

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

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

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

YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS (Required Supplementary Information)	4-7
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10-24
SUPPLEMENTARY INFORMATION	
Schedules of Investment and Administrative Expenses	26
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Contributions from Employer and Other Contributors	28-31
Schedule of Investment Returns	32
Schedules of Changes in the Employer’s Net Pension Liability and Related Ratios	33-34
COMPLIANCE REPORT	
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	36-37



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

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, which comprise the statement of fiduciary net position as of September 30, 2021, 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, 2021, 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.



INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Prior Year Comparative Information

We have previously audited the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach's 2020 financial statements, and our report dated January 21, 2021, 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, 2020, 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 28 - 34 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.



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 20, 2022, 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 20, 2022

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, 2021. 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. 2020-4362 adopted October 14, 2020 and reflecting the most recent collectively bargained agreements executed May 8, 2019 and July 31, 2019 for firefighters and police officers, respectively.

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 five parts: MD&A, the basic financial statements, notes to the financial statements, supplementary information and required 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 other and required 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 2021 reflected the following financial activities:

- Total net position restricted for pensions was \$1,184,024,775, which was 18% greater than the 2020 total net position restricted for pensions.
- Total contributions were \$59,646,204, which was 20% greater than the 2020 contributions.
- Total interest and dividend income was \$21,503,568, which was 4% greater than the 2020 income.
- Net investment income was \$197,454,773, which was 132% greater than the 2020 income.
- Pension benefit payments were \$66,237,581, which was 4% greater than the pension benefits paid during 2020.

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 \$59,646,204, which was 20% greater than the 2020 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, 2021 was \$1,184,024,775, an 18% increase from the net position at September 30, 2020.
- Total investments at September 30, 2021 were \$1,180,477,070, an 18% increase from the investments at September 30, 2020.

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

	2021	2020	% Change
Cash	\$ 20,000	\$ 20,000	0%
Receivables	4,348,354	1,818,272	139%
Investments, at fair value	1,180,477,070	1,004,157,032	18%
Total assets	1,184,845,424	1,005,995,304	18%
Total liabilities	820,649	363,020	126%
Net position restricted for pensions	\$ 1,184,024,775	\$ 1,005,632,284	18%

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 \$257,121,763, which was made up of total contributions of \$59,646,204, plus net investment income of \$197,454,773, and other income of \$20,786.
- Expenses (deductions from fiduciary net position) increased from \$70,288,472 during 2020, to \$78,729,272 during 2021.

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

	2021	2020	% Change
Total contributions	\$ 59,646,204	\$ 49,912,172	20%
Net investment income	197,454,773	85,037,488	132%
Other income	20,786	17,435	100%
Total additions	257,121,763	134,967,095	91%
Total deductions	78,729,272	70,288,472	12%
Net increase	178,392,491	64,678,623	176%
Net position restricted for pensions – beginning	1,005,632,284	940,953,661	7%
Net position restricted for pensions – ending	\$ 1,184,024,775	\$ 1,005,632,284	18%

Asset Allocation

The table below indicates the Plan's investment policy limitations and actual investment allocations as of September 30, 2021:

Type of Investment	Investment Policy	Actual Allocation
Domestic equities	49.00%	51.74%
International equities	5.00%	5.52%
Domestic fixed income	19.00%	19.22%
International fixed income	5.00%	4.76%
Real estate funds	15.00%	14.56%
Hedge fund	1.00%	1.00%
Cash and cash equivalents	6.00%	3.20%

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
THE CITY OF MIAMI BEACH**

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 consultant 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 October 1, 2020.

