



The City of Miami  
Fire Fighters' and Police Officers'  
Retirement Trust

***75<sup>TH</sup> ANNUAL REPORT  
SEPTEMBER 30, 2014***



**ADMINISTRATOR**  
Dania L. Orta

**TRUSTEES**  
Ornel Cotera  
Jesse Diner  
Nelson Enriquez  
Monica Fernandez  
Tom Gabriel  
Sean MacDonald  
Robert Moskovitz  
Thomas Roell  
Annette Rotolo

March 18, 2015

We hereby provide the Comprehensive Annual Financial Report for the City of Miami Fire Fighters' and Police Officers' Retirement Trust (FIPO) for fiscal year ended September 30, 2014.

Administration assumes full responsibility for the accuracy and reliability of the information including the completeness and fairness of the presentation. To provide a reasonable basis for these representations, Administration has established a comprehensive internal control framework that is designed to provide reasonable assurance of the safeguarding of assets against loss from unauthorized use or disposition and the adequate reliability of accounting records. Monitoring and evaluation of internal controls is a function that is maintained on an ongoing basis.

FIPO's financial statements have been audited by a firm of licensed certified public accountants in the State of Florida as required by State Statute. The goal of the Financial Audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit was conducted in accordance with US generally accepted auditing standards and the standards applicable to financial audits in Government Auditing Standards issued by the Comptroller of the United States. Our independent accounting firm, Goldstein Schechter Koch, concluded that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the fiscal year ended September 30, 2014, were fairly stated in conformity with US generally accepted accounting principles.

Sincerely,

Dania L. Orta  
Administrator

75<sup>th</sup> ANNUAL REPORT  
SEPTEMBER 30, 2014

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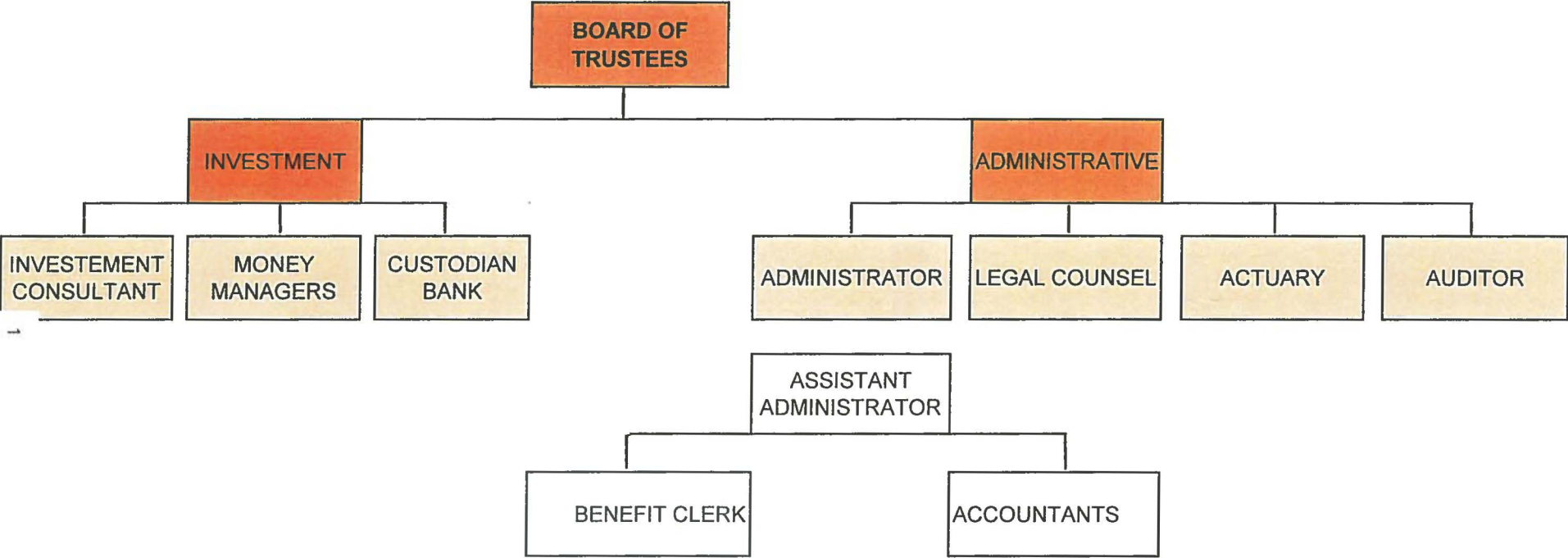
I

**INTRODUCTORY  
SECTION**

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ORGANIZATIONAL CHART

SEPTEMBER 30, 2014



BOARD OF TRUSTEES  
AND  
PERSONNEL OF THE RETIREMENT TRUST  
AS OF SEPTEMBER 30, 2014

Thomas Gabriel - Chairman  
Fire Captain  
Elected by the Fire Fighters

Jesse Diner  
Appointed by the City  
Commission

Thomas Roell  
Appointed by the City  
Commission

Nelson Enriquez  
Fire Captain  
Elected by the Fire Fighters

Monica Fernandez  
Appointed by the City  
Commission

Ornel Cotera  
Appointed by the City  
Commission

Annette Rotolo  
Police Sergeant  
Elected by the Police Officers

Sean Mac Donald  
Police Lieutenant  
Elected by the Police Officers

Robert Moskovitz  
Appointed by City Manager

Administrator  
Robert H. Nagle

Assistant Administrator  
Dania L. Orta

Legal Advisor  
Stephen H. Cypen, Esq.

Medical Advisor  
Cornell Lupu, MD

Consulting Actuary  
Nyhart

Certified Public Accountants  
Goldstein Schechter Koch

Investment Managers

Adams Street  
Alliance Bernstein  
Ambassador Investments  
AXA Investments  
Black Rock Invest. Managers  
Barrow, Hanley, et al  
Catalyst Investment  
Champlain Asset Management  
Coller Capital  
Delaware Asset Management  
Dodge & Cox Investment Management  
Eagle Asset Management

J. P. Morgan Invest. Mangmt.  
Lexington Partners  
Munder Capital Management  
First Eagle  
Pantheon  
RCM  
Robeco Boston Partners  
S L Capital  
State Street Global Advisors  
Urdang  
Wellington Investment Manager  
Wentworth Hauser Violich

Consultant  
William Cottle, CFA, Milliman, Inc.

