



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

**FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

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

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

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Tel: 305-381-8000
Fax: 305-374-1135
www.bdo.com

100 SE 2nd Street
Miami Tower - 17th Floor
Miami, FL 33131

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2018 and 2017, and the related statement of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach as of September 30, 2018 and 2017, and the related changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that "Management's Discussion and Analysis" and the "Required Supplementary Information" listed on the Table of Contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the 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 financial statements. This information has been subjected to the auditing procedures applied in the audits of the 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 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 financial statements as a whole.

Miami, Florida
March 21, 2019

BDO USA, LLP

Certified Public Accountants

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



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



Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2018 and 2017

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, 2018 and 2017. 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, 2018 and 2017 by \$924,502,976 and \$874,437,400, respectively (reported as net position restricted for pensions). The Plan's net position is held in trust to meet future benefit payments. The increase of \$50,065,576 and \$68,013,268 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, 2018 increased by \$54,058 (or 2.1% increase) due primarily to an increase in the receivable for securities sold.

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

- Liabilities at September 30, 2018 increased by \$31,764 (or a 9.3% increase) due primarily to an increase in the payable for investment fees.

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

- For the fiscal year ended September 30, 2018, City contributions to the Plan increased by \$2,272,071 (or a 6.4% increase) based on the actuarial valuation. Actual employer contributions were \$37,519,388 and \$35,247,317 for 2018 and 2017, respectively. Contributions from the Share plan in the amounts of \$120,549 were received in the fiscal years ended 2018 and 2017. 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)

For the fiscal year ended September 30, 2017, City contributions to the Plan increased by \$397,225 (or a 1.1% increase) based on the actuarial valuation. Actual employer contributions were \$35,247,317 and \$34,850,092 for 2017 and 2016, respectively. Contributions from the Share plan in the amounts of \$120,549 were received in the fiscal years ending 2017 and 2016, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

- For the fiscal year ended September 30, 2018, employee contributions including buybacks, increased by \$395,471 (or a 6.4% increase). Actual employee contributions, including buybacks, were \$6,593,715 and \$6,198,244 for 2018 and 2017, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

For the fiscal year ended September 30, 2017, employee contributions including buybacks, increased by \$213,847 (or a 3.6% increase). Actual employee contributions, including buybacks, were \$6,198,244 and \$5,984,397 for 2017 and 2016, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

- For the fiscal year ended September 30, 2018, net investment income decreased by \$3,696,323. Actual results were \$72,432,733 and \$73,657,973 in net appreciation in fair value of investments for 2018 and 2017, respectively, and \$13,066,970 and \$15,385,449, of income from interest and dividends for 2018 and 2017, respectively. Investment expenses increased by \$152,604 (or 4.7%).

For the fiscal year ended September 30, 2017, net investment income increased by \$15,251,874. Actual results were \$73,657,973 and \$56,626,732 in net appreciation in fair value of investments for 2017 and 2016, respectively, and \$15,385,449 and \$17,156,573, of income from interest and dividends for 2017 and 2016, respectively. Investment expenses increased by \$8,243 (or 0.3%).

- For the fiscal year ended September 30, 2018, benefit payments and refunds of contributions increased by \$16,885,884 (or 28.8%). The increase is related to distributions from the Deferred Retirement Option Plan ("DROP") for participants that retired.

For the fiscal year ended September 30, 2017, benefit payments and refunds of contributions increased by \$3,713,277 (or 6.8%). The increase is related to an increase in beneficiaries receiving benefits as compared to prior year.

- For the fiscal year ended September 30, 2018, administrative expenses increased by \$33,027 (or 4.3%) primarily due to the net effect of an increase in rent expense, education, dues and subscriptions and office expenses offset by a decrease in professional services.

For the fiscal year ended September 30, 2017, administrative expenses decreased by \$56,965 (or 6.9%) primarily due to the net effect of a decrease in professional services, rent expenses and insurance expense and an increase in salaries and payroll taxes.

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

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

Plan Highlights

For the fiscal year ended September 30, 2018, the time-weighted return of the portfolio was 9.40% for the trailing year and ranked in the 18th percentile. Actual net returns from investments were net income in 2018 of \$82,094,851 compared with net income of \$85,791,174 in 2017.

