

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

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

YEAR ENDED SEPTEMBER 30, 2019

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach, which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Plan'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 Plan'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, 2019, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

The financial statements of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach as of and for the year ended September 30, 2018, were audited by other auditors whose report dated March 21, 2019, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-7 and the schedules of contributions from employers and other contributors, schedule of investment returns and schedules of changes in the employer's net pension liability and related ratios on pages 27-33 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment and administrative expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 16, 2020, on our consideration of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control over financial reporting and compliance.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.

Weston, Florida
January 16, 2020

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the annual financial report presents Management’s Discussion and Analysis (MD&A) of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach’s (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2019. Please read it in conjunction with the Plan’s financial statements, which immediately follow.

General Overview of the Plan

The Plan was created under Chapter 23414, Laws of Florida, Special Act of 1945, as amended through Ordinance No. 2016-4035 adopted September 27, 2016.

There is a Board of Trustees (the Board) in whom the general administration, management and responsibility for the proper operation of the Plan is vested.

Overview of the Financial Statements

The financial section of this annual report consists of four parts: the MD&A, the financial statements, notes to the financial statements and supplementary information.

The financial statements provide both long-term and short-term information about the Plan’s overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Plan’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred and appreciation (depreciation) of assets is recognized in the statement of changes in fiduciary net position. All assets and liabilities associated with the operation of the Plan are included in the statement of fiduciary net position.

The statement of fiduciary net position reports fiduciary net position and how it has changed. A net asset is the difference between the asset and any related liabilities. It is one measurement of the financial health or current position of the Plan.

Financial Highlights

The Plan’s net results from operations for fiscal year 2019 reflected the following financial activities:

- Total net position restricted for pensions was \$940,953,661, which was 2% greater than the 2018 total net position restricted for pensions.
- Total contributions were \$46,719,363, which was 6% greater than the 2018 contributions.
- Total interest and dividend income was \$23,173,070, which was 77% greater than the 2018 income.
- Net investment income was \$39,050,677, which was 52% lower than the 2018 income.
- Benefits paid directly to retirees were \$61,743,147, which was 6% greater than the benefits paid directly to retirees during 2018.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

Financial Highlights (Continued)

Total contributions for the year were \$46,719,363, which was 6% greater than the 2018 contributions. The amount of employer contributions varies from year to year and is actuarially determined. Member contributions were 10.5% of pensionable wages (on a pre-tax basis) for firefighters and police officers hired on or after September 30, 2013. Member contributions were 10.0% of pensionable wages (on a pre-tax basis) for firefighters and police officers hired before September 30, 2013. Contributions from the Share plan for the year were \$120,549. This represents the annual cost of adopting certain minimum benefits mandated by the State of Florida.

Statement of Fiduciary Net Position

The following condensed comparative statement of fiduciary net position is a snap shot of account balances at the fiscal year end of the Plan. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for Plan benefits.

The Plan continues to be evaluated for actuarial soundness by the actuary of the Plan. It should be noted that retirement system funding is based on a long-term perspective and that temporary fluctuations in the market are to be expected.

- Net position restricted for pensions at September 30, 2019 was \$940,953,661, a 2% increase from the net position at September 30, 2018.
- Total investments at September 30, 2019 were \$939,081,948, a 2% increase from the investments at September 30, 2018.

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

	2019	2018	% Change
Cash	\$ 20,000	\$ 20,000	0%
Receivables	2,224,536	2,570,422	(13%)
Investments, at fair value	939,081,948	922,287,357	2%
Total assets	941,326,484	924,877,779	2%
Total liabilities	372,823	374,803	(1%)
Net position restricted for pensions	\$ 940,953,661	\$ 924,502,976	2%

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the effect of Plan’s transactions that occurred during the fiscal year. On the statement, additions to the Plan minus deductions from the Plan equal the net increase or decrease in fiduciary net position.

The funding objective is to meet long-term obligations and fund all Plan benefits.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

Statement of Changes in Fiduciary Net Position (Continued)

- Revenues (additions to fiduciary net position) for the Plan were \$85,772,771, which was made up of total contributions of \$46,719,363, plus net investment income of \$39,050,677, and other income of \$2,731.
- Expenses (deductions from fiduciary net position) decreased from \$76,262,927 during 2018, to \$69,322,086 during 2019.

