contributions

The actual contributions from the City and the Share Plan for active employees for the fiscal years ended September 30, 2015 and 2014, amounted to \$33,149,388 and \$35,960,326, respectively, and the actual amount of covered payroll (excluding DROP members) was approximately \$56,420,000 and \$50,750,000, respectively. The contributions consisted of the following for the fiscal years ended September 30:

	2015		2014	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 33,028,839	58.5%	\$ 35,839,777	70.6%
Share Plan	120,549	0.2	120,549	0.2
Total contributions from employer and other contributing entities	\$ 33,149,388	58.7%	\$ 35,960,326	70.8%

	2015		2014	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
Employee contributions	\$ 5,668,857	10.0%	\$ 5,076,394	10.0%
Employee buybacks/transfers	275,557	0.5	182,580	0.4
Total contributions from employees	\$ 5,944,414	10.5%	\$ 5,258,974	10.4%

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, 2015 and 2014, the Plan selected to use the fixed dollar contribution amount.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 3 – Contributions - continued

Actuarially determined contributions - continued

The contributions required from the City, and the Share Plan for the fiscal years ended September 30, 2015 and 2014, were actuarially determined by the October 1, 2013 and 2012 valuations to be \$33,149,388 and \$35,960,326, respectively. The updated amount of actuarially computed annual covered payroll (excluding DROP members) used in October 1, 2013 and 2012 valuations was \$47,164,032 and \$46,313,650, respectively.

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

	2015		2014	
	Amount	Percent of Actuarially Computed Covered Payroll	Amount	Percent of Actuarially Computed Covered Payroll
Normal cost	\$ 16,815,075	35.7%	\$ 24,890,611	53.7%
Amortization of Unfunded liability and other costs	16,334,313	34.6	11,069,715	23.9
Total required from City and Share Plan	\$ 33,149,388	70.3%	\$ 35,960,326	77.6%

Note 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
September 30, 2015 and 2014**

Note 4 - Deposits and Investment Risk Disclosures – continued

Types of Investments – continued

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.
4. Bonds issued by the State of Israel.

City Pension Fund for Firefighters and Police Officers
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Note 4 - Deposits and Investment Risk Disclosures - continued

Types of Investments - continued

Fixed Income – continued

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.

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.

**City Pension Fund for Firefighters and Police Officers
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Notes to Financial Statements
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Note 4 - Deposits and Investment Risk Disclosures - continued

Types of Investments - continued

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, 2015 and 2014 are as follows:

Authorized investments	Target % of portfolio	2015	Target % of portfolio	2014
Domestic equity	50%	51%	50%	51%
Fixed income	35%	39%	35%	36%
International equity	5%	3%	5%	5%
Real estate equity	5%	5%	5%	5%
Cash/short-term investments	5%	2%	5%	3%

Rate of Return

For the years ended September 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was 0.70% and 9.98%, 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 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:

Investment Type	2015 Investment Maturities (in years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 30,501,825	\$ -	\$ 3,267,393	\$ 9,189,765	\$ 18,044,667
Domestic corporate bonds	208,341,514	6,064,052	95,954,820	100,241,669	6,080,973
International corporate bonds	14,847,400	-	6,037,146	8,810,254	-
Private placement	31,448,351	932,861	6,506,264	19,335,712	4,673,514
Total fixed income					
Securities	\$ 285,139,090	\$ 6,996,913	\$ 111,765,623	\$ 137,577,400	\$ 28,799,154

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
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Note 4 - Deposits and Investment Risk Disclosures - continued

Interest Rate Risk – continued

Investment Type	Fair Value	2014 Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 10,350,535	\$ 2,505,664	\$ 2,524,569	\$ 5,320,302	\$ -
U.S. agencies	9,772,041	-	9,772,041	-	-
Domestic corporate bonds	201,231,499	10,112,190	85,327,264	105,792,045	-
International corporate bonds	17,823,650	3,039,753	-	14,783,897	-
Private placement	34,187,023	602,876	8,019,605	15,364,003	10,200,539
Total fixed income Securities	\$ 273,364,748	\$ 16,260,483	\$ 105,643,479	\$ 141,260,247	\$ 10,200,539

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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 4 - Deposits and Investment Risk Disclosures - continued

Credit Risk - continued

The following table discloses credit ratings by investment type, at September 30, as applicable:

	2015		2014	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government Guaranteed*	\$ 30,501,825	10.70%	\$ 20,122,576	7.36%
Quality rating of credit risk debt securities:				
AAA	10,149,088	3.56	8,768,843	3.21
AA+	14,449,062	5.07	12,918,367	4.73
AA	15,058,967	5.28	11,210,475	4.10
AA-	21,475,606	7.53	25,203,432	9.22
A+	20,752,837	7.28	32,295,224	11.81
A	62,173,174	21.80	67,611,046	24.73
A-	57,682,976	20.23	53,727,816	19.65
BBB+	37,514,615	13.16	21,552,463	7.88
BBB	10,441,059	3.66	14,181,564	5.19
BBB-	2,624,907	0.92	4,245,283	1.55
BB+	98,245	0.03	88,705	0.03
BB	121,320	0.04	231,017	0.09
BB-	382,821	0.13	146,343	0.05
B+	81,888	0.03	238,856	0.09
B	369,811	0.13	449,960	0.17
B-	328,026	0.12	372,778	0.14
Not rated	932,863	0.33	-	-
Total credit risk debt securities	254,637,265	89.30	253,242,172	92.64
Total fixed income securities	\$ 285,139,090	100.00%	\$ 273,364,748	100.00%

*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, 2015 and 2014.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 4 - Deposits and Investment Risk Disclosures – continued

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities 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.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates 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	2015	2014
	Holdings Valued in U.S. Dollars Private Placement	Holdings Valued in U.S. Dollars Private Placement
Australian Dollar	\$ 13,236	\$ 5,089,719
Brazilian Real	(56,019)	1,727,823
British Pound Sterling	3,878,090	2,729,379
Canadian Dollar	16,479	(73,573)
Euro	13,930,887	10,680,017
Hungarian Forint	-	9,693
Japanese Yen	11,094,319	(117,506)
Mexican Peso	211,029	1,662,751
Norwegian Krone	-	1,407,153
South African Rand	(4,982)	1,004,053
Swedish Krona	-	2,487,770
Other	1,838,447	6,035,073
Total	\$ 30,921,486	\$ 32,642,352

Note 5 - Commitments

The Plan is obligated under a rental operating lease for office space, which expires on August 31, 2016. The base rent for the first twelve months of the lease was \$7,355 per month, net of electricity. The lease contains a provision for future rent increases annually by an amount equal to 4% of the prior year's base rent. During the years ended September 30, 2015 and 2014, rent expense under the lease agreement amounted to \$132,789 and \$128,584, respectively. The minimum rental payments under this lease, excluding applicable sales taxes and net of electricity, are \$115,149 for the year ending September 30, 2016.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 6 – Net Pension Liability of the City

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

	2015	2014
Total pension liability	\$ 1,041,447,645	\$ 991,506,019
Plan's fiduciary net position	(750,617,498)	(769,298,52)
City net pension liability	\$ 290,830,147	\$ 222,207,447

Plan's fiduciary net position as a percentage of total pension liability	72.07%	77.59%
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Actuarial Assumptions

The total pension liability was determined using an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.0%
Salary increases	2.87% – 9.87%
Cost-of-living increases	1.5%, 2.0%, or 2.5%
Investment rate of return	7.95% compounded annually, net of pension plan investment expense, including inflation.

Healthy mortality rates are calculated with the RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with Blue Collar Adjustment and projected 15 years from the valuation date for pre-retirement mortality and 7 years from valuation date for post-retirement mortality. Disabled mortality rates are calculated with the RP-2000 Disabled Mortality Table, separate rates for males and females, and without projection for future mortality improvement.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2003 – September 30, 2009.

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*.

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.

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Notes to Financial Statements
September 30, 2015 and 2014**

Note 6 – Net Pension Liability of the City - continued

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return*	
	2015	2014
Cash Equivalents	0.00%	2.10%
Inter-term government bond	2.85%	4.40%
Corporate bonds	2.85%	6.00%
Large value stocks	7.88%	10.50%
Large growth stocks	7.88%	10.25%
Small value stocks	8.50%	11.00%
Small growth stocks	8.50%	11.45%
Mid cap stocks	8.25%	10.75%
Real estate	6.00%	8.75%
International stocks	8.00%	10.75%
Emerging equities	8.00%	12.50%
Convert. bond	1.80%	8.66%
Mortgage bonds	2.85%	4.75%
REITs	6.00%	8.54%
International bonds	6.20%	8.74%

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2015 and 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.95% and 8.0% for 2015 and 2014, 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 7.95% and 8.0% for 2015 and 2014, 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:

	Employer Net Pension Liability - 2015		
	1% Decrease (6.95%)	Current Discount Rate (7.95%)	1% Increase (8.95%)
September 30, 2015	\$ 420,682,847	\$ 290,830,147	\$ 183,867,275

**City Pension Fund for Firefighters and Police Officers
 In the City of Miami Beach
 Notes to Financial Statements
 September 30, 2015 and 2014**