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

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 accounting principles generally accepted 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 includes interest, dividends, investment expenses, and the net (depreciation) appreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

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

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

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

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

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

Condensed Statements of Fiduciary Net Position

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

	2018	2017	2016
Investments	\$ 922,277,232	\$ 872,242,536	\$ 803,591,005
Receivables	2,570,422	2,516,364	4,472,550
Cash	30,125	21,539	20,951
Total assets	924,887,779	874,780,439	808,084,506
Liabilities	374,803	343,039	1,660,374
Net position restricted for pensions	\$ 924,502,976	\$ 874,437,400	\$ 806,424,132

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

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

Condensed Statements of Changes in Fiduciary Net Position

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

	2018	2017	2016
Additions:			
Contributions			
City	\$ 37,519,388	\$ 35,247,317	\$ 34,850,092
Employees	6,593,715	6,198,244	5,984,397
Share plan	120,549	120,549	120,549
Total contributions	44,233,652	41,566,110	40,955,038
Net investment income	82,094,851	85,791,174	70,539,300
Total additions	126,328,503	127,357,284	111,494,338
Deductions:			
Benefits paid	75,459,049	58,509,958	54,861,660
Participants' contributions refunded	1,772	64,979	-
Administrative expenses	802,106	769,079	826,044
Total deductions	76,262,927	59,344,016	55,687,704
Net increase (decrease)	50,065,576	68,013,268	55,806,634
Net position restricted for pensions at beginning of year	874,437,400	806,424,132	750,617,498
Net position restricted for pensions at end of year	\$ 924,502,976	\$ 874,437,400	\$ 806,424,132

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation.

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

Asset Allocation

At the end of the fiscal year ended September 30, 2018, the domestic equity portion comprised 57.1% (\$513,699,361) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 28.7% (\$258,283,922), while short-term investments comprised 0.6% (\$4,989,221). The portion of investments allocated to international equity was \$36,118,858 or 4.0% and to real estate was \$87,318,906 or 9.7% of the total portfolio.

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

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

At the end of the fiscal year ended September 30, 2017, the domestic equity portion comprised 55.7% (\$470,673,287) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 34.2% (\$288,996,554), while short-term investments comprised 0.7% (\$6,027,546). The portion of investments allocated to international equity was \$35,156,846 or 4.2% and to real estate was \$43,655,948 or 5.2% of the total portfolio.

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

	2018	2017
Domestic equity	50%	50%
Fixed income	30%	35%
International equity	5%	5%
Real estate equity	10%	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.

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Financial Statements

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

<i>September 30,</i>	2018	2017
ASSETS		
Cash	\$ 30,125	\$ 21,539
Receivables:		
Receivable for securities sold	171	172
Contribution receivable	239,623	-
Accrued interest and dividends	2,330,628	2,516,192
Total Receivables	2,570,422	2,516,364
Investments, at fair value:		
Short-term investments	4,989,221	6,027,546
U.S. government securities	30,898,782	39,911,871
Common stocks	348,453,158	324,225,831
Domestic equity fund	165,246,203	146,447,456
International equity fund	36,118,858	35,156,846
Domestic fixed income	184,944,266	202,131,813
International fixed income	42,440,874	46,952,870
Real estate fund	87,318,906	43,655,948
Mutual funds self-directed DROP participants	21,866,964	27,732,355
Total Investments	922,277,232	872,242,536
Total Assets	924,877,779	874,780,439
LIABILITIES		
Accounts payable	374,803	343,039
Total Liabilities	374,803	343,039
Net Position Restricted for Pensions	\$ 924,502,976	\$ 874,437,400

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

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

<i>Years ended September 30,</i>	2018	2017
ADDITIONS		
Contributions:		
City	\$ 37,519,388	\$ 35,247,317
Share plan	120,549	120,549
Total Employer	37,639,937	35,367,866
Employees:		
Contributions	6,475,408	6,034,612
Buybacks	118,307	163,632
Total Employees	6,593,715	6,198,244
Total Contributions	44,233,652	41,566,110
Investment income:		
Net appreciation in fair value of investments	72,432,733	73,657,973
Interest and dividends	13,066,970	15,385,449
Total Investment Income	85,499,703	89,043,422
Less: investment expenses	3,404,852	3,252,248
Net investment income	82,094,851	85,791,174
Total Additions	126,328,503	127,357,284
DEDUCTIONS		
Benefits paid	75,459,049	58,509,958
Participants' contributions refunded	1,772	64,979
Administrative expenses	802,106	769,079
Total Deductions	76,262,927	59,344,016
Net Increase	50,065,576	68,013,268
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of Period	874,437,400	806,424,132
End of Period	\$ 924,502,976	\$ 874,437,400