The table below presents a condensed comparative of the changes in fiduciary net position for the year ended September 30:

	2019	2018	% Change
Total contributions	\$ 46,719,363	\$ 44,233,652	6%
Net investment income	39,050,677	82,094,851	(52%)
Other income	2,731	-	100%
Total additions	85,772,771	126,328,503	(32%)
Total deductions	69,322,086	76,262,927	(9%)
Net increase	16,450,685	50,065,576	(67%)
Net position restricted for pensions – beginning	924,502,976	874,437,400	6%
Net position restricted for pensions – ending	\$ 940,953,661	\$ 924,502,976	2%

Asset Allocation

The table below indicates the Plan’s investment policy limitations and actual investment allocations as of September 30, 2019:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	50.00%	52.19%
International equities	5.00%	5.45%
Domestic fixed income	25.00%	26.05%
International fixed income	5.00%	6.28%
Real estate	10.00%	9.87%
Cash and cash equivalents	5.00%	0.16%

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

The Board recognizes that some risk must be assumed to achieve the Plan’s long-term investment objectives. In establishing the risk tolerances, the Plan’s ability to withstand short and intermediate term variability has been considered. However, the Plan’s financial condition enables the Board to adopt long-term investment perspective.

**CITY PENSION FUND FOR
FIREFIGHTERS AND POLICE OFFICERS IN
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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Investment Activities

Investment income is vital to the Plan for current and future financial stability. The Board has a fiduciary responsibility to act prudently when making plan investment decisions. To assist the Board in this area, the Board retains investment managers who supervise and direct the investment of the assets. The Board also retains an investment monitor to evaluate and report on quarterly basis compliance by the investment managers with the investment policy of the Board and investment performance of the Plan. The investment policy statement was last amended effective August 1, 2019.

The Board and its investment consultant review the portfolio's performance in compliance with the investment policy statement quarterly. Performance is evaluated both individually by money manager style and collectively by investment type and for the aggregate portfolio.

Financial Analysis Summary

The investment activities for the fiscal year ended September 30, 2019 are a function of the underlying market, money managers' performance and the investment policy's asset allocation model. The Plan has consistently implemented a high quality, conservative approach.

Contacting the Plan's Financial Management

This financial analysis is designed to provide the Board, Plan members and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the administrator of the Plan:

City Pension Fund for Firefighters and
Police Officers in the City for Miami Beach
1691 Michigan Avenue, Suite 355
Miami Beach, FL 33139-2573

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

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
CASH	\$ 20,000	\$ 20,000
RECEIVABLES:		
Participant contributions	225,905	239,623
Accounts receivable - sale of investments	-	171
Accrued investment income	1,998,631	2,330,628
TOTAL RECEIVABLES	<u>2,224,536</u>	<u>2,570,422</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	526,609,486	549,818,219
Government securities	29,974,307	30,898,782
Domestic corporate bonds	208,055,943	184,944,266
International corporate bonds	22,325,666	10,124,626
International private placement	35,054,637	32,316,248
Real estate funds	90,189,681	87,318,906
Money market funds	1,372,694	4,999,346
Self-directed DROP accounts	25,499,534	21,866,964
TOTAL INVESTMENTS, AT FAIR VALUE	<u>939,081,948</u>	<u>922,287,357</u>
TOTAL ASSETS	<u>941,326,484</u>	<u>924,877,779</u>
LIABILITIES		
ACCOUNTS PAYABLE	<u>372,823</u>	<u>374,803</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR PENSIONS:		
Net position restricted for defined benefits	915,454,127	902,636,012
Net position restricted for DROP benefits	25,499,534	21,866,964
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 940,953,661</u>	<u>\$ 924,502,976</u>

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**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
ADDITIONS:		
Contributions:		
City	\$ 39,626,600	\$ 37,519,388
Member	6,972,214	6,593,715
Share plan	120,549	120,549
Total contributions	<u>46,719,363</u>	<u>44,233,652</u>
Investment income:		
Net appreciation in fair value of investments	19,593,919	72,432,733
Interest and dividend income	23,173,070	13,066,970
Total investment income	42,766,989	85,499,703
Less: investment expenses	<u>3,716,312</u>	<u>3,404,852</u>
Net investment income	<u>39,050,677</u>	<u>82,094,851</u>
Other income	<u>2,731</u>	<u>-</u>
TOTAL ADDITIONS	<u>85,772,771</u>	<u>126,328,503</u>
DEDUCTIONS:		
Benefit payments	61,743,147	58,206,515
DROP distributions	6,532,176	17,252,534
Contribution refunds	191,002	1,772
Administrative expenses	<u>855,761</u>	<u>802,106</u>
TOTAL DEDUCTIONS	<u>69,322,086</u>	<u>76,262,927</u>
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	16,450,685	50,065,576
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>924,502,976</u>	<u>874,437,400</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u><u>\$ 940,953,661</u></u>	<u><u>\$ 924,502,976</u></u>

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

YEAR ENDED SEPTEMBER 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment Valuation and Income Recognition

Investments are reported at fair value (see Note 3). 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 (see Note 4 for discussion of fair value measurements).