Custodian  
Northern Trust Company

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST**

**75<sup>th</sup> ANNUAL REPORT**

On September 30, 2014, the City of Miami Fire Fighters' and Police Officers' Retirement Trust completed its seventy fourth year of operation.

Retirement benefits granted during the year represent annual benefits of \$1,167,861.00 and are as follows:

|    |  |              |
|----|--|--------------|
| 2  | Service Retirements<br>with annual benefits of               | 61,796.00    |
| 14 | DROP Service Retirements<br>with annual benefits of          | 1,036,254.00 |
| 1  | Vested Rights Retirement<br>with annual benefits of          | 21,745.00    |
| 1  | Ordinary Death (Early Retirement)<br>with annual benefits of | 48,067.00    |

In addition, one beneficiary received an Ordinary Death benefit of one half of a year's salary toaling \$40,331.00.

During the year, 57 pensioners of the Retirement Trust died. Of these, 40 had selected a pension which terminated at their death and 17 had selected an option that will continue to a beneficiary representing yearly benefits of \$282,781.00.

During the year ending September 30, 2014, the pension payroll totaled \$125,462,030.00 which is an increase of 0.38% when compared to the previous year's total payroll, and is broken down as follows:

|  |   | <u>ANNUAL BENEFITS</u> |
|--|---|------------------------|
| 1,335  | Service Retirements                       | 83,393,215.00          |
| 401  | DROP Service Retirements                  | 33,718,397.00          |
| 57   | Early Service Retirements                 | 735,131.00             |
| 49   | Vested Right Retirements                  | 1,018,648.00           |
| 8  | Ordinary Disability Retirements           | 99,332.00              |
| 143  | Service/Accidental Disability Retirements | 3,235,800.00           |
| 8  | Accidental Death Retirements              | 203,303.00             |
| 5  | Ordinary Death Early                      | 140,966.00             |
| 243  | Continuances                              | <u>2,917,237.00</u>    |
|  |   | 125,462,030.00         |
| Securities' gains and losses, Miscellaneous Income |   | 89,770,316.00          |

The various statements and schedules, which follow, reflect the activities of the system from the beginning as well as for the current year. An outline showing benefits and working procedures is also included.



**II**

**FINANCIAL**

**SECTION**



## Independent Auditors' Report

Board of Trustees  
City of Miami Fire Fighters' and Police Officers' Retirement Trust  
Miami, Florida

We have audited the accompanying financial statements of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the "Trust"), which comprise the statements of fiduciary net position as of September 30, 2014 and 2013, and the related changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Miami Fire Fighters' and Police Officers' Retirement Trust as of September 30, 2014 and 2013, and the related statements of changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2014, the Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The financial statements as of and for the year ended September 30, 2013 were restated due to the implementation of GASB Statement No. 67. Our opinion is not modified with respect to this matter.



**Independent Auditors' Report  
(continued)**

**Other Matters**

***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplemental Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Trust. The accompanying supplemental schedules of investment expenses and administrative expenses as listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States or America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2015 on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Trust's internal control over financial reporting and compliance.

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida

January 15, 2015

Goldstein Schechter Koch



ADMINISTRATOR  
Dania L. Orta

TRUSTEES  
Ornel Cotera  
Jesse Diner  
Nelson Enriquez  
Monica Fernandez  
Tom Gabriel  
Sean MacDonald  
Robert Moskowitz  
Thomas Roell  
Annette Rotolo

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2014 and 2013

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Our discussion and analysis of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the "Trust") financial performance provides an overview of the Trust's financial activities for the fiscal years ended September 30, 2014 and 2013. Please read it in conjunction with the Trust's financial statements which follow this discussion.

### *Financial Highlights*

- The Trust assets exceeded its liabilities at the close of fiscal years ended 2014 and 2013 by \$1,748.7 and \$1,699.9 million, respectively (reported as net position held restricted for pensions). The Trust's net position is held in trust to meet future benefit payments. The increase of \$48.7 million and of \$106.4 million in fiduciary net position, of the respective years, has resulted primarily from the changes in the fair value of the Trust's investments due to volatile financial markets.
- For the fiscal year ended September 30, 2014 the Trust's total additions were \$190.7 million which were comprised of contributions of \$57.1 million and net investment income of \$133.6 million.

For the fiscal year ended September 30, 2013 the Trust's total additions were \$232.3 million which were comprised of contributions of \$55.7 million and net investment income of \$176.7 million.

- For the fiscal year ended September 30, 2014 the Trust's deductions increased over the prior year from \$125.9 million to \$141.9 or 12.7%. Most of this increase is attributable to increased pension benefits paid and distributions to retirees.

For the fiscal year ended September 30, 2013 the Trust's deductions increased over the prior year from \$113.4 million to \$125.9 or 11.1%. Most of this increase is attributable to increased pension benefits paid and distributions to retirees.

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2014 and 2013

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### *Plan Highlights*

For the year ending September 30, 2014, the total return of the portfolio was 8.8%. Actual net investment income was \$133.6 million in 2014 compared with \$176.7 million in 2013.

For the year ending September 30, 2013, the total return of the portfolio was 12.5%. Actual net investment income was \$176.7 million in 2013 compared with \$228.1 million in 2012.

### *Overview of the Financial Statements*

The basic financial statements include the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position and Notes to the Financial Statements. The Trust also includes in this report additional information to supplement the financial statements.

The Trust presents required supplementary schedules, which provide historical trend information about the Trust.

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

The Trust implemented the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 as approved by the Governmental Accounting Standards Board in June 2012 in the financial statements for the fiscal year ended September 30, 2014. The financial statements, notes to the financial statements, and required supplementary information reflect changes as required by this statement.

### *Description of the Financial Statements*

The *Statements of Fiduciary Net Position* presents information that includes all of the Trust's assets and liabilities, with the balance representing the net position restricted for pensions. It is a snapshot of the financial position of the Trust at that specific point in time and reflects the resources available to pay members, retirees and beneficiaries at that point in time.

The *Statements of Changes in Fiduciary Net Position* reports how the Trust's net position changed during the fiscal year. The additions and deductions to net position are summarized in these statements. The additions include contributions to the retirement plan from employers (City) and members and net investment income, which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

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

## Management's Discussion and Analysis (Required Supplementary Information - Unaudited) September 30, 2014 and 2013

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### *Description of the Financial Statements*

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

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

### *Financial Analysis*

- Trust's total assets as of September 30, 2014, were \$2,001.2 million and were mostly comprised of cash and cash equivalents, investments, property and equipment, and receivables related to investments. Total assets decreased \$24.1 million or 1.2%.