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

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

Notes to Financial Statements

1. Description of the Plan

Organization

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

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

Members

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

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

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

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

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

At October 1, the Plan membership consisted of:

	2017	2016
Active Plan Members	503	494
Inactive plan members entitled but not yet receiving benefits (Deferred Vested Members)	21	25
	524	519
Inactive plan members currently receiving Benefits (Retired Members):		
a. Service	584*	569*
b. Disabled	53	52
c. Beneficiaries	120	121
	757	742
Total	1,281	1,261

*Including members in the DROP

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

Notes to Financial Statements

Contributions

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

Service retirement benefits

Tier One members

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

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

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

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

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

For members eligible to retire on or after September 30, 2013 but prior to September 30, 2015, the average monthly salary of the member is computed based on the average of the two highest paid years or the average of the two last paid years prior to retirement, whichever produces the greater benefit after consideration of the overtime limitations.

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

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

Notes to Financial Statements

Tier Two members

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

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

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

Tier Three members

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

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

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

Tier Four members

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

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

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

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

Notes to Financial Statements

Overtime limitations - All Tiers

- a. For firefighter members, the inclusion of overtime and/or off duty pay in the member's salary shall be limited in each year to an amount which is equal to 11% of the highest annualized pay rate for the same salary rank that the member is in at the time of retirement.
- b. For police members, the inclusion of overtime and/or off duty pay in the member's salary shall be limited in each year to an amount which is equal to 11% of the highest annualized pay rate for the same salary rank that the member is in at the time of 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 expired in 2015. For these members, the inclusion of overtime and/or off duty pay in the member's salary shall be limited in each year to an amount which is equal to 70% of the difference between the member's annualized pay rate at retirement and the highest annualized pay rate for the next higher salary rank. In addition, effective July 20, 2016 any member excluded from the 11% limitation, if such member self-demotes, the amount of overtime and/or off-duty included in the average monthly salary shall not exceed 11% of the highest annualized pay rate for the same salary rank that the member is in at time of retirement.
- c. In no case can the overtime limit exceed 300 hours for each year

Disability benefits

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

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

Cost of living adjustment

Tier One members

All retirees and beneficiaries receiving a monthly pension as of September 30, 2010 will receive a 2.5% increase in benefits on October 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

Tier Two, Tier Three and Tier Four members

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

Refund of employee contributions

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

Deferred retirement option plan

All Members

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

Tier One members

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

Tier Two, Tier Three and Tier Four

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

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

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 27,732,355	\$ 19,626,380
Additions	9,652,989	9,488,673
Distributions	(17,252,534)	(2,864,477)
Interest	1,734,154	1,481,779
Ending balance	<u>\$ 21,866,964</u>	<u>\$ 27,732,355</u>

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

Notes to Financial Statements

Beneficiary benefits options

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

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

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

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

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

Exceptions

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

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

Effective November 4, 2003, and in lieu of the Standard Benefit, a member at any time prior to retirement may elect a joint and contingent survivor option. 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.

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

Notes to Financial Statements

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).

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

2. Summary of Significant Accounting Policies

Basis of accounting

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

Investments

Investments are recorded at fair value in the Statement of Fiduciary Net Position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Plan has entered into requires a range of techniques to determine fair value. Refer to Note 4 to the financial statements for more detail regarding the methods used to measure the fair value of investments.

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

Notes to Financial Statements

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

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 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, 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.

Subsequent Events

Management has evaluated subsequent events through March 21, 2019, the date which the financial statements were available for issue.