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, benefit obligations and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments which potentially expose the Plan to concentration of credit risk, as defined by GAAP, consist primarily of cash and cash equivalents, and receivables.

The Plan maintains its cash deposits at a financial institution which, from time to time, may exceed federally insured limits. The exposure of the Plan from these transactions is solely dependent upon the daily account balance and the financial strength of the respective institution. The Plan manages this risk by maintaining its deposit accounts at a high quality financial institution. As of September 30, 2019, the Plan had deposits in excess of federally insured limits of approximately \$198,000.

The Plan's investments consist of common stocks, government securities, corporate bonds, real estate funds, commingled equity funds, international private placement, mutual funds and money market funds, which inherent in the fair market value determination, include the risk factor of credit worthiness for each individual security.

Comparative Information

The financial statements include certain prior-year comparative information. Such summarized information does not include sufficient detail in the notes to financial statements to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Plan's financial statements for the year ended September 30, 2018, from which the information was derived. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN

The following description of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the Plan) provides only general information. Members should refer to the City of Miami Beach, Florida's ordinance for more detailed and comprehensive information.

General

The Plan is a single-employer defined benefit plan, established by the City of Miami Beach, Florida (the City), pursuant to Chapter 23414, Laws of Florida, Special Act of 1945, as amended through Ordinance No. 2016-4035 adopted September 27, 2016. As the Plan is sponsored by the City, the Plan is included as a pension trust fund in the City's comprehensive annual financial report as part of the City's financial reporting entity.

The Plan is administered by a board of nine trustees (the Board) comprised of three members of the City administration appointed by the City mayor, three active firefighters elected by active and retired firefighters of the Plan and three active police officers elected by active and retired police officers of the Plan.

Plan Membership

At September 30, 2019, Plan membership consisted of the following:

Fully vested, partially vested and non-vested	
active employees covered by the Plan	525
Retirees and beneficiaries	772
Terminated employees entitled to benefits	
but not receiving them	<u>19</u>
	<u>1,316</u>

Eligibility

Members are substantially all certified firefighters and police officers employed by the City. Members are further divided into the following four tiers depending on the date of hire:

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 for the fire department and July 20, 2016 for the police department.

Tier Four members are those hired on or after June 8, 2016 for the fire department and July 20, 2016 for the police department.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Final Average Monthly Earnings

Final average monthly earnings (FAME) shall be used and defined in the determination of certain benefits. FAME is divided into the following:

Tier One and eligible to retire prior to September 30, 2015, FAME represents the greater of the average of the two highest paid years or the two last paid years prior to date of retirement after taking into consideration the overtime limit.

Tier One and eligible to retire on or after September 30, 2015, FAME represents the greater of the average of the three highest paid years or the three last paid years prior to the date of retirement after taking into consideration the overtime limit.

Tier Two, FAME represents the greater of the average of the three highest paid years or the three last paid years prior to the date of retirement after taking into consideration the overtime limit.

Tier Three, FAME represents the greater of the average of the five highest paid years or the five last paid years prior to the date of retirement after taking into consideration the overtime limit.

Tier Four, FAME represents the average of the five highest paid years prior to date of retirement taking into consideration the overtime limit.

Pensionable Pay

Pensionable pay is defined as base pay, any premiums that longevity is calculated on, longevity pay, pensionable overtime, and any other pay negotiated as pensionable. Effective July 14, 2010, off-duty compensation is pensionable for any member who is eligible for overtime and receives off-duty compensation through the City. Effective September 30, 2013, pensionable overtime pay is limited to 300 hours per calendar year. Pensionable overtime and/or off-duty pensionable pay is limited in each year to an amount that 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.

For police officer's the 11% limitation shall not apply to any member who held the rank of sergeant or lieutenant on September 30, 2013, or any police officer promoted to the rank of sergeant prior to the date the 2013 Certified Police Sergeant Promotional Register expired in 2015. For those members, the inclusion of pensionable 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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Eligibility for Benefits

Tier One members and eligible to retire prior to September 30, 2013 who have attained age 50 or the sum of the member's age and creditable pension service equals at least 70 years are eligible for retirement benefits.

Tier One members and eligible to retire on or after September 30, 2013 who have attained age 50 or the sum of the member's age and creditable pension service equals at least 70 years (must attain age 47) are eligible for retirement benefits.

Tier Two and Tier Three members who have attained the age of 50 with five years of creditable service or the sum of the member's age and creditable pension service equals at least 70 years (must attain age 48) are eligible for retirement benefits.

Tier Four members who have attained the age of 52 with five years of creditable service or the sum of the member's age and creditable pension service equals at least 70 years (must attain age 48) are eligible for retirement benefits.