Trust's total assets as of September 30, 2013, were \$2,025.3 million and were mostly comprised of cash and cash equivalents, investments, property and equipment, and receivables related to investments. Total assets decreased \$140.6 million or 7.5%.

- Total liabilities as of September 30, 2014 were \$252.5 million and were mostly comprised of obligations under securities lending and payable for securities purchased. Total liabilities decreased \$72.8 million or 22.4% from the prior year primarily due to a decrease in payable for securities purchased.

Total liabilities as of September 30, 2013 were \$325.4 million and were mostly comprised of obligations under securities lending and payable for securities purchased. Total liabilities increased \$34.2 million or 11.7% from the prior year primarily due to an increase in deferred retirement option plan and payable for securities purchased.

- Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2014 by \$1,748.7 million. Total fiduciary net position held in trust for pension benefits increased \$48.7 million or 2.9% from the previous year.

Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2013 by \$1,699.9 million. Total fiduciary net position held in trust for pension benefits increased \$106.4 million or 6.7% from the previous year.

**Management's Discussion and Analysis**  
(Required Supplementary Information - Unaudited)  
September 30, 2014 and 2013

*Description of the Financial Statements – continued*

*Financial Analysis- continued*

**Table 1 - Condensed Statements of Fiduciary Net Position**  
September 30,  
(Dollar Amounts in Thousands)

|  | 2014                | 2013<br>(Restated)  | Increase<br>(Decrease)<br>Amount | Total<br>Percentage<br>Change |
|--|---------------------|---------------------|----------------------------------|-------------------------------|
| <b>Assets:</b>   |                     |                     |                                  |                               |
| Cash and cash equivalents  | \$ 61,295           | \$ 59,729           | \$ 1,566                         | 2.6%                          |
| Receivables  | 12,333              | 44,251              | (31,918)                         | (72.1)                        |
| Investments  | 1,689,979           | 1,632,665           | 57,314                           | 3.5                           |
| Security lending collateral – invested                           | 235,712             | 286,709             | (50,997)                         | (17.8)                        |
| Property and equipment, net                                      | 1,914               | 1,957               | (43)                             | (2.2)                         |
| <b>Total assets</b>  | <b>2,001,233</b>    | <b>2,025,311</b>    | <b>(24,078)</b>                  | <b>(1.2)</b>                  |
| <b>Liabilities:</b>  |                     |                     |                                  |                               |
| Payables for securities purchased                                | 16,320              | 38,240              | (21,920)                         | (57.3)                        |
| Accounts payable and other                                       | 505                 | 403                 | 102                              | 25.3                          |
| Obligations under securities lending                             | 235,712             | 286,709             | (50,997)                         | (17.8)                        |
| <b>Total liabilities</b>   | <b>252,537</b>      | <b>325,352</b>      | <b>(72,813)</b>                  | <b>(22.4)</b>                 |
| <b>Fiduciary net position held in trust for pension benefits</b> | <b>\$ 1,748,696</b> | <b>\$ 1,699,959</b> | <b>\$ 48,737</b>                 | <b>2.9%</b>                   |

**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

*Description of the Financial Statements – continued*

*Financial Analysis - continued*

Table 1 - Condensed Statements of Fiduciary Net Position  
September 30,  
(Dollar Amounts in Thousands)

|   | 2013<br>(Restated) | 2012<br>(Restated) | Increase<br>(Decrease)<br>Amount | Total<br>Percentage<br>Change |
|---|--------------------|--------------------|----------------------------------|-------------------------------|
| <b>Assets:</b>  |                    |                    |                                  |                               |
| Cash and cash equivalents                                 | \$ 59,729          | \$ 52,745          | \$ 6,984                         | 13.2%                         |
| Receivables   | 44,251             | 18,195             | 26,056                           | 143.2                         |
| Investments   | 1,632,665          | 1,535,004          | 97,661                           | 6.4                           |
| Security lending collateral – invested                    | 286,709            | 276,817            | 9,892                            | 3.6                           |
| Property and equipment, net                               | 1,957              | 2,000              | (43)                             | (2.2)                         |
| <b>Total assets</b>                                       | <b>2,025,311</b>   | <b>1,884,761</b>   | <b>140,550</b>                   | <b>7.5</b>                    |
| <b>Liabilities:</b>                                       |                    |                    |                                  |                               |
| Payables for securities purchased                         | 38,240             | 13,735             | 24,505                           | 178.4%                        |
| Accounts payable and other                                | 403                | 608                | (205)                            | (33.7)                        |
| Obligations under securities lending                      | 286,709            | 276,817            | 9,892                            | 3.6                           |
| <b>Total liabilities</b>                                  | <b>325,352</b>     | <b>291,160</b>     | <b>34,192</b>                    | <b>11.7</b>                   |
| Fiduciary net position held in trust for pension benefits | \$ 1,699,959       | \$ 1,593,601       | \$ 106,358                       | 6.7%                          |

*Additions to Fiduciary Net Position*

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from members and the City and through earnings on investments. Contributions and net investment income for fiscal years 2014 and 2013 totaled \$190,727 and \$232,308 million, respectively.

For the fiscal year ended September 30, 2014 total additions to plan fiduciary net position decreased by \$41,581 million or 17.9% from those of the prior year, due primarily to a decrease in net appreciation in fair value of investments.

Actual results were:

- City contributions increased from the previous year by \$1.4 million or 3.1% based on the actuarial valuation.
- Member contributions increased from the previous year by \$.4 million or .4%. This increase is primarily due to an increase in the number of active members.
- Net investment income decreased from the previous year by \$43.0 million or 24.4%.



**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

*Description of the Financial Statements – continued*

*Additions to Fiduciary Net Position - continued*

For the fiscal year ended September 30, 2013 total additions to plan fiduciary net position decreased by \$51.6 million or 18.2% from those of the prior year, due primarily to a decrease in net appreciation in fair value of investments.

Actual results were:

- City contributions decreased from the previous year by \$1.2 million or 2.5% based on the actuarial valuation.
- Member contributions increased from the previous year by \$1.0 million or 12.3%. This increase is primarily due to an increase in the number of active members.
- Net investment income decreased from the previous year by \$51.6 million or 22.6%.