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

Notes to Financial Statements

3. Contributions

Actual contributions

The actual contributions from the City and the Share Plan for active employees for the fiscal years ended September 30, 2018 and 2017, amounted to \$37,639,937 and \$35,367,866, respectively, and the actual amount of covered payroll (excluding DROP members) was \$64,126,115 and \$59,907,167, respectively. The contributions consisted of the following for the fiscal years' ended September 30:

	2018		2017	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 37,519,388	58.5%	\$ 35,247,317	58.8%
Share Plan	120,549	0.2	120,549	0.2
Total contributions from employer and other contributing entities	\$ 37,639,937	58.7%	\$ 35,367,866	59.0%

	2018		2017	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
Employee contributions	\$ 6,475,408	10.10%	\$ 6,034,612	10.07%
Employee buybacks/transfers	118,307	0.18	163,632	0.27
Total contributions from employees	\$ 6,593,715	10.28%	\$ 6,198,244	10.34%

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, 2018 and 2017, the Plan selected to use the fixed dollar contribution amount.

The contributions required from the City, and the Share Plan for the fiscal years ended September 30, 2018 and 2017, were actuarially determined by the October 1, 2016 and 2015 valuations to be \$37,639,937 and \$35,367,866, respectively. The amount of actuarially computed projected annual pensionable payroll (excluding DROP members) used in October 1, 2016 and 2015 valuations was \$59,793,025 and 61,075,230 respectively.

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

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

	Amount	2018		2017	
		Percent of Actuarially Computed Projected Annual Pensionable Payroll	Amount	Percent of Actuarially Computed Projected Annual Pensionable Payroll	Amount
Normal cost	\$ 19,094,800	31.9%	\$ 19,945,746	32.7%	
Amortization of Unfunded liability and other costs	18,545,137	31.0	15,422,120	25.3	
Total required from City and Share Plan	\$ 37,639,937	62.9%	\$ 35,367,866	58.0%	

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 allows for investments 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

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.
 - c. No more than twenty-five percent (25%) of any manager's total fund portfolio, at market value, shall be invested in foreign securities (excluding Rhumblin who is an international manager)
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.

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

Notes to Financial Statements

- 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.
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-nine percent (49%) of their total fund assets at market value.
 - b. No limitations are placed on percentage commitments to fixed income or money market investments.
7. In addition to the above, Wells Capital Management Inc. (money manager) is subject to the following specific guidelines:
 - a. Wells Capital's will generally invest at least eighty percent (80%) of its assets in debt securities, including obligations of foreign government or corporate entities or supranational agencies (such as the World Bank) denominated in various currencies.
 - b. Up to thirty-five percent (35%) of the debt securities may be below investment grade (which are rated below BBB by Standard & Poor's or Fitch, Inc. or below Baa by Moody's Investors Service, Inc.).
 - c. Wells Capital will invest in at least three countries or supranational agencies (such as World Bank).
 - d. No more than five percent (5%) of Wells Capital's assets will be invested in debt obligations or similar securities denominated in the currencies of developing countries.
 - e. Wells Capital may also enter into foreign currency exchange contracts to hedge currency exposure, where required, helping to manage the overall risk profile of the strategy.

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

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

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

Notes to Financial Statements

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

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocations of these investments at September 30, 2018 and 2017 are as follows:

Authorized investments	Target % of portfolio	2018	Target % of portfolio	2017
Domestic equity	50%	57%	50%	56%
Fixed income	30%	29%	35%	34%
International equity	5%	4%	5%	4%
Real estate equity	10%	10%	5%	5%
Cash/short-term investments	5%	0%	5%	1%

Rate of Return

For the years ended September 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was 9.41% and 10.63%, respectively. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk

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

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

Investment Type	Fair Value	2018 Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 30,898,782	\$ 5,989,687	\$ -	\$ 24,909,095	\$ -
Domestic					
corporate bonds	184,944,266	11,684,241	98,859,816	74,400,209	-
International					
corporate bonds	10,124,625	-	10,124,625	-	-
Private placement	32,316,249	5,339	142,829	169,934	31,998,147
Total fixed income					
Securities	\$ 258,283,922	\$ 17,679,267	\$ 109,127,270	\$ 99,479,238	\$ 31,998,147