Normal Retirement Benefits

- (a) Tier One and eligible to retire prior to September 30, 2013 - 3.0% times FAME times years of credited service up to 15 years plus 4% times FAME times years of credited service after 15 years. Benefit shall not exceed 90% of FAME.
- (b) Tier One and eligible to retire on or after September 30, 2013, but prior to September 30, 2015 - 3.0% times FAME times years of credited service up to 20 years plus 4% times FAME times years of credited service after 20 years. Benefit shall not exceed 85% of FAME (exception if exceeded as of September 30, 2013).
- (c) Tier One and eligible to retire on or after September 30, 2015, Tier Two, Tier Three and Tier Four – 3% times FAME times years of credited service up to 20 years plus 4% times FAME times years of credited service after 20 years. Benefit shall not exceed 85% of FAME.

A member's benefit multiplier for credited service earned before October 1, 2013 shall not be reduced.

Disability Benefits

Members with total and permanent disability incurred in the line of duty prior to normal retirement date are entitled to a benefit equal to the monthly pension benefit accrued to the date of disability or the minimum benefit payable of 85% of the member's salary at the time of disability retirement less any offset that may be required by workers compensation.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Disability Benefits (Continued)

Members with total and permanent disability not incurred in the line of duty after completion of 5 years of credited service but prior to normal retirement date are entitled to 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 has various pre-retirement and post-retirement death benefits.

Cost of Living Adjustment

For members who retired as of October 1, 2010, after one year of retirement, benefits are increased by 2.5% per year (1.5% per year for members hired on or after July 14, 2010), compounded annually, on the anniversary date of each member's retirement.

For members retired prior to October 1, 2010, benefit increases occur on the first of October each year.

Deferred Retirement Option Plan (DROP)

Members participating in the DROP have self-directed accounts, and the rate of return earned will therefore depend on the return of the particular accounts selected by the individual. 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 Board.

Tier One active members may enter 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 enter 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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Deferred Retirement Option Plan (DROP) (Continued)

Tier Two, Tier Three and Tier Four active members may enter the DROP on the first day of any month after meeting eligibility to retire. Members who enter 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, 2019 is as follows:

Beginning balance	\$ 21,866,964
Additions	9,174,940
Distributions	(6,532,176)
Earnings	989,806
Ending balance	<u>\$ 25,499,534</u>

Refund of Employee Contributions

If contributions are refunded to the member or to his or her beneficiaries, then interest is credited at the rate of 3% per annum.

Funding

All members hired prior to September 30, 2013 are required to contribute 10.00% of their pensionable wages (on a pre-tax basis). All members hired on or after September 30, 2013 are required to contribute 10.5% of their pensionable wages (on a pre-tax basis).

The Plan receives contributions from the Share plans. This represents the annual cost of adopting certain minimum benefits mandated by the State.

The City is expected to contribute such additional amounts as are necessary on an actuarial basis to fund the Plan's expenses, normal cost, and to amortize the unfunded actuarial accrued liability. For the year ended September 30, 2019, the Plan's actuary determined that the required City contribution was \$39,626,600. This amount was paid during the Plan year.

Rate of Return

For the year ended September 30, 2019, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 4.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 3. INVESTMENTS

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The Board is authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common. The investment policy statement was last adopted on June 20, 2019 with an effective date of August 1, 2019. The following was the Board's adopted asset allocation policy as of September 30, 2019:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	50%
International equities	5%
Domestic fixed income	25%
International fixed income	5%
Real estate	10%
Cash and cash equivalents	5%

During the year ended September 30, 2019, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$19,593,919 (reported as net appreciation in fair value of investments in the statement of changes in fiduciary net position) as follows:

Common stocks	\$ 1,404,100
Commingled equity funds	(817,496)
Government securities	1,325,307
Corporate bonds	16,431,267
Real estate funds	<u>1,250,741</u>
Total	<u>\$ 19,593,919</u>

The Plan's investment policy does not use limits on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Plan's investments in fixed income investments had maturities as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Corporate bonds	\$ 230,381,609	\$ 21,156,750	\$ 96,339,045	\$ 112,885,814	\$ -
International private placement	35,054,637	953,486	13,099,918	15,452,084	5,549,149
U.S. treasuries	19,613,462	19,613,462	-	-	-
U.S. agencies	10,360,845	-	-	10,360,845	-
Totals	<u>\$ 295,410,553</u>	<u>\$ 41,723,698</u>	<u>\$ 109,438,963</u>	<u>\$ 138,698,743</u>	<u>\$ 5,549,149</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 3. INVESTMENTS (Continued)

The fixed income portfolio shall have a minimum rating of investment grade as reported by a major crediting service. The Plan's fixed income assets were rated as follows:

<u>Rating</u>	<u>Fair Value</u>
A1	\$ 27,504,531
A2	55,125,421
A3	74,103,368
Aa1	5,729,365
Aa2	9,188,952
Aa3	11,498,164
Aaa	50,467,379
Aa	1,942,027
A	7,792,646
Baa1	26,543,316
Baa2	4,111,546
Bbb	10,481,336
Bb	4,132,942
B	799,246
Unrated	5,990,314
Total	<u>\$ 295,410,553</u>

The Plan limits investment in the securities of any one issuer, other than the U.S. Government and its agencies, to no more than 5% of total assets. The Plan had no investments in excess of 5% of total assets.