Note 6 – Net Pension Liability of the City - continued

	Employer Net Pension Liability - 2014		
	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
September 30, 2014	\$ 345,519,095	\$ 222,207,447	\$ 120,722,501

Note 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

**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 Two Fiscal Years**

	2015	2014
Total pension liability		
Service cost	\$ 16,098,560	\$ 14,763,595
Interest	78,415,039	75,108,912
Changes of benefit terms		
Differences between expected and actual experience	12,428,547	7,685,043
Changes of assumptions	5,686,196	-
Benefit payments, including refunds of member contributions	(62,686,716)	(53,605,094)
Net change in total pension liability	49,941,626	43,952,456
Total pension liability- beginning	991,506,019	947,553,563
Total pension liability- ending	1,041,447,645	991,506,019
Plan fiduciary net position		
Contributions - City and State	33,149,388	35,960,326
Contributions - employees	5,944,414	5,258,974
Net investment income	5,689,333	72,259,674
Benefit payments, including refunds of member contributions	(62,686,716)	(53,605,094)
Administrative expenses	(777,493)	(905,130)
Net change in plan fiduciary net position	(18,681,074)	58,968,750
Plan fiduciary net position – beginning	769,298,572	710,329,822
Plan fiduciary net position - ending	\$ 750,617,498	\$ 769,298,572
City's net pension liability	\$ 290,830,147	\$ 222,207,447

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

**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 Two Fiscal Years**

	2015	2014
Total pension liability	\$ 1,041,447,645	\$ 991,506,019
Plan fiduciary net position	750,617,498	769,298,572
City's net pension liability	\$ 290,830,147	\$ 222,207,447
Plan fiduciary net position as a percentage of the total pension liability	72.07%	77.59%
Covered – employee payroll including DROP	\$ 64,530,740	\$ 57,545,593
City's net pension liability as a percentage of covered – employee payroll	450.68%	386.14%

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

**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**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 33,149,388	\$ 35,960,326	\$ 39,492,050	\$ 36,297,459	\$ 32,811,570
<u>Contributions in relation to the actuarially determined contribution</u>	<u>33,149,388</u>	<u>35,960,326</u>	<u>39,492,050</u>	<u>36,297,459</u>	<u>32,811,570</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll *	\$ 64,530,740	\$ 57,545,593	\$ 46,313,650	\$ 49,186,724	\$ 49,718,966
Contributions as a percentage of covered-employee payroll	51.37%	62.49%	85.27%	73.80%	65.99%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 23,403,818	\$ 20,159,995	\$ 17,618,045	\$ 15,231,417	\$ 14,601,836
<u>Contributions in relation to the actuarially determined contribution</u>	<u>23,403,818</u>	<u>20,159,995</u>	<u>17,618,045</u>	<u>15,231,417</u>	<u>14,601,836</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll *	\$ 51,636,070	\$ 53,153,934	\$ 40,060,096	\$ 36,592,193	\$ 32,354,015
Contributions as a percentage of covered-employee payroll	45.32%	37.93%	43.98%	41.62%	45.13%

* Includes DROP members

**City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Required Supplementary Information
Schedule of Investment Returns (Unaudited)
For the Years Ended September 30, 2015 and 2014**

	2015	2014
Annual money-weighted rate of return, net of investment expense	0.70%	9.98%

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

**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**

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	2.30%
Salary increases	2.87% - 9.87%
Investment rate of return	7.95%
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, the RP 2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with Blue Collar Adjustment projected 15 years from valuation date for pre-retirement mortality and 7 years from valuation date for post-retirement mortality with Scale AA were used.

Disabled: For disabled participants, the RP 2000 Disabled Mortality Tables, separate rates for males and females, without projection for future mortality improvement were used.

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	0.0007	45	0.0058
25	0.0011	50	0.0099
30	0.0016	55	0.0142
35	0.0022	60	0.0200
40	0.0032	64	0.0269

55% of disabilities are assumed to be ordinary, 45% are assumed to be accidental.

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	0.50%	35	1.50%
25	1.00%	40	0.75%
30	1.25%	45	0.25%

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.

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

Benefit Changes

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). 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% 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 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 or last three years prior to retirement, and the cost of living adjustment was updated to 1.5% annually. 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 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, while 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. 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.

Assumption Changes

In 2014, investment return was decreased from 8.00% to 7.95% - this does not affect the contribution until the fiscal year ending September 30, 2016. Payroll increase assumption was changed to not be greater than historical 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 3.0% respectively, contingency compensation load for overtime and other pays were 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 3.38% 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. In 2005, the "fresh start" method was applied, retirement rates were increased to reflect actual retirement experience, and loadings for contingencies and pre-employment service was updated to 7.0% and 5.5% respectively.