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

Notes to Financial Statements

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

Credit Risk

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

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

	2018		2017	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government				
Guaranteed*	\$ 30,898,782	11.96%	\$ 39,911,871	13.81%
Quality rating of credit risk debt securities:				
AAA	12,777,799	4.95	8,658,754	3.00
AA+	1,555,794	0.60	1,649,635	0.57
AA	16,884,178	6.54	14,371,600	4.97
AA-	16,217,920	6.28	13,851,099	4.79
A+	23,794,975	9.21	31,201,087	10.80
A	30,453,697	11.79	50,076,578	17.33
A-	49,584,195	19.20	48,561,020	16.80
BBB+	29,178,853	11.30	71,038,801	24.58
BBB	11,026,529	4.27	3,126,595	1.08
BBB-	31,885,799	12.35	2,201,857	0.76
BB+	32,884	0.01	2,480	0.00
BB	475	0.00	32,506	0.01
BB-	7,632	0.00	349	0.00
B+	175	0.00	1	0.00
B	463	0.00	1,124	0.00
B-	162	0.00	271	0.00
Not rated	3,983,610	1.54	4,310,036	1.50
Total credit risk debt securities	227,385,140	88.04	249,084,683	86.19
Total fixed income securities	\$ 258,283,922	100.00%	\$ 288,996,554	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.

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

Notes to Financial Statements

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. GASB Statement No. 40 also requires disclosures when the percent is 5% or more of total investment position in any one issuer. As of September 30, 2018 and 2017, all investments were within the allowable percentages.

Custodial Credit Risk

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

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

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

Notes to Financial Statements

Foreign Currency Risk

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

Currency	2018	2017
	Holdings Valued in U.S. Dollars Private Placement	Holdings Valued in U.S. Dollars Private Placement
Australian Dollar	\$ 4,688,063	\$ 5,116,486
Brazilian Real	875,890	1,051,933
British Pound Sterling	1,624,410	755,643
Canadian Dollar	2,505,565	1,541,684
Columbian Peso	-	1,057,371
Danish Krone	1,996,694	2,231,036
Euro	1,850,430	2,218,319
Hungarian Forint	-	854,131
Indian Rupee	956,501	-
Indonesian Rupiah	968,019	-
Malaysian Ringgit	1,585,227	1,680,075
Mexican Pesos	1,686,159	1,659,046
New Zealand Dollar	1,650,113	1,682,537
Norwegian Krone	-	1,671,764
Polish Zloty	1,632,577	1,664,636
Peruvian Nuevo Sol	615,536	-
Romanian Leu	327,852	346,913
Singapore Dollar	1,613,572	1,685,011
South African Rand	1,024,121	1,020,690
Thai Baht	965,915	995,262
Total	\$ 26,566,644	\$ 27,232,537

Investment Valuation

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

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

Notes to Financial Statements

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

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

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

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

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

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

Notes to Financial Statements

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

	Fair Value Measurements Using			
	2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short-term investment funds	\$ 4,989,221	\$ 4,989,221	\$ -	\$ -
Total short-term investment funds	4,989,221	4,989,221	-	-
Equity securities				
Common stocks	348,453,158	348,453,158	-	-
Total equity securities	348,453,158	348,453,158	-	-
Debt securities				
Government	24,472,778	-	24,472,778	-
Municipal/provincial obligations	6,426,004	-	6,426,004	-
Corporate bonds	195,068,891	-	195,608,891	-
Total debt securities	225,967,673	-	225,967,673	-
Total investments by fair value level	579,410,052	\$ 353,442,379	\$ 225,976,673	\$ -
Investments measured at the net asset value ("NAV")				
Commingled domestic equity funds	165,246,203			
Real estate fund	87,318,906			
Private placement	32,316,249			
Commingled international equity funds	36,118,858			
Mutual funds	21,866,964			
Total investments measured at the NAV	342,867,180			
Total investments	\$ 922,277,232			

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

Notes to Financial Statements

	Fair Value Measurements Using			
	2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short-term investment funds	\$ 6,027,546	\$ 6,027,546	\$ -	\$ -
Total short-term investment funds	6,027,546	6,027,546	-	-
Equity securities				
Common stocks	324,225,831	324,225,831	-	-
Total equity securities	324,225,831	324,225,831	-	-
Debt securities				
Government	23,246,330	-	23,246,330	-
Municipal/provincial obligations	16,665,541	-	16,665,541	-
Corporate bonds	215,075,182	-	215,075,182	-
Total debt securities	254,987,053	-	254,987,053	-
Total investments by fair value level	585,240,430	\$ 330,253,377	\$ 254,987,053	\$ -
Investments measured at the net asset value ("NAV")				
Commingled domestic equity funds	146,447,456			
Real estate fund	43,655,948			
Private placement	34,009,501			
Commingled international equity funds	35,156,846			
Mutual funds	27,732,355			
Total investments measured at the NAV	287,002,106			
Total investments	\$ 872,242,536			

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

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

Notes to Financial Statements

Equity securities: These include common stock, domestic and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2018 and 2017. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.