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, 2021 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, 2021
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CASH	\$ 20,000	\$ 20,000
RECEIVABLES:		
Participant contributions	231,432	234,526
Buyback contributions	2,528,090	-
Accrued investment income	1,588,832	1,583,746
TOTAL RECEIVABLES	<u>4,348,354</u>	<u>1,818,272</u>
INVESTMENTS, AT FAIR VALUE:		
Equity securities	654,685,937	576,647,237
Government securities	41,711,709	28,784,890
Domestic corporate bonds	177,988,469	191,763,767
International corporate bonds	-	1,011,484
International private placement fund	54,374,608	54,665,590
Real estate funds	166,490,381	98,590,809
Hedge fund	11,528,987	-
Money market funds	36,569,041	20,219,571
Self-directed DROP accounts	37,127,938	32,473,684
TOTAL INVESTMENTS, AT FAIR VALUE	<u>1,180,477,070</u>	<u>1,004,157,032</u>
TOTAL ASSETS	<u>1,184,845,424</u>	<u>1,005,995,304</u>
LIABILITIES		
ACCOUNTS PAYABLE	<u>820,649</u>	<u>363,020</u>
NET POSITION RESTRICTED FOR PENSIONS		
NET POSITION RESTRICTED FOR DEFINED BENEFITS	1,146,896,837	973,158,600
NET POSITION RESTRICTED FOR DROP BENEFITS	37,127,938	32,473,684
TOTAL NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 1,184,024,775</u>	<u>\$ 1,005,632,284</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, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
ADDITIONS:		
Contributions:		
City	\$ 43,324,910	\$ 42,658,455
Participant	6,697,306	6,715,576
Buyback	9,503,439	417,592
Share plan	120,549	120,549
Total contributions	<u>59,646,204</u>	<u>49,912,172</u>
Investment income:		
Net appreciation in fair value of investments	180,819,230	67,894,398
Interest and dividend income	<u>21,503,568</u>	<u>20,683,787</u>
Total investment income	202,322,798	88,578,185
Less: investment expenses	<u>4,868,025</u>	<u>3,540,697</u>
Net investment income	<u>197,454,773</u>	<u>85,037,488</u>
Other income	<u>20,786</u>	<u>17,435</u>
TOTAL ADDITIONS	<u>257,121,763</u>	<u>134,967,095</u>
DEDUCTIONS:		
Benefit payments	66,237,581	63,928,894
DROP distributions	11,222,465	5,411,253
Contribution refunds	310,901	48,074
Administrative expenses	<u>958,325</u>	<u>900,251</u>
TOTAL DEDUCTIONS	<u>78,729,272</u>	<u>70,288,472</u>
NET INCREASE IN NET POSITION RESTRICTED FOR PENSIONS	178,392,491	64,678,623
NET POSITION RESTRICTED FOR PENSIONS - BEGINNING	<u>1,005,632,284</u>	<u>940,953,661</u>
NET POSITION RESTRICTED FOR PENSIONS - ENDING	<u>\$ 1,184,024,775</u>	<u>\$ 1,005,632,284</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, 2021

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, 2021, the Plan had deposits in excess of federally insured limits of approximately \$529,000.

The Plan's investments consist of common stocks, government securities, corporate bonds, real estate funds, commingled equity funds, international private placement, commingled international equity fund, hedge fund 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, 2020, 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, 2021
(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. 2020-4362 adopted October 14, 2020 and reflecting the most recent collectively bargained agreements executed May 8, 2019 and July 31, 2019 for firefighters and police officers, respectively. 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, 2021, Plan membership consisted of the following:

Fully vested, partially vested and non-vested	
active employees covered by the Plan	492
Retirees and beneficiaries	805
Terminated employees entitled to benefits	
but not receiving them	<u>21</u>
	<u>1,318</u>

Eligibility

Members are substantially all certified firefighters and police officers employed by the City. Members are further divided into the following five 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, but prior to May 8, 2019 for the fire department and on or after July 20, 2016, but prior to July 31, 2019 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, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Eligibility (Continued)

Tier Five members are those hired on or after May 8, 2019 for the fire department and July 31, 2019 for the police department.

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 and Tier Five, 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, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Eligibility for 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) or reach the 85% maximum pension benefit regardless of age 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) or reach the 85% maximum pension benefit regardless of age are eligible for retirement benefits.

Tier Four and Tier Five 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) or reach the 85% maximum pension benefit regardless of age are eligible for retirement benefits.

Normal Retirement Benefits

All Tiers – 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.

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.

Effective July 1, 2019, a firefighter who becomes totally and permanently unable to perform useful and efficient service as a firefighter due to a diagnosis of cancer or circumstances that arise out of the treatment of cancer will be presumed to be disabled in-line of duty subject to the limitations in Chapter 112.1816, Florida Statutes.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Death Benefits

The Plan has various pre-retirement and post-retirement death benefits.

Cost of Living Adjustment

For members who retired on or after 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 earning, 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 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.