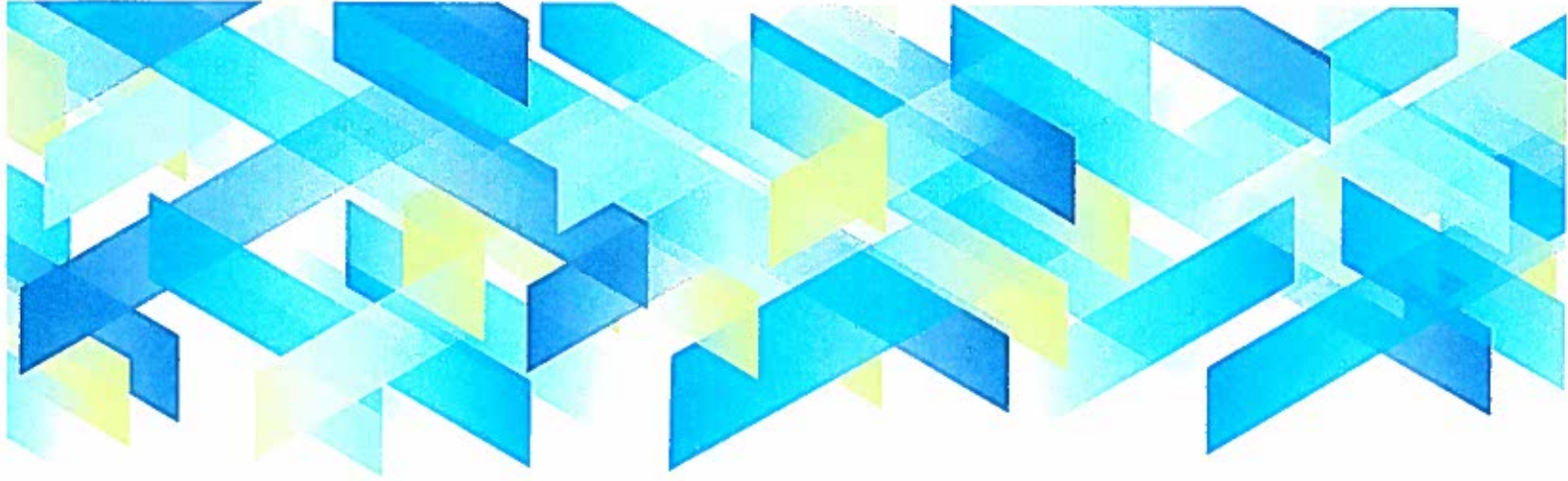
Other Supplemental Schedules

**City Pension Fund for Firefighters and Police Officers
In The City of Miami Beach**

**Other Supplemental Schedules of Investment Expenses and Administrative Expenses
For the Years Ended September 30, 2015 and 2014**

	2015	2014
Schedule "1"		
Schedule of Investment Expenses		
Financial management expenses:		
JP Morgan Investment Management, Inc.	\$ 389,397	\$ 279,778
RBC Global Asset Management (U.S.) Inc.	176,661	164,959
Logan Capital Management, Inc.	265,598	235,545
Wentworth, Hauser and Violich	254,207	309,264
Wellington Trust Company, NA	424,389	406,328
Inverness Counsel	1,593,702	1,545,938
RhumbLine Advisers	57,384	56,737
Wells Capital Management	116,058	123,049
Total financial management expenses	3,277,396	3,121,598
Investment consultant fees:		
Thistle Asset Consulting	69,768	67,420
Investment custodial fees:		
Fiduciary Trust Company	112,954	111,224
Total investment expenses	\$ 3,460,118	\$ 3,300,242

Schedule "2"		
Schedule of Administrative Expenses		
Personnel services		
Salaries and payroll taxes	\$ 249,175	\$ 310,008
Fringe benefits	27,917	71,928
Total personnel services	277,092	381,936
Professional services		
Legal	84,800	74,456
Actuarial	28,351	44,093
Audit	21,368	25,000
Bookkeeping	2,244	2,398
Total professional services	136,763	145,947
Other		
Rent	132,789	128,584
Insurance	79,855	85,079
Office expense	33,682	42,874
I.T. dept. computer and phone charges	40,560	43,889
Computer consultant	9,130	13,073
Education, dues & subscriptions	50,613	40,493
Medical fees	6,647	12,897
Equipment rental	5,282	4,514
Utilities	5,080	5,844
Total other	363,638	377,247
Total administrative expenses	\$ 777,493	\$ 905,130



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