“Foreign currency risk” is the risk that fluctuations in currency exchange rate may affect transactions conducted in currencies other than U.S. Dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives mainly from its investments in international equity funds.

The investment policy limits the foreign investments to no more than 25% of the Plan's investment balance. As of September 30, 2019, the foreign investments were 11.73% of total investments.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

NOTE 3. INVESTMENTS (Continued)

The Plan has exposure to foreign currency fluctuations through international holdings in a private placement trust fund. As of September 30, 2019, the Plan's exposure to currency fluctuations was as follows:

<u>Country</u>	<u>Private Placement Fund (Valued in U.S. Dollars)</u>
Australia	\$ 893,893
Brazil	14,022
Canada	1,552,920
Chile	35,055
Czech Republic	992,046
Euro	14,102,480
United Kingdom	1,787,787
Japan	10,502,369
South Korea	862,344
Norway	1,721,183
Romania	999,057
Russia	659,027
Thailand	231,361
Turkey	701,093
Total	<u>\$ 35,054,637</u>

NOTE 4. FAIR VALUE MEASUREMENTS

Fair value is defined as 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 Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market as follows:

Level 1- Inputs to the valuation methodology are based upon quoted prices for identical assets in active markets.

Level 2- Inputs to the valuation methodology are based upon observable inputs for the assets either directly or indirectly, other than those considered Level 1 inputs, which may include quoted prices for identical assets in markets that are not considered to be active, and quoted prices of similar assets in active or inactive markets.

Level 3- Inputs to the valuation methodology are based upon unobservable inputs.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following is a description of the valuation methodologies used for asset measured at fair value.

Common stocks: Valued at the closing price reported on the New York Stock Exchange.

Commingled equity funds: Valued at the daily closing price as reported by the Plan. The funds held by the Plan are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded.

Government securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Corporate bonds and private placements: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yield of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote, if available.

Real estate funds: Valued at the net asset value of shares held by the Plan at year end. The Plan has investments in private market real estate investments for which no liquid public market exists.

Pooled separate accounts: Valued at their accumulation unit value (AUV). The separate account is valued daily as the number of accumulation units held multiplied by the AUV. The AUV is first established when a new fund starts and is then determined daily based on the net asset value of shares of the underlying fund, the fund's dividends and the contract's separate account charges.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table presents the Plan's fair value hierarchy for investments at fair value as of September 30, 2019:

	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Investments by fair value level</u>				
Equity securities:				
Common stocks	\$ 324,266,164	\$ 324,266,164	\$ -	\$ -
Commingled domestic equity funds	152,573,690	152,573,690	-	-
Commingled international equity fund	49,769,632	-	49,769,632	-
Total equity securities	<u>526,609,486</u>	<u>476,839,854</u>	<u>49,769,632</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	19,613,462	19,613,462	-	-
U.S. agency securities	10,360,845	-	10,360,845	-
Domestic corporate bonds	208,055,943	-	208,055,943	-
International corporate bonds	22,325,666	-	22,325,666	-
International private placement	35,054,637	-	35,054,637	-
Total debt securities	<u>295,410,553</u>	<u>19,613,462</u>	<u>275,797,091</u>	<u>-</u>
Pooled separate accounts - self directed DROP	25,499,534	-	25,499,534	-
Total investments by fair value level	<u>847,519,573</u>	<u>\$ 496,453,316</u>	<u>\$ 351,066,257</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV) ^(a)</u>				
Real estate funds	90,189,681			
Total investments measured at the NAV	<u>90,189,681</u>			
Money market funds (exempt)	1,372,694			
Total investments	<u>\$ 939,081,948</u>			

(a) As required by GAAP, certain investments that are measured at net asset value have not been classified in the fair value hierarchy. The fair value amounts presented in the table presented on the previous page are intended to permit reconciliation of the fair value hierarchy to the total investment line item in the statement of fiduciary net position.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient, including their related unfunded commitments and redemption restrictions.