Tier Two, Tier Three, Tier Four and Tier Five 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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Deferred Retirement Option Plan (DROP) (Continued)

A summary of the changes in the DROP balance as of September 30, 2021 is as follows:

Beginning balance	\$ 32,473,684
Additions	11,234,231
Distributions	(11,222,465)
Earnings	<u>4,642,488</u>
Ending balance	<u>\$ 37,127,938</u>

Refund of Employee Contributions

If contributions are refunded to the member or to the member's 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, 2021, the Plan's actuary determined that the required City contribution was \$43,324,910. These contributions were received during the Plan year.

Buyback Contributions

During 2021, the Union and the City negotiated a buyback window, from July 1, 2021 to September 30, 2021 to purchase up to two years creditable service in increments of up to 3% per year of service for a maximum additional multiplier of 6%, purchased at 10% or 10.5% of pensionable wages (on a pre-tax basis). For purposes of the purchase, a member may use the value of accrued sick and/or annual leave plus cash for any remaining balance. During 2021, \$9,503,439 of contributions was received and at September 30, 2021 a receivable balance of \$2,528,090 existed.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 2. DESCRIPTION OF THE PLAN (Continued)

Rate of Return

For the year ended September 30, 2021, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 19.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 August 20, 2020 with an effective date of October 1, 2020. The following was the Board's adopted investment allocation policy as of September 30, 2021:

<u>Type of Investment</u>	<u>Target Allocation</u>
Domestic equities	49%
International equities	5%
Domestic fixed income	19%
International fixed income	5%
Real estate funds	15%
Hedge fund	1%
Cash and cash equivalents	6%

During the year ended September 30, 2021, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value by \$180,819,230 (reported as net appreciation in fair value of investments in the statement of changes in fiduciary net position) as follows:

Common stocks	\$ 100,584,243
Commingled equity funds	1,674,918
Government securities	66,823,503
Corporate bonds	(4,391,889)
Hedge fund	1,528,987
Real estate funds	<u>14,599,468</u>
Total	<u>\$ 180,819,230</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:

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(Continued)

NOTE 3. INVESTMENTS (Continued)

<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	\$ 177,988,469	\$ 9,377,692	\$ 70,275,258	\$ 96,776,158	\$ 1,559,361
International private placement	54,374,608	647,058	23,756,266	22,674,212	7,297,072
U.S. treasuries	23,191,097	-	12,520,480	6,706,610	3,964,007
U.S. agencies	18,520,612	-	1,808,630	13,908,118	2,803,864
Totals	<u>\$ 274,074,786</u>	<u>\$ 10,024,750</u>	<u>\$ 108,360,634</u>	<u>\$ 140,065,098</u>	<u>\$ 15,624,304</u>

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>
Aaa	\$ 63,894,406
Aa	11,861,039
Aa1	5,033,557
Aa2	1,843,978
Aa3	6,473,217
A	10,847,734
A1	28,603,525
A2	44,394,944
A3	40,774,785
Baa1	25,146,816
Baa2	15,294,242
Bbb	15,268,390
Bb	3,322,288
B	1,315,865
Total	<u>\$ 274,074,786</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 states a dedicated 10% to foreign investments with a maximum of 25% in foreign investments in total from all investment managers. As of September 30, 2021, the foreign investments were 10.28% of total investments.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(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, 2021, the Plan's exposure to currency fluctuations was as follows:

<u>Country</u>	<u>Private Placement Fund (Valued in U.S. Dollars)</u>
Australia	\$ 2,604,544
Brazil	935,243
Canada	3,800,785
China	5,693,022
Euro	17,981,683
Hungary	1,294,116
Indonesia	1,397,427
Japan	9,841,804
Malaysia	1,256,053
Norway	1,587,739
New Zealand	1,663,863
Romania	1,500,739
Russia	1,506,177
South Korea	1,348,490
Sweden	375,185
Switzerland	462,184
United Kingdom	1,125,554
Total	<u>\$ 54,374,608</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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

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

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.

Hedge fund: Valued based on the net asset value per share, without further adjustment. Net asset value is based upon the fair value of the underlying investment.