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

The following tables summarize investments as of September 30, 2018 and 2017 for which fair value is measured using the net asset value per share, including their related unfunded commitments and redemption restrictions.

**2018
Investments Measured at the NAV**

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled				
domestic equity fund (1)	\$ 165,246,203	\$ -	Monthly	10 Days
Real estate fund (2)	87,318,906	-	Quarterly	45 Days
Private placement (3)	32,316,249	-	Weekly	1 Day
Commingled				
international equity fund (4)	36,118,858	-	Daily	Same Day
Mutual funds (5)	21,866,964	-	Daily	Same Day
Total investments measured at the NAV	\$ 342,867,180	\$ -		

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

Notes to Financial Statements

2017					
Investments Measured at the NAV					
	Fair Value	Unfunded Commitments	-	Redemption Frequency	Redemption Notice Period
Commingled					
domestic equity fund (1)	\$ 146,447,456	\$ -		Monthly	10 Days
Real estate fund (2)	43,655,948	-		Quarterly	45 Days
Private placement (3)	34,009,501	-		Weekly	1 Day
Commingled					
international equity fund (4)	35,156,846	-		Daily	Same Day
Mutual funds (5)	27,732,355	-		Daily	Same Day
Total investments measured at the NAV	\$ 287,002,106	\$ -			

- (1) Commingled domestic equity fund consists of one comingled investment vehicle which invests primarily in publicly traded equity securities. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (2) The real estate fund invests primarily in United States commercial real estate. The fair value of the investment in the fund is valued at the net asset value of outstanding units held at the end of the period based upon the fair value of the underlying investments. Real estate funds are valued using their respective net asset value ("NAV") as of September 30, 2018 and 2017. The most significant input into the NAV of such funds is the fair value of the investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors.
- (3) The private placement fund invests primarily in international bonds. The fair value of this investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (4) Commingled international equity fund consists of one commingled investment vehicle which invests primarily in publicly traded global equity securities. The fund is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (5) These mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. They are determined to be actively traded.

5. Commitments

The Plan renewed its operating lease for office space on March 24, 2016, which expires on March 31, 2027. The base rent for the first twelve months of the lease was \$9,965 per month, net of electricity. The lease contains a provision for future rent increases annually by an amount equal to 3% of the prior year's base rent. During the years ended September 30, 2018 and 2017, rent expense

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

Notes to Financial Statements

under the lease agreement amounted to \$137,959 and \$80,073, respectively. The net minimum rental payments on this lease as of September 30, 2018 are as follows:

2019	\$ 126,862
2020	130,677
2021	134,606
2022	138,649
2023	142,806
Thereafter	534,966
Total	\$ 1,208,566

6. Net Pension Liability of the City

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

	2018	2017
Total pension liability	\$ 1,229,168,051	\$ 1,175,854,766
Plan's fiduciary net position	(924,502,976)	(874,437,400)
City net pension liability	\$ 304,665,075	301,417,366

Plan's fiduciary net position as a percentage of total pension liability 75.21% and 74.37% for the years ended September 30, 2018 and 2017, respectively.

Actuarial Assumptions

The total pension liability was determined using an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions:

Inflation	3.0%
Salary increases	2.88% - 10.7%
Cost-of-living increases	1.5%, 2.0%, or 2.5%
Investment rate of return	7.80% compounded annually, net of pension plan investment expense, including inflation.

Healthy mortality rates during employment are calculated with RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participants post-employment, RP-2000 Annuitant Mortality Tables, separate rates for males and females, with 90% Blue Collar Adjustment / 10% White Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, 60% RP 2000 Disabled Male Mortality Table setback four years / 40% RP 2000 Annuitant Male Mortality Table with White Collar

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

Notes to Financial Statements

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

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2009 - September 30, 2014.

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

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

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

Asset Class	Long-Term Expected Real Rate of Return*	
	2018	2017
Domestic equity	7.50%	7.50%
International equity	8.50%	8.50%
Domestic bonds	2.50%	2.50%
International bonds	3.50%	3.50%
Real estate	4.50%	4.50%
Alternative investments	6.24%	6.24%

* Real rates of return are net of the long-term inflation assumption of 2.5% for 2018 and 2017.