<u>Investments Measured at the NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real estate fund ⁽¹⁾	\$ 44,861,638	\$ -	Quarterly	90 Days
Real estate fund ⁽²⁾	<u>45,328,043</u>	<u>-</u>	Quarterly	45 Days
Total investments measured at the NAV	<u>\$ 90,189,681</u>	<u>\$ -</u>		

(1) Real estate fund: This fund is an open-end, commingled real-estate fund with a diversified portfolio of income producing properties located throughout the United States. The investment is valued at NAV and redemption request must be received by the fund 45 days prior to quarter end.

(2) Real estate fund: This fund is an open-end, commingled real estate fund that invests in improved properties with stabilized occupancies. The assets have high quality physical features with strong locational factors allowing the investment to attain a strong competitive position with the assets' local sphere. The investment is valued at NAV and redemption requests must be received by the fund 45 days prior to quarter-end.

NOTE 5. LEASE COMMITMENT

During 2016, the Plan entered into a lease agreement with CLFP - Lincoln, LLC for rental of office space. The lease agreement is classified as an operating lease. For the year ended September 30, 2019, rent expense was \$142,117. The following is a schedule of approximate future minimum lease payments required under the agreement:

2020	\$ 130,677
2021	134,606
2022	138,649
2023	142,806
2024	147,076
Thereafter	<u>387,890</u>
Total	<u>\$ 1,081,704</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 6. NET PENSION LIABILITY

The components of the net pension liability of the Plan at September 30, 2019 were as follows:

Total pension liability	\$ 1,290,634,477
Plan fiduciary net position	940,953,661
City's net pension liability	<u>\$ 349,680,816</u>

Plan fiduciary net position as a percentage of the total pension liability	72.91%
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The total pension liability was determined by an actuarial valuation as of October 1, 2018, and rolled forward to the measurement date of September 30, 2019, using the following most significant actuarial assumptions: 7.75% for the investment rate of return, 2.88% - 10.49% for projected salary increases and 3.00% for inflation.

Mortality rates are calculated as follows. For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 10% White Collar and 90% Blue Collar adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participants post employment, RP-2000 Annuitant Mortality Table, separate rates for males and females, with 10% White Collar adjustment and 90% Blue Collar adjustment, with 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 and 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 and 40% RP-2000 Annuitant Female Mortality Table with White Collar adjustment, without projected mortality improvements.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 6. NET PENSION LIABILITY (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, 2019 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term expected real rate of return</u>
Domestic equity	7.50%
International equity	8.50%
Domestic bonds	2.50%
International bonds	3.50%
Real estate	4.50%
Alternatives	6.24%

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The sensitivity of the net pension liability to changes in the discount rate was measured as follows. The net pension liability of the Plan was calculated using the discount rate of 7.75%. It was also calculated using a discount rate that was 1-percentage-point lower (6.75%) and 1-percentage-point higher (8.75%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Net pension liability	\$517,515,954	\$349,680,816	\$212,909,444

NOTE 7. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

Plan contributions are made and the actuarial present value of accumulated Plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019
(Continued)

NOTE 8. INCOME TAXES

The Plan is exempt from federal income taxes under the Internal Revenue Code and, accordingly, no provision for federal income taxes has been made.

On January 25, 2017, the Plan obtained its most recent determination letter in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with applicable requirements of Internal Revenue Code 401(a).

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 9. RELATED PARTIES

The Plan is related through common membership to the Miami Beach Policemen's Relief and Pension Fund and the Miami Beach Firefighters' Relief and Pension Fund. During 2019, the Plan received \$70,669 of share plan contribution from the Miami Beach Policemen's Relief and Pension Fund. During 2019, the Plan received \$49,880 of share plan contribution from the Miami Beach Firefighters' Relief and Pension Fund.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 16, 2020, the date the financial statements were available to be issued.

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

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2019

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

SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)

	<u>2019</u>	<u>2018</u>
INVESTMENT EXPENSES:		
Financial management expense	\$ 3,524,261	\$ 3,231,714
Custodial fee	96,907	98,268
Investment consultant fee	95,144	74,870
TOTAL INVESTMENT EXPENSES	<u>\$ 3,716,312</u>	<u>\$ 3,404,852</u>
 ADMINISTRATIVE EXPENSES:		
Accounting	\$ 37,752	\$ 24,510
Actuarial	32,358	29,392
Computer and phone charges	40,560	40,560
Consulting	8,937	11,843
Contract labor	9,680	5,474
Education, dues and subscriptions	47,237	48,249
Employee benefits	51,294	33,602
Equipment rentals	4,703	4,703
Insurance	56,922	56,424
Legal	78,000	79,193
Medical costs	3,857	9,363
Miscellaneous	-	473
Office	23,359	32,128
Rent	142,117	137,959
Salaries and payroll taxes	315,081	284,229
Utilities	3,904	4,004
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 855,761</u>	<u>\$ 802,106</u>

The accompanying independent auditor's report should be read with this supplementary schedule.