The remainder of this page intentionally left blank.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021

(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, 2021:

	<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	\$ 399,744,278	\$ 399,744,278	\$ -	\$ -
Commingled domestic equity funds	191,876,727	191,876,727	-	-
Commingled international equity fund	<u>63,064,932</u>	<u>-</u>	<u>63,064,932</u>	<u>-</u>
Total equity securities	<u>654,685,937</u>	<u>591,621,005</u>	<u>63,064,932</u>	<u>-</u>
Debt securities:				
U.S. treasury securities	23,191,097	23,191,097	-	-
U.S. agency securities	18,520,612	-	18,520,612	-
Domestic corporate bonds	177,988,469	-	177,988,469	-
International private placement	<u>54,374,608</u>	<u>-</u>	<u>54,374,608</u>	<u>-</u>
Total debt securities	<u>274,074,786</u>	<u>23,191,097</u>	<u>250,883,689</u>	<u>-</u>
Pooled separate accounts - self directed DROP	<u>37,127,938</u>	<u>-</u>	<u>37,127,938</u>	<u>-</u>
Total investments by fair value level	<u>965,888,661</u>	<u>\$ 614,812,102</u>	<u>\$ 351,076,559</u>	<u>\$ -</u>
<u>Investments measured at the net asset value (NAV) ^(a)</u>				
Real estate funds	166,490,381			
Hedge fund	<u>11,528,987</u>			
Total investments measured at the NAV	<u>178,019,368</u>			
Money market funds (exempt)	<u>36,569,041</u>			
Total investments	<u>\$ 1,180,477,070</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, 2021
(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⁾	\$ 56,854,684	\$ -	Quarterly	45 Days
Real estate fund ⁽²⁾	54,606,327	-	Quarterly	45 Days
Real estate fund ⁽²⁾	55,029,370	-	Quarterly	45 Days
Hedge fund ⁽³⁾	11,528,987	-	Quarterly	70 Days
Total investments measured at the NAV	<u>\$ 178,019,368</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 requests must be received by the fund 45 days prior to quarter end.
- (2) Real estate funds: These funds are open-end, commingled real estate funds that invest 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 investments are valued at NAV and redemption requests must be received by the funds 45 days prior to quarter end.
- (3) Hedge fund: This fund is a diversified portfolio with an objective to generate a superior absolute and risk-adjusted rate of return, with low performance volatility and low correlation with global equity and fixed income markets, over a full market cycle; and preserve capital during challenging market environments. The investment is valued at NAV and redemption requests must be received by the fund 70 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, 2021, rent expense, including operating expenses, was \$154,190. The following is a schedule of approximate future minimum lease payments required under the agreement:

2022	\$ 138,649
2023	142,806
2024	147,076
2025	151,489
2026	156,044
2027	80,357
Total	<u>\$ 816,421</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 6. NET PENSION LIABILITY

The components of the net pension liability of the Plan at September 30, 2021 were as follows:

Total pension liability	\$ 1,382,686,907
Plan fiduciary net position	<u>1,184,024,775</u>
City's net pension liability	<u>\$ 198,662,132</u>

Plan fiduciary net position as a percentage of the total pension liability	85.63%
---	--------

The total pension liability was determined by an actuarial valuation as of October 1, 2020, and rolled forward to the measurement date of September 30, 2021, using the following most significant actuarial assumptions: 7.55% for the investment rate of return, 1.70% - 9.89% for projected salary increases and 3.00% for inflation.

Mortality rates are calculated as follows. For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Mortality Table, both set forward one year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward one year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, 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.

The remainder of this page intentionally left blank.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(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, 2021 (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 funds	4.50%
Alternatives	6.24%

The discount rate used to measure the total pension liability was 7.55%. 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 7.55%. It was also calculated using a discount rate that was 1-percentage-point lower (6.55%) and 1-percentage-point higher (8.55%) and the different computations were compared.

	1% decrease	Current discount rate	1% increase
	<u>(6.55%)</u>	<u>(7.55%)</u>	<u>(8.55%)</u>
Net pension liability	\$374,186,122	\$198,662,132	\$ 54,961,164
Plan's fiduciary net position as a percentage of total pension liability	75.99%	85.63%	95.56%

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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2021
(Continued)

NOTE 7. RISKS AND UNCERTAINTIES (Continued)

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.

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 2021, the Plan received \$70,669 of share plan contribution from the Miami Beach Policemen's Relief and Pension Fund. During 2021, the Plan received \$49,880 of share plan contribution from the Miami Beach Firefighters' Relief and Pension Fund.

NOTE 10. COVID-19 CONSIDERATIONS

The Plan's ongoing funding may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect the Plan's business will depend on future developments, which are highly uncertain and cannot be predicted at this time.

NOTE 11. SUBSEQUENT EVENTS

Management has evaluated subsequent events for the Plan through January 20, 2022, the date the financial statements were available to be issued.