Discount Rate

The discount rate used to measure the total pension liability was 7.80% and 7.85% for 2018 and 2017, 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.

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

Notes to Financial Statements

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 7.80% and 7.85% for 2018 and 2017, 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		
	1% Decrease (6.80%)	Current Discount Rate (7.80%)	1% Increase (8.80%)
September 30, 2018	\$ 464,488,587	\$ 304,665,075	\$ 174,414,660

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

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 Five Fiscal Years**

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 18,462,961	\$ 17,530,982	\$ 17,803,602	\$ 16,098,560	\$ 14,763,595
Interest	91,544,984	87,422,136	82,627,847	78,415,039	75,108,912
Changes of benefit terms					
Benefit changes	-	(9,688,441)	-	-	-
Differences between expected and actual experience	11,814,591	141,740	14,588,712	12,428,547	7,685,043
Changes of assumptions	6,951,570	34,969,254	2,447,885	5,686,196	-
Benefit payments, including refunds of member contributions	(75,460,821)	(58,574,936)	(54,861,660)	(62,686,716)	(53,605,094)
Net Change in Total Pension Liability	53,313,285	71,800,735	62,606,386	49,941,626	43,952,456
Total Pension Liability - Beginning	1,175,854,766	1,104,054,031	1,041,447,645	991,506,019	947,553,563
Total Pension Liability- Ending	1,229,168,051	1,175,854,766	1,104,054,031	1,041,447,645	991,506,019
Plan fiduciary net position					
Contributions - City and State	37,639,937	35,367,866	34,970,641	33,149,388	35,960,326
Contributions - employees	6,593,715	6,198,244	5,984,397	5,944,414	5,258,974
Net investment income	82,094,851	85,791,174	70,539,300	5,689,333	72,259,674
Benefit payments, including refunds of member contributions	(75,460,821)	(58,574,937)	(54,861,660)	(62,686,716)	(53,605,094)
Administrative expenses	(802,106)	(769,079)	(826,044)	(777,493)	(905,130)
Net Change in Plan Fiduciary Net Position	50,065,576	68,013,268	55,806,634	(18,681,074)	58,968,750
Plan Fiduciary Net Position - Beginning	874,437,400	806,424,132	750,617,498	769,298,572	710,329,822
Plan Fiduciary Net Position - Ending	\$ 924,502,976	\$ 874,437,400	\$ 806,424,132	\$ 750,617,498	\$ 769,298,572
City's Net Pension Liability	\$ 304,665,075	\$ 301,417,366	\$ 297,629,899	\$ 290,830,147	\$ 222,207,447

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

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

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

	2018	2017	2016	2015	2014
Total pension liability	\$ 1,229,168,051	\$ 1,175,854,766	\$ 1,104,054,031	\$ 1,041,447,645	\$ 991,506,019
Plan fiduciary net position	924,502,976	874,437,400	806,424,132	750,617,498	769,298,572
City's Net Pension Liability	\$ 304,665,075	\$ 301,417,366	\$ 297,629,899	\$ 290,830,147	\$ 222,207,447
Plan fiduciary net position as a percentage of the total pension liability	75.21%	74.37%	73.04%	72.07%	77.59%
Covered - employee payroll excluding DROP	\$ 64,126,115	\$ 59,907,167	\$ 56,759,632	\$ 56,545,113	\$ 50,740,542
City's net pension liability as a percentage of covered - employee payroll excluding DROP	475.10%	503.14%	524.37%	514.33%	437.93%

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

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

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

Required Supplementary Information
Schedule of Contributions by Employer (Unaudited)
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 37,639,937	\$ 35,367,866	\$ 34,970,641	\$ 33,149,388	\$ 35,960,326
Contributions in relation to the actuarially determined contribution	37,639,937	35,367,866	34,970,641	33,149,388	35,960,326
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll (excluding DROP members)	\$ 64,126,115	\$ 59,907,167	\$ 56,759,632	\$ 56,545,113	\$ 50,740,542
Contributions as a percentage of covered-employee payroll	58.70%	59.04%	61.61%	58.62%	70.87%
Actuarially determined contribution	\$ 39,492,050	\$ 36,297,459	\$ 32,811,570	\$ 23,403,818	\$ 20,159,995
Contributions in relation to the actuarially determined contribution	39,492,050	36,297,459	32,811,570	23,403,818	20,159,995
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll (excluding DROP members)	\$ 47,164,030	\$ 53,273,735	\$ 49,041,435	\$ 49,144,179	\$ 50,393,490
Contributions as a percentage of covered-employee payroll	83.73%	68.13%	66.91%	47.62%	40.01%