**Additions in Fiduciary Net Position**  
**Years Ended September 30,**  
**(Dollar Amounts in Thousands)**

|                        | 2014              | 2013<br>(Restated) | Increase<br>(Decrease)<br>Amount | Total<br>Percentage<br>Change |
|------------------------|-------------------|--------------------|----------------------------------|-------------------------------|
| City contribution      | \$ 47,655         | \$ 46,227          | \$ 1,428                         | 3.1%                          |
| Member contributions   | 9,463             | 9,427              | 36                               | 0.4                           |
| Net investment income  | 133,609           | 176,655            | (43,046)                         | (24.4)                        |
| <b>Total additions</b> | <b>\$ 190,727</b> | <b>\$ 232,309</b>  | <b>\$ (41,582)</b>               | <b>(17.9)%</b>                |

**Additions in Fiduciary Net Position**  
**Years Ended September 30,**  
**(Dollar Amounts in Thousands)**

|                        | 2013<br>(Restated) | 2012<br>(Restated) | Increase<br>(Decrease)<br>Amount | Total<br>Percentage<br>Change |
|------------------------|--------------------|--------------------|----------------------------------|-------------------------------|
| City contribution      | \$ 46,227          | \$ 47,418          | \$ (1,191)                       | (2.5)%                        |
| Member contributions   | 9,427              | 8,391              | 1,036                            | 12.3                          |
| Net investment income  | 176,654            | 228,112            | (51,458)                         | (22.6)                        |
| <b>Total additions</b> | <b>\$ 232,308</b>  | <b>\$ 283,921</b>  | <b>\$ (51,613)</b>               | <b>(18.2)%</b>                |

**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

*Description of the Financial Statements – continued*

*Deductions From Fiduciary Net Position*

The primary expenses of the Trust include the payment of pension benefits to members and beneficiaries, refund of contributions to former members, distributions to retirees, and administrative expenses. Total deductions for fiscal years ended 2014 and 2013 were \$142.0 and \$126.0 million, an increase of 12.7% and 11.1%, over years 2014 and 2013 expenditures, respectively.

For the fiscal years ended September 30, 2014 and 2013, the payment of pension benefits to retirees increased by \$13.2 and \$11.0 million or 12.7% and 11.9%, respectively, from the previous year. The increase in pension benefits paid resulted from an increase in number of retirees and an increase in cost of living adjustments.

For the fiscal years ended September 30, 2014 and 2013, administrative expenses decreased by \$.01 million and decreased \$0.2 million or (.7%) and (8.4%), respectively, from the previous year.

**Deductions from Fiduciary Net Position**  
**Years Ended September 30,**  
**(In Thousands)**

|                           | 2014              | 2013<br>(Restated) | Increase<br>(Decrease)<br>Amount | Total<br>Percentage<br>Change |
|---------------------------|-------------------|--------------------|----------------------------------|-------------------------------|
| Pension benefits paid     | \$ 116,682        | \$ 103,513         | \$ 13,169                        | 12.7%                         |
| Refund of contributions   | 990               | 773                | 217                              | 28.1                          |
| Distributions to retirees | 22,189            | 19,522             | 2,667                            | 13.7                          |
| Administrative expenses   | 2,129             | 2,143              | (14)                             | (0.7)                         |
| <b>Total deductions</b>   | <b>\$ 141,990</b> | <b>\$ 125,951</b>  | <b>\$ 16,039</b>                 | <b>12.7%</b>                  |

**Deductions from Plan Fiduciary Net Position**  
**Years Ended September 30,**  
**(In Thousands)**

|                           | 2013<br>(Restated) | 2012<br>(Restated) | Increase<br>(Decrease)<br>Amount | Total<br>Percentage<br>Change |
|---------------------------|--------------------|--------------------|----------------------------------|-------------------------------|
| Pension benefits paid     | \$ 103,513         | \$ 92,501          | \$ 11,012                        | 10.6%                         |
| Refund of contributions   | 773                | 766                | 7                                | 0.9                           |
| Distributions to retirees | 19,522             | 17,748             | 1,774                            | 9.1                           |
| Administrative expenses   | 2,143              | 2,339              | (196)                            | (9.1)                         |
| <b>Total deductions</b>   | <b>\$ 125,951</b>  | <b>\$ 113,354</b>  | <b>\$ 12,597</b>                 | <b>11.1%</b>                  |

**Management's Discussion and Analysis**  
**(Required Supplementary Information - Unaudited)**  
**September 30, 2014 and 2013**

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*Description of the Financial Statements – continued*

*Capital Assets*

As of September 30, 2014 and 2013, the Trust's investment in capital assets totaled \$1.91 and \$1.96 million, respectively (net of accumulated depreciation). This investment in capital assets includes land and building for administrative use. The appraised value is \$2,400,000 and \$2,200,000 at September 30, 2014 and 2013, respectively.

*Retirement System as a Whole*

The Trust's fiduciary net position has increased from that of fiscal years ended 2013 and 2012. Management believes, and actuarial studies concur, that the Trust is in a financial position to meet its current obligations.

*Contacting the Trust's Financial Management*

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Miami Fire Fighters' and Police Officers' Retirement Trust Fund, 1895 SW 3 Avenue, Miami FL, 33129.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**

Statements of Fiduciary Net Position  
September 30, 2014 and 2013

|   | 2014                                 |   |  |                      | 2013<br>Restated                     |   |  |                      |
|---|--------------------------------------|---|--|----------------------|--------------------------------------|---|--|----------------------|
|   | Membership<br>and Benefit<br>Account | Cost-of-Living<br>Adjustment I<br>Account | Cost-of-Living<br>Adjustment II<br>Account | Total                | Membership<br>and Benefit<br>Account | Cost-of-Living<br>Adjustment I<br>Account | Cost-of-Living<br>Adjustment II<br>Account | Total                |
| <b>Assets:</b>  |                                      |   |  |                      |                                      |   |  |                      |
| Cash and cash equivalents                                 | \$ 45,498,276                        | \$ 2,318,433                              | \$ 13,478,086                              | \$ 61,294,795        | \$ 44,139,572                        | \$ 2,101,011                              | \$ 13,488,352                              | \$ 59,728,935        |
| Investments, at fair value:                               |                                      |   |  |                      |                                      |   |  |                      |
| Debt securities, domestic                                 | 400,298,516                          | 20,397,816                                | 118,581,590                                | 539,277,922          | 356,544,394                          | 16,971,249                                | 108,954,304                                | 482,469,947          |
| Debt securities, international                            | 19,687,738                           | 1,003,218                                 | 5,832,156                                  | 26,523,112           | 24,633,627                           | 1,172,542                                 | 7,527,645                                  | 33,333,814           |
| Equity investments, domestic                              | 326,972,110                          | 16,661,358                                | 96,859,896                                 | 440,493,364          | 356,478,449                          | 16,968,110                                | 108,934,152                                | 482,380,711          |
| Equity investments, international                         | 182,607,429                          | 9,305,037                                 | 54,094,328                                 | 246,006,794          | 195,106,052                          | 9,286,903                                 | 59,621,311                                 | 264,014,266          |
| Private equity  | 66,752,800                           | 3,401,490                                 | 19,774,375                                 | 89,928,665           | 39,227,092                           | 1,867,181                                 | 11,987,176                                 | 53,081,449           |
| Real estate   | 96,558,788                           | 4,920,299                                 | 28,603,890                                 | 130,082,977          | 86,612,935                           | 4,122,712                                 | 26,467,537                                 | 117,203,184          |
| Mutual funds - Deferred Retirement Option Plan            | 217,666,435                          | -   | -  | 217,666,435          | 200,181,768                          | -   | -  | 200,181,768          |
| Total investments   | 1,310,543,816                        | 55,689,218                                | 323,746,235                                | 1,689,979,269        | 1,258,784,317                        | 50,388,697                                | 323,492,125                                | 1,632,665,139        |
| Security lending cash collateral - invested               | 174,965,668                          | 8,915,640                                 | 51,830,587                                 | 235,711,895          | 211,877,764                          | 10,085,224                                | 64,746,480                                 | 286,709,468          |
| Receivables:  |                                      |   |  |                      |                                      |   |  |                      |
| Proceeds from securities sold                             | 8,518,663                            | -   | -  | 8,518,663            | 35,252,091                           | -   | -  | 35,252,091           |
| City contributions  | -                                    | -   | -  | -                    | 3,380,875                            | -   | -  | 3,380,875            |
| Accrued interest  | 3,814,598                            | -   | -  | 3,814,598            | 5,617,527                            | -   | -  | 5,617,527            |
| Total receivables   | 12,333,261                           | -   | -  | 12,333,261           | 44,250,493                           | -   | -  | 44,250,493           |
| Property and equipment, net                               | 1,421,078                            | 72,413                                    | 420,970                                    | 1,914,461            | 1,446,358                            | 68,845                                    | 441,984                                    | 1,957,187            |
| <b>Total assets</b>                                       | <b>1,544,762,099</b>                 | <b>66,995,704</b>                         | <b>389,475,878</b>                         | <b>2,001,233,681</b> | <b>1,560,498,504</b>                 | <b>62,643,777</b>                         | <b>402,168,941</b>                         | <b>2,025,311,222</b> |
| <b>Liabilities:</b>                                       |                                      |   |  |                      |                                      |   |  |                      |
| Payable for securities purchased                          | 16,320,515                           | -   | -  | 16,320,515           | 38,239,651                           | -   | -  | 38,239,651           |
| Accounts payable and other liabilities                    | 504,937                              | -   | -  | 504,937              | 403,297                              | -   | -  | 403,297              |
| Obligations under securities lending                      | 184,634,629                          | 10,359,254                                | 40,718,012                                 | 235,711,895          | 211,678,744                          | 10,111,732                                | 64,918,992                                 | 286,709,468          |
| <b>Total liabilities, as restated</b>                     | <b>201,460,081</b>                   | <b>10,359,254</b>                         | <b>40,718,012</b>                          | <b>252,537,347</b>   | <b>250,321,692</b>                   | <b>10,111,732</b>                         | <b>64,918,992</b>                          | <b>325,352,416</b>   |
| Net position restricted for pensions, as restated in 2013 | \$ 1,343,302,018                     | \$ 56,636,450                             | \$ 348,757,866                             | \$ 1,748,696,334     | \$ 1,310,176,812                     | \$ 52,532,045                             | \$ 337,249,949                             | \$ 1,699,958,806     |

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**

Statements of Changes in Fiduciary Net Position  
For the Years Ended September 30, 2014 and 2013

|   | 2014                                 |   |  |                    | 2013<br>Restated                     |   |  |                    |
|---|--------------------------------------|---|--|--------------------|--------------------------------------|---|--|--------------------|
|   | Membership<br>and Benefit<br>Account | Cost-of-Living<br>Adjustment I<br>Account | Cost-of-Living<br>Adjustment II<br>Account | Total              | Membership<br>and Benefit<br>Account | Cost-of-Living<br>Adjustment I<br>Account | Cost-of-Living<br>Adjustment II<br>Account | Total              |
| <b>Additions:</b>   |                                      |   |  |                    |                                      |   |  |                    |
| Contributions:  |                                      |   |  |                    |                                      |   |  |                    |
| City  | \$ 42,176,949                        | \$ -                                      | \$ 5,477,808                               | \$ 47,654,757      | \$ 40,949,327                        | \$ -                                      | \$ 5,277,946                               | \$ 46,227,273      |
| Members   | 9,462,569                            | -   | -  | 9,462,569          | 9,427,186                            | -   | -  | 9,427,186          |
| Total contributions                                       | 51,639,518                           | -   | 5,477,808                                  | 57,117,326         | 50,376,513                           | -   | 5,277,946                                  | 55,654,459         |
| Investment income:  |                                      |   |  |                    |                                      |   |  |                    |
| Net appreciation in fair value of investments             | 78,556,680                           | 3,186,277                                 | 20,982,136                                 | 102,725,093        | 109,971,254                          | 4,520,948                                 | 29,635,757                                 | 144,127,959        |
| Interest  | 16,633,450                           | 812,908                                   | 5,210,792                                  | 22,657,150         | 18,852,814                           | 854,563                                   | 5,624,257                                  | 25,331,634         |
| Dividends   | 9,484,569                            | 455,035                                   | 2,880,312                                  | 12,819,916         | 9,153,647                            | 415,944                                   | 2,735,417                                  | 12,305,008         |
| Other   | 223,825                              | 10,740                                    | 67,779                                     | 302,344            | 257,884                              | 11,825                                    | 77,392                                     | 347,101            |
|   | 104,898,524                          | 4,464,960                                 | 29,141,019                                 | 138,504,503        | 138,235,599                          | 5,803,280                                 | 38,072,823                                 | 182,111,702        |
| Less investment expense                                   | 4,163,317                            | 199,515                                   | 1,261,982                                  | 5,624,814          | 4,554,939                            | 206,557                                   | 1,359,603                                  | 6,121,099          |
| Net investment income from investing activities           | 100,735,207                          | 4,265,445                                 | 27,879,037                                 | 132,879,689        | 133,680,660                          | 5,596,723                                 | 36,713,220                                 | 175,990,603        |
| Security lending activities:                              |                                      |   |  |                    |                                      |   |  |                    |
| Security lending income                                   | 678,060                              | 32,493                                    | 205,648                                    | 916,201            | 658,290                              | 29,946                                    | 196,749                                    | 884,985            |
| Unrealized gain   | 138,028                              | 6,610                                     | 41,808                                     | 186,446            | 164,479                              | 7,482                                     | 49,159                                     | 221,120            |
| Net income from security lending activities               | 540,032                              | 25,883                                    | 163,840                                    | 729,755            | 493,811                              | 22,464                                    | 147,590                                    | 663,865            |
| Total net investment income                               | 101,275,239                          | 4,291,328                                 | 28,042,877                                 | 133,609,444        | 134,174,471                          | 5,619,187                                 | 36,860,810                                 | 176,654,468        |
| <b>Total additions</b>                                    | <b>152,914,757</b>                   | <b>4,291,328</b>                          | <b>33,520,685</b>                          | <b>190,726,770</b> | <b>184,550,984</b>                   | <b>5,619,187</b>                          | <b>42,138,756</b>                          | <b>232,308,927</b> |
| <b>Deductions:</b>  |                                      |   |  |                    |                                      |   |  |                    |
| Pension benefits paid                                     | 116,681,509                          | -   | -  | 116,681,509        | 103,513,325                          | -   | -  | 103,513,325        |
| Refund of contributions                                   | 990,358                              | -   | -  | 990,358            | 772,557                              | -   | -  | 772,557            |
| Distributions to retirees                                 | -                                    | 185,354                                   | 22,003,055                                 | 22,188,409         | -                                    | 225,814                                   | 19,296,457                                 | 19,522,271         |
| Depreciation expense                                      | 31,444                               | 1,569                                     | 9,713                                      | 42,726             | 31,631                               | 1,489                                     | 9,605                                      | 42,725             |
| Administrative expenses                                   | 2,086,240                            | -   | -  | 2,086,240          | 2,099,689                            | -   | -  | 2,099,689          |
| Total deductions  | 119,789,551                          | 186,923                                   | 22,012,768                                 | 141,989,242        | 106,417,202                          | 227,303                                   | 19,306,062                                 | 125,950,567        |
| Net increase  | 33,125,206                           | 4,104,405                                 | 11,507,917                                 | 48,737,528         | 78,133,782                           | 5,391,884                                 | 22,832,694                                 | 106,358,360        |
| Net position restricted for pensions, as restated in 2013 |                                      |   |  |                    |                                      |   |  |                    |
| Beginning of year   | 1,310,176,812                        | 52,532,045                                | 337,249,949                                | 1,699,958,806      | 1,232,043,030                        | 47,140,161                                | 314,417,255                                | 1,593,600,446      |
| End of year   | \$ 1,343,302,018                     | \$ 56,636,450                             | \$ 348,757,866                             | \$ 1,748,696,334   | \$ 1,310,176,812                     | \$ 52,532,045                             | \$ 337,249,949                             | \$ 1,699,958,806   |

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 1 - Description of the Plan**

*Organization*

The City of Miami Fire Fighters' and Police Officers' Retirement Trust (the Trust) is a single employer defined benefit pension plan established by the City of Miami, Florida (the City) pursuant to the provisions and requirements of Ordinance No. 10002 as amended. Since the Trust is sponsored by the City, the Trust is included as a pension trust fund in the City's comprehensive financial report as part of the City's financial reporting entity.

The Trust's governing board is made up of a Board of Trustees consisting of nine members:

- Four are elected by the City's commission and of that 2 are retired members
- Four are elected by the Trust's members and of that one is a retired member and three are active participants
- One is appointed by the City manager

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

*Membership*

Participants are contributing police officers and firefighters with full-time status in the Police and Fire Department of the City of Miami, Florida.

Membership in the Trust consisted of the following as of October 1:

|  | 2014         | 2013         |
|--|--------------|--------------|
| Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them | 2,260        | 2,293        |
| Current members:   |              |              |
| Vested   | 576          | 556          |
| Nonvested  | 906          | 717          |
|  | <b>1,482</b> | <b>1,273</b> |

*Member Contributions*

Members contribute a percentage of their base salaries on a bi-weekly basis. Police Officers' member contribution is 10% (7% prior to October 1, 2012) and Firefighters' member contribution is 10% (9% prior to October 1, 2009), of compensation or equal to the City's contribution, whichever is less. Prior to the agreement dated January 9, 1994, members contributed 10.5%, of which 2% was designated as a contribution to the Cost-of-Living Adjustment I Account (COLA I account). Effective January 9, 1994, the Trust entered into an agreement with the City whereby this percentage was decreased to 10% and a new Cost-of-Living Adjustment II Account (COLA II account) was created and funded by an actuarially determined percentage of the excess investment return (from other than COLA I account assets).

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
**Notes to Financial Statements**  
**September 30, 2014 and 2013**

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**Note 1 - Description of the Plan - continued**

*Member Contributions- continued*

Should the member contribution be less than 7% for Police Officers and 10% (9% prior to October 1, 2010) for Firefighters, due to the City contribution, the difference between the percentage contributed and the actual contribution shall be deducted from the member's paycheck and placed into an individual contribution account (ICA), as part of the retirement system. Interest on ICA's shall be determined in the same manner as the COLA transfer methodology. Interest shall be credited periodically to the ICA's as determined by the retirement system board's actuary. Member contributions and earnings in ICA's shall be deemed 100% vested upon deposit. Upon the member's separation, ICA balances shall be disbursed as provided under the IRS Code. As of September 30, 2014 and 2013 it was not necessary to create an ICA.

During the years ended September 30, 2014 and 2013, approximately \$52,000 and \$523,000 respectively, is included as member contributions for the purchase of additional service years by members as provided for by the Trust.

Effective the first full pay period following October 1, 2012, the member contributions for police officer's hired prior to October 1, 2012 is 10% of earnable compensation. Effective September 30, 2014, the member contribution for police officers hired prior to October 1, 2012 shall be 7% of earnable compensation. The member contribution for police officers hired on or after October 1, 2012 is 3% of earnable compensation greater than the member contribution for police officer members hired prior to October 1, 2012.

Effective the first full pay period following October 1, 2012, the member contribution for firefighters shall be ten percent of earnable compensation. On September 30, 2014, the member contribution for firefighters shall be 7% of earnable compensation. The member contribution for firefighters hired on or after October 1, 2014, shall be ten percent of earnable compensation.

*Funding Requirements*

The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Trust and to provide the Trust with assets sufficient to meet the benefits to be paid to the participants. Contributions to the Trust are authorized, pursuant to City of Miami Code Section 40.196 (a) and (b). Contributions to the COLA accounts are authorized pursuant to Section 40.204 of the City of Miami Code. The City's contributions to the Trust provide for non-investment expenses and normal costs of the Trust. The yield (interest, dividends, and net realized gains and losses) on investments of the Trust serves to reduce/increase future contributions that would otherwise be required to provide for the defined level of benefits under the Trust.

The City of Miami entered into a collective bargaining agreement with the International Association of Firefighters for fiscal years 2012-2013 and 2013-2014. Under the terms of the agreement, the parties agreed to transfer certain premium tax revenues by the City of Miami in 2013 and 2014 pursuant to Chapter 175, Florida Statutes. The premium tax revenues are transferred from the Miami Fire Fighter's Relief and Pension Fund to the City's Trust to reduce the City's annual required contribution to the Trust for the 2012-2013 and 2013-2014 plan years. Therefore, effective October 24, 2013, the City shall contribute to the Trust an amount equal to the amount it received under the provisions of Chapter 175, Florida Statutes. to the Trust. During the fiscal years ended September 30, 2014 and 2013, the City contributed approximately \$3,382,000 each year, of Chapter 175 premium tax revenues to the Trust and are included in City contributions in the accompanying statements of changes in fiduciary net position.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 1 - Description of the Plan - continued**

*Pension Benefits*

Members may elect to retire after 10 or more years of creditable service upon attainment of normal retirement age. Normal retirement pursuant to Section 40-203 of the City of Miami code shall be determined as follows:

Plan A

“For members employed on September 30, 2010, who as of that date have attained age 50 with ten or more years of creditable service or eligibility for rule of 64 retirement for police officer members, or eligibility for rule of 68 retirement for firefighter members, the normal retirement age shall be 50 years of age with ten or more years of creditable service, or rule of 64 retirement for police officer members, or rule of 68 for firefighter members.”

Plan B

“For members employed on September 30, 2010, who as of that date have not attained age 50 with ten or more years of creditable service, or rule of 64 retirement for police officer members, or rule of 68 retirement for firefighter members, and member hired on or after October 1, 2010 shall be rule of 70 retirement with a minimum age of 50 and ten or more years of creditable service.”

Rule of 64, 68 and 70 shall mean a computation consisting of the sum of a member's age and length of creditable service, which sum shall permit normal service retirement upon the member's combined age and creditable service equaling at least 64, 68 and 70, respectively.

A member entitled to a normal retirement benefit shall receive a retirement allowance equal to 3% of the member's average final compensation (as defined in the city code section 40-191), multiplied by years of creditable service for the first 15 years of such creditable service, plus a retirement allowance equal to 3% (3½% for members who retired prior to October 1, 2010) of member's average final compensation multiplied by the years of creditable service in excess of 15 years, paid in monthly installments.

The maximum benefit for members who retire after September 30, 2010 is 100% of average final compensation or \$100,000 per year, whichever is less, as of retirement or DROP entry date.

Early retirement, disability, death and other benefits are also provided.



**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 1 - Description of the Plan - continued**

*Investments*

The Trust's investment policy is determined by the Board of Trustees and is implemented by investment managers. In addition, the Trust utilizes an investment advisor who monitors the investing activities. The investment policy of the Trust stipulates that the trustees shall, in acquiring, investing, reinvesting, exchanging, retaining, selling and maintaining property for the benefit of the Trust, exercise the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. The trustees are authorized to acquire and retain various kinds of property, real, personal or mixed, and various types of investments specifically including, but not by way of limitation, bonds, debentures and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account. The investment of funds shall be in a manner that is consistent with the applicable sections of the City Code as well as State and Federal laws within the allocation percentages established in the Trust's investment policy guidelines.

The investments are considered held by the Membership and Benefit Account and a share of the value of this account is allocated to each account based on a weighted average calculation performed each month to reflect each account's membership and benefit, COLA I and COLA II activity.

**Note 2 - Summary of Significant Accounting Policies**

*Basis of Accounting*

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

*Cash equivalents*

The Trust considers all highly liquid investments with short maturities, typically less than three months but no more than one year when purchased, to be cash equivalents.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 2 - Summary of Significant Accounting Policies - continued**

*Investments*

Investments are recorded at fair value in the statement of fiduciary net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Trust has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

- **Debt securities:** Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, securitized offerings backed by residential and commercial mortgages, TIPS and foreign debt securities. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.
- **Equity securities:** These include domestic and international equities. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2014 and 2013. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.
- **Alternative investments:** These investments include private equity, private debt, venture capital and equity real estate investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30, 2014 and 2013. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

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

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

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 2 - Summary of Significant Accounting Policies - continued**

*Use of Estimates*

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

*Property and Equipment*

Property and equipment are stated at cost and depreciated using the straight-line method over the estimated lives of the assets.

*Income Tax Status*

The Trust is tax-exempt under the Internal Revenue Code and, therefore, has recorded no income tax liability or expense.

*Risk and Uncertainties*

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

*Recently Adopted Accounting Pronouncements*

The Trust adopted Governmental Accounting Standards Board ("GASB") Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB Statement No. 67). GASB Statement No. 67 applies to pension plans that administer pension benefits for governments through a trust or equivalent arrangement that meets certain specified criteria. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed. The adoption of GASB 67 also required a restatement of prior years' liabilities in accordance with GASB 67. See Note 7.