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

SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2021

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

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES

YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2020)

	<u>2021</u>	<u>2020</u>
INVESTMENT EXPENSES:		
Financial management expense	\$ 4,647,991	\$ 3,340,470
Custodial fee	112,750	103,805
Investment consultant fee	107,284	96,422
TOTAL INVESTMENT EXPENSES	<u>\$ 4,868,025</u>	<u>\$ 3,540,697</u>
 ADMINISTRATIVE EXPENSES:		
Accounting	\$ 32,942	\$ 26,100
Actuarial	35,704	64,227
Computer and phone charges	41,754	45,871
Consulting	8,936	8,869
Contract labor	-	4,397
Education, dues and subscriptions	16,609	19,191
Employee benefits	63,780	52,456
Equipment rentals	4,703	4,568
Insurance	65,169	61,310
Legal	78,000	78,000
Office	29,785	24,553
Rent	154,190	160,231
Salaries and payroll taxes	420,905	346,313
Utilities	5,848	4,165
TOTAL ADMINISTRATIVE EXPENSES	<u>\$ 958,325</u>	<u>\$ 900,251</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**

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2021

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

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND OTHER CONTRIBUTORS (UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined employer contribution	\$43,445,459	\$42,779,004	\$39,747,149	\$37,639,937	\$35,367,866
Actual employer contribution	<u>43,445,459</u>	<u>42,779,004</u>	<u>39,747,149</u>	<u>37,639,937</u>	<u>35,367,866</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (excluding DROP) ¹	<u>\$66,037,375</u>	<u>\$66,272,092</u>	<u>\$66,441,610</u>	<u>\$64,126,115</u>	<u>\$59,907,167</u>
Actual contributions as a percentage of covered-employee payroll	65.79%	64.55%	59.82%	58.70%	59.04%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined employer contribution	\$34,970,641	\$33,149,388	\$35,960,326	\$39,492,050	\$36,297,459
Actual employer contribution	<u>34,970,641</u>	<u>33,149,388</u>	<u>35,960,326</u>	<u>39,492,050</u>	<u>36,297,459</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll (excluding DROP) ¹	<u>\$56,759,632</u>	<u>\$56,545,113</u>	<u>\$50,740,542</u>	<u>\$47,164,030</u>	<u>\$53,273,735</u>
Actual contributions as a percentage of covered-employee payroll	61.61%	58.62%	70.87%	83.73%	68.13%

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 from Employer and Other Contributors

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	1.70% - 9.89%
Investment rate of return	7.65%
Mortality	For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Mortality Table, both set forward one year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For healthy participant post-employment, PUB-2010 Headcount Weighted Safety Health Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male Mortality Table, both set forward one year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018. For disabled participants, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, 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 required 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 from Employer and Other Contributors (Continued)

Benefit changes

In 2019, a Tier 5 was added for Fire Department members hired on or after May 8, 2019 and Police Department members hired on or after July 31, 2019. Vested Benefit Eligibility for Tier 5 members is 10 years of service and transfers from other City Pension Systems is no longer applicable for Tier 5 members. Normal Retirement was extended to include the age at which the maximum benefit percentage (85%) is reached. Benefit Purchase Eligibility was also updated. Disability retirement eligibility for firefighters was updated to reflect the updated Florida Statutes. 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 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.

The accompanying independent auditor's report should be read with this required 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 from Employer and Other Contributors (Continued)

Assumption changes

In 2020, investment return was decreased from 7.65% to 7.55%. The rates of retirement were also updated. In 2019, investment return was decreased from 7.75% to 7.65%, The mortality assumptions, disability rates for firefighters, salary increases factors and loading for contingencies are also updated. 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%.

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>
2021	19.81%
2020	9.11%
2019	4.46%
2018	9.40%
2017	10.68%
2016	9.51%
2015	0.46%
2014	9.98%
2013	12.79%
2012	19.44%