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

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

	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	9.41%	10.63%	8.74%
	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	0.70%	10.19%	12.87%
	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	19.60%	-0.49%	10.65%
	2009		
Annual money-weighted rate of return, net of investment expense	1.17%		

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

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

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

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	3.0%
Payroll growth	2.5%
Salary increases	2.88% - 10.7%
Investment rate of return	7.80%
Cost-of-Living Increases	1.5%, 2.0% or 2.5%

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

Mortality Rates:

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

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

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

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

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

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

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

Marital Assumptions:

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

See accompanying independent auditor's report.

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

Benefit Changes

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

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

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

Assumption Changes

In 2017, investment return was decreased from 7.85% to 7.80%. In 2016, investment return was decreased from 7.90% to 7.85% and the mortality assumption was updated to the assumption used in the Florida Retirement System July 1, 2016 Actuarial Valuation. In 2015, investment return was decreased from 7.95% to 7.90%, withdrawal and retirement rates were updated, disability incidence was updated to 65% service incurred / 35% non-service incurred and the load for compensation and projected pensionable payroll was replaced with actual pensionable pay - these changes do not affect the contribution until the fiscal year ending September 30, 2017. In 2014, investment return was decreased from 8.00% to 7.95% and payroll growth assumption was litted to 10 year average. In 2013, the asset valuation method was updated to phase in the deviation between the expected and actual return on assets at the rate of 20% per year and the load for projected pensionable payroll was decreased to 16%. In 2012, investment return was updated to 8.0%, expected salary increases for final years 2013 and 2014 were reduced by 2.17% and increased by 3.00% respectively, contingency compensation load for overtime and other pays was decreased to 16% and contingency pre-employment service load was decreased to 0.275%. In 2011, investment return was updated to 8.1%, mortality tables for healthy pre and post retirement participants were projected 15 and 7 years from the valuation date and the contingency compensation load for overtime and other pays was increased to 18%. In 2010, investment return was updated to 8.2% and the freeze on the cost of living increase component of the salary scale was extended to March 31, 2012.

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

See accompanying Independent auditor's report.

Other Supplementary Schedules

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

Other Supplementary Schedules of Investment Expenses and Administrative Expenses

<i>Years ended September 30,</i>	2018	2017
Schedule "1"		
Schedule of Investment Expenses		
Financial management expenses:		
JP Morgan Investment Management, Inc.	\$ 445,784	\$ 428,496
RBC Global Asset Management (U.S.) Inc.	-	35,542
Logan Capital Management, Inc.	361,332	311,224
Wellington Trust Company, NA	622,787	523,012
Inverness Counsel	1,594,921	1,565,271
RhumbLine Advisers	85,168	87,103
Wells Capital Management	121,722	117,213
Total Financial Management Expenses	3,231,714	3,067,862
Investment consultant fees:		
AndCo Consulting	74,870	73,244
Investment custodial fees:		
Fiduciary Trust Company	98,268	111,142
Total Investment Expenses	\$ 3,404,852	\$ 3,252,248
Schedule "2"		
Schedule of Administrative Expenses		
Personnel services		
Salaries and payroll taxes	\$ 289,703	\$ 296,508
Fringe benefits	33,602	34,606
Total Personnel Services	323,305	331,114
Professional services		
Legal	79,193	81,269
Actuarial	29,392	50,036
Audit	22,000	31,099
Bookkeeping	2,510	3,165
Total Professional Services	133,095	165,569
Other		
Rent	137,959	80,073
Insurance	56,424	56,299
I.T. dept. computer and phone charges	40,560	40,560
Education, dues & subscriptions	48,249	37,053
Office expense	32,128	29,223
Computer consultant	11,843	13,431
Equipment rental	4,703	5,071
Utilities	4,004	4,136
Computer and Furniture	473	3,600
Medical fees	9,363	2,950
Total Other	345,706	272,396
Total Administrative Expenses	\$ 802,106	\$ 769,079