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

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined employer contribution	\$ 39,747,149	\$ 37,639,937	\$ 35,367,866	\$ 34,970,641	\$ 33,149,388
Actual employer contribution	<u>39,747,149</u>	<u>37,639,937</u>	<u>35,367,866</u>	<u>34,970,641</u>	<u>33,149,388</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (excluding DROP) ¹	<u>\$ 66,441,610</u>	<u>\$ 64,126,115</u>	<u>\$ 59,907,167</u>	<u>\$ 56,759,632</u>	<u>\$ 56,545,113</u>
Actual contributions as a percentage of covered-employee payroll	59.82%	58.70%	59.04%	61.61%	58.62%

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined employer contribution	\$ 35,960,326	\$ 39,492,050	\$ 36,297,459	\$ 32,811,570	\$ 23,403,818
Actual employer contribution	<u>35,960,326</u>	<u>39,492,050</u>	<u>36,297,459</u>	<u>32,811,570</u>	<u>23,403,818</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (excluding DROP) ¹	<u>\$ 50,740,542</u>	<u>\$ 47,164,030</u>	<u>\$ 53,273,735</u>	<u>\$ 49,041,435</u>	<u>\$ 49,144,179</u>
Actual contributions as a percentage of covered-employee payroll	70.87%	83.73%	68.13%	66.91%	47.62%

¹ Reported payroll on which contributions to the Plan are based as provided under GASB Statement Number 82.

See notes to schedules of contributions on following pages.

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

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED) (Continued)

Notes to Schedules of Contributions

Valuation date	Actuarially determined contributions are calculated as of October 1st, two year(s) prior the fiscal year end in which contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage, Closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation:	3.00%
Salary increases	2.88% - 10.49%
Investment rate of return	7.75%
Mortality	For healthy participants during employment, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 10% White Collar and 90% Blue Collar adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy participant post-employment, RP-2000 Annuitant Mortality Tables, separate rates for male and females, with 90% Blue Collar and 10% White Collar adjustments, with 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 and 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 and 40% RP-2000 Annuitant Female Mortality Table with White Collar adjustment, without projected mortality improvements.
Cost-of-Living Increases	1.5%, 2.0% or 2.5%

The accompanying independent auditor's report should be read with this supplementary schedule.

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

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED) (Continued)

Notes to Schedules of Contributions (Continued)

Benefit Changes

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 the fourth year of DROP participation for these members. In 2013, participants were categorized into different Tiers: Tier 1 - members hired prior to July 14, 2010, Tier 2 - members hired on or after July 14, 2010, but prior to September 30, 2013 and Tier 3 - members hired on or after September 30, 2013. Final average monthly earnings (FAME) were updated to the greater of the average of the 2 highest paid years prior to date of retirement or the 2 last paid years after taking into consideration the overtime limit (Tier 1 and eligible to retire prior to September 30, 2015), the greater of the average of the 3 highest paid years prior to date of retirement or the 3 last paid years after taking into consideration the overtime limit (Tier 1 and eligible to retire on or after September 30, 2015), the greater of the average of the 3 highest paid years prior to date of retirement or the 3 last paid years after taking into consideration the overtime limit (Tier 2) and the greater of the average of the 5 highest paid years prior to date of retirement or the 5 last paid years after taking into consideration the overtime limit (Tier 3).

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

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

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED) (Continued)

Notes to Schedules of Contributions (Continued)

Benefit Changes (continued) 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 2018, investment return decreased from 7.80% to 7.75%. 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 limited to 10 year average. In 2013, the asset valuation method was updated to phase in the deviation between the expected and actual return on assets at the rate of 20% per year and the load for projected pensionable payroll was decreased to 16%. In 2012, investment return was updated to 8.0%, expected salary increases for final years 2013 and 2014 were reduced by 2.17% and increased by 3.00% respectively, contingency compensation load for overtime and other pays was decreased to 16% and contingency pre-employment service load was decreased to 0.275%. In 2011, investment return was updated to 8.1% mortality tables for healthy pre and post retirement participants were projected 15 and 7 years from the valuation date and the contingency compensation load for overtime and other pays was increased to 18%. In 2010, investment return was updated to 8.2% and the freeze on the cost of living increase component of the salary scale was extended to March 31, 2012. In 2009, investment return was updated to 8.3%, mortality rates were changed to the RP-2000 Combined Mortality Table with a blue collar adjustment for healthy lives and the RP-2000 Disabled Mortality table for disabled participants, a 20% load was added to the projected base payroll, retirement and withdrawal rates were updated to reflect the results of the October 1, 2003 through October 1, 2008 experience study, salary increase rates were updated to 3.83% for plan year 2009 and 6.0% for all subsequent plan years and the load for overtime and other pays was updated to 16%.