The accompanying independent auditor's report should be read with this required 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL PENSION LIABILITY:				
Service cost	\$ 22,635,278	\$ 22,110,056	\$ 20,212,389	\$ 18,462,961
Interest	101,830,772	95,945,797	94,542,878	91,544,984
Difference between actual and expected experience	1,590,742	(7,950,229)	7,883,134	11,814,591
Changes of benefit terms	-	922,043	-	-
Changes of assumptions	19,051,525	(16,924,385)	7,294,349	6,951,570
Benefit payments, including refunds	<u>(77,770,947)</u>	<u>(69,388,221)</u>	<u>(68,466,325)</u>	<u>(75,460,821)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	67,337,370	24,715,061	61,466,425	53,313,285
TOTAL PENSION LIABILITY - BEGINNING	<u>1,315,349,537</u>	<u>1,290,634,476</u>	<u>1,229,168,051</u>	<u>1,175,854,766</u>
TOTAL PENSION LIABILITY - ENDING	<u>1,382,686,907</u>	<u>1,315,349,537</u>	<u>1,290,634,476</u>	<u>1,229,168,051</u>
PLAN FIDUCIARY NET POSITION:				
Contributions - city and state	43,445,459	42,779,004	39,747,149	37,639,937
Contributions - members	16,200,745	7,133,168	6,972,214	6,593,715
Net investment income	197,475,559	85,054,923	39,053,408	82,094,851
Benefit payments, including refunds	(77,770,947)	(69,388,221)	(68,466,325)	(75,460,821)
Administrative expenses	<u>(958,325)</u>	<u>(900,251)</u>	<u>(855,761)</u>	<u>(802,106)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	178,392,491	64,678,623	16,450,685	50,065,576
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>1,005,632,284</u>	<u>940,953,661</u>	<u>924,502,976</u>	<u>874,437,400</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>1,184,024,775</u>	<u>1,005,632,284</u>	<u>940,953,661</u>	<u>924,502,976</u>
NET PENSION LIABILITY - ENDING	<u>\$ 198,662,132</u>	<u>\$ 309,717,253</u>	<u>\$ 349,680,815</u>	<u>\$ 304,665,075</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	85.63%	76.45%	72.91%	75.21%
COVERED EMPLOYEE PAYROLL	\$ 66,037,375	\$ 66,272,092	\$ 66,441,610	\$ 64,126,115
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	300.83%	467.34%	526.30%	475.10%

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 required 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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY:				
Service cost	\$ 17,530,982	\$ 17,803,602	\$ 16,098,560	\$ 14,763,595
Interest	87,422,136	82,627,847	78,415,039	75,108,912
Difference between actual and expected experience	141,740	14,588,712	12,428,547	7,685,043
Changes of benefit terms	(9,688,441)	-	-	-
Changes of assumptions	34,969,254	2,447,885	5,686,196	-
Benefit payments, including refunds	<u>(58,574,936)</u>	<u>(54,861,660)</u>	<u>(62,686,716)</u>	<u>(53,605,094)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	71,800,735	62,606,386	49,941,626	43,952,456
TOTAL PENSION LIABILITY - BEGINNING	<u>1,104,054,031</u>	<u>1,041,447,645</u>	<u>991,506,019</u>	<u>947,553,563</u>
TOTAL PENSION LIABILITY - ENDING	<u>1,175,854,766</u>	<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	35,367,866	34,970,641	33,149,388	35,960,326
Contributions - members	6,198,244	5,984,397	5,944,414	5,258,974
Net investment income	85,791,174	70,539,300	5,689,333	72,259,674
Benefit payments, including refunds	(58,574,937)	(54,861,660)	(62,686,716)	(53,605,094)
Administrative expenses	<u>(769,079)</u>	<u>(826,044)</u>	<u>(777,493)</u>	<u>(905,130)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	68,013,268	55,806,634	(18,681,074)	58,968,750
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>806,424,132</u>	<u>769,298,572</u>	<u>769,298,572</u>	<u>710,329,822</u>
PLAN FIDUCIARY NET POSITION - ENDING	<u>874,437,400</u>	<u>825,105,206</u>	<u>750,617,498</u>	<u>769,298,572</u>
NET PENSION LIABILITY - ENDING	<u>\$ 301,417,366</u>	<u>\$ 278,948,825</u>	<u>\$ 290,830,147</u>	<u>\$ 222,207,447</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	74.37%	74.73%	72.07%	77.59%
COVERED EMPLOYEE PAYROLL	\$ 59,907,167	\$ 56,759,632	\$ 56,545,113	\$ 50,740,542
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	503.14%	491.46%	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 required supplementary schedule.

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

COMPLIANCE REPORT

YEAR ENDED SEPTEMBER 30, 2021



**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, 2021, 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 20, 2022.

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) as a basis for designing 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.



**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 financial statements. 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 20, 2022