*Subsequent Events*

Management has evaluated subsequent events through January 15, 2015, the date which the financial statements were available for issue.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 3 - Deposit and Investment Risk Disclosures**

*Cash and cash equivalents*

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

|                              | 2014                 | 2013                 |
|------------------------------|----------------------|----------------------|
| Deposits – managed overdraft | \$ (47,908)          | \$ (423,874)         |
| Invested cash and currency   | 27,848,707           | 39,158,002           |
| Short-term investment        | 33,493,996           | 20,994,807           |
| <b>Total</b>                 | <b>\$ 61,294,795</b> | <b>\$ 59,728,935</b> |

*Investment Authorization*

The Board of Trustees holds the fiduciary responsibility for the Trust, and has adopted a policy to invest in several institutionally acceptable asset classes. Thus, the Trustees have set a reasonably diversified asset allocation in accordance to state statutes (including minimum and maximum allocations), which is expected to appropriately fund the Trust's liabilities and meet its basic investment objectives. The basis for such a target asset allocation is a study of the Trust's pension liabilities and reasonable, alternative investment portfolios.

These asset classes are domestic equity (large, mid and small capitalization), international equity (developed and emerging markets), domestic real estate (institutional quality properties either individually or in open-ended commingled funds, or in REIT securities portfolios), private equity funds, domestic fixed income, and short-term investments. Other asset classes may be added by the Trustees to its investment policy.

Investment in domestic equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 34% (at market) of the Trust's total asset value. Investments in stocks of foreign companies shall be limited to 23% of the value of the Trust's portfolio.

Investments in domestic fixed income securities shall be limited to 55% (at maturity) of the Trusts' total portfolio. The domestic fixed income portfolio shall be comprised of securities rated "BBB" or higher by nationally recognized rating agencies, preferably by Moodys' or Standard & Poors rating services. Investment in TIPS has also been authorized by the Trust. The goal of the TIPS allocation is to protect against inflation. Proper diversification of TIPS portfolios is required, such that reasonable risk/reward expectations are maintained. Performance attribution is required, as is the case of domestic fixed income managers.

**City of Miami Fire Fighters' and Police Officers'  
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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Investment Authorization - continued*

The Trust invests in various funds and investment vehicles which employ specific strategies and co-investments often outside the traditional asset classes. The most common investment categories for these funds include domestic and international real estate and private equity funds. The structure of these investments is generally a limited partnership or limited liability company and tend to be long term and illiquid in nature. Real estate investments and private equity funds shall be limited to 10% and 8%, respectively, of the value of the portfolio.

No single security can represent more than 5% of the market value of a portfolio at the time of purchase, and no single industry (based on Global Industry Classification System codes) can represent more than 15% of the market value of the account. These single security and single industry restrictions do not apply to U.S. Government and Agency bond holdings.

*Types of Investments*

Florida statutes and Trust investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30:

|                           | 2014                     |                          | 2013                     |                        |
|---------------------------|--------------------------|--------------------------|--------------------------|------------------------|
|                           | Target %<br>of Portfolio | Actual %<br>of Portfolio | Target %<br>of Portfolio | Actual<br>of Portfolio |
| Authorized Investments    |                          |                          |                          |                        |
| Cash and cash equivalents | 0.0%                     | 4.0%                     | 0.0%                     | 4.0%                   |
| Domestic equities         | 28.0                     | 28.7                     | 28.0                     | 32.3                   |
| Core fixed income         | 41.0                     | 36.9                     | 41.0                     | 34.6                   |
| International equities    | 18.0                     | 16.0                     | 18.0                     | 17.7                   |
| Real estate               | 8.0                      | 8.5                      | 8.0                      | 7.9                    |
| Private equity            | 5.0                      | 5.9                      | 5.0                      | 3.5                    |
|                           |                          |                          |                          | 100%                   |

*Rate of Return*

For the years ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.60%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**City of Miami Fire Fighters' and Police Officers'  
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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Investments*

The table below shows the Trust's investments by type as of September 30:

|                                  | 2014                    | 2013                    |
|----------------------------------|-------------------------|-------------------------|
| Debt securities, domestic:       |                         |                         |
| U.S. treasuries                  | \$ 55,702,133           | \$ 81,228,149           |
| U.S. agencies                    | 86,996,366              | 112,219,609             |
| TIPS                             | 67,348,981              | 39,268,676              |
| Corporate bonds                  | 275,695,184             | 207,424,105             |
| Asset backed securities          | 20,602,623              | 22,694,332              |
| Mortgage backed securities       | 16,390,770              | 15,501,957              |
| Guaranteed fixed income          | 16,541,865              | 4,133,119               |
|                                  | <u>539,277,922</u>      | <u>482,469,947</u>      |
| Debt securities, international:  |                         |                         |
| International government bonds   | 3,260,070               | 6,460,508               |
| Asset backed securities          | 951,734                 | -                       |
| Corporate bonds                  | 22,311,308              | 26,873,306              |
|                                  | <u>26,523,112</u>       | <u>33,333,814</u>       |
| Equity securities, domestic      | 440,493,364             | 482,380,711             |
| Equity securities, international | 246,006,794             | 264,014,266             |
| Private equity                   | 89,928,665              | 53,081,449              |
| Real estate equity               | 130,082,977             | 117,203,184             |
| Mutual funds - DROP              | 217,666,435             | 200,181,768             |
| <b>Total</b>                     | <u>\$ 1,689,979,269</u> | <u>\$ 1,632,665,139</u> |

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
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September 30, 2014 and 2013

**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Interest Rate Risk*

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

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

2014

| Investment Maturities (in years) |                       |                      |                       |                      |                      |
|----------------------------------|-----------------------|----------------------|-----------------------|----------------------|----------------------|
| Investment Type                  | Fair Value            | Less than 1          | 1 to 5                | 6 to 10              | More than 10         |
| U.S. treasuries                  | \$ 123,051,114        | \$ 9,227,974         | \$ 37,602,891         | \$ 68,723,543        | \$ 7,496,706         |
| U.S. agencies                    | 86,996,366            | 823,693              | 2,395,310             | 9,925,339            | 73,852,024           |
| Domestic Fixed Income            | 329,230,442           | 1,199,195            | 84,186,097            | 196,256,606          | 47,588,544           |
| International Fixed Income       | 26,523,112            | 1,147