The accompanying independent auditor's report should be read with this supplementary schedule.

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

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

Year Ended <u>September 30,</u>	Annual money- weighted rate of return net of investment <u>expense</u>
2019	4.46%
2018	9.40%
2017	10.68%
2016	9.51%
2015	0.46%
2014	9.98%
2013	12.79%
2012	19.44%
2011	(1.05%)
2010	10.67%

The accompanying independent auditor's report should be read with this supplementary schedule.

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

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 20,212,389	\$ 18,462,961	\$ 17,530,982
Interest	94,542,879	91,544,984	87,422,136
Difference between actual and expected experience	7,883,134	11,814,591	141,740
Changes of benefit terms	-	-	(9,688,441)
Changes of assumptions	7,294,349	6,951,570	34,969,254
Benefit payments, including refunds	<u>(68,466,325)</u>	<u>(75,460,821)</u>	<u>(58,574,936)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	61,466,426	53,313,285	71,800,735
TOTAL PENSION LIABILITY - BEGINNING	<u>1,229,168,051</u>	<u>1,175,854,766</u>	<u>1,104,054,031</u>
TOTAL PENSION LIABILITY - ENDING	<u>1,290,634,477</u>	<u>1,229,168,051</u>	<u>1,175,854,766</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - city and state	39,747,149	37,639,937	35,367,866
Contributions - members	6,972,214	6,593,715	6,198,244
Net investment income	39,053,408	82,094,851	85,791,174
Benefit payments, including refunds	(68,466,325)	(75,460,821)	(58,574,937)
Administrative expenses	<u>(855,761)</u>	<u>(802,106)</u>	<u>(769,079)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	16,450,685	50,065,576	68,013,268
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>924,502,976</u>	<u>874,437,400</u>	<u>806,424,132</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>940,953,661</u>	<u>924,502,976</u>	<u>874,437,400</u>
NET PENSION LIABILITY - ENDING	<u>\$ 349,680,816</u>	<u>\$ 304,665,075</u>	<u>\$ 301,417,366</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	72.91%	75.21%	74.37%
COVERED EMPLOYEE PAYROLL	\$ 66,441,610	\$ 64,126,115	\$ 59,907,167
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	526.30%	475.10%	503.14%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

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

SCHEDULES OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED) (Continued)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:			
Service cost	\$ 17,803,602	\$ 16,098,560	\$ 14,763,595
Interest	82,627,847	78,415,039	75,108,912
Difference between actual and expected experience	14,588,712	12,428,547	7,685,043
Changes of benefit terms	-	-	-
Changes of assumptions	2,447,885	5,686,196	-
Benefit payments, including refunds	<u>(54,861,660)</u>	<u>(62,686,716)</u>	<u>(53,605,094)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	62,606,386	49,941,626	43,952,456
TOTAL PENSION LIABILITY - BEGINNING	<u>1,041,447,645</u>	<u>991,506,019</u>	<u>947,553,563</u>
TOTAL PENSION LIABILITY - ENDING	<u>1,104,054,031</u>	<u>1,041,447,645</u>	<u>991,506,019</u>
PLAN FIDUCIARY NET POSITION:			
Contributions - city and state	34,970,641	33,149,388	35,960,326
Contributions - members	5,984,397	5,944,414	5,258,974
Net investment income	70,539,300	5,689,333	72,259,674
Benefit payments, including refunds	(54,861,660)	(62,686,716)	(53,605,094)
Administrative expenses	<u>(826,044)</u>	<u>(777,493)</u>	<u>(905,130)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	55,806,634	(18,681,074)	58,968,750
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>750,617,498</u>	<u>769,298,572</u>	<u>710,329,822</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>806,424,132</u>	<u>750,617,498</u>	<u>769,298,572</u>
NET PENSION LIABILITY - ENDING	<u>\$ 297,629,899</u>	<u>\$ 290,830,147</u>	<u>\$ 222,207,447</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	73.04%	72.07%	77.59%
COVERED EMPLOYEE PAYROLL	\$ 56,759,632	\$ 56,545,113	\$ 50,740,542
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	524.37%	514.33%	437.93%

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

The accompanying independent auditor's report should be read with this supplementary schedule.

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

COMPLIANCE REPORT

YEAR ENDED SEPTEMBER 30, 2019

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
— & —
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's basic financial statements, and have issued our report thereon dated January 16, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

KABAT · SCHERTZER
DE LA TORRE · TARABOULOS
&
C O M P A N Y

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS** (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KABAT, SCHERTZER, DE LA TORRE, TARABOULOS & Co.

Weston, Florida
January 16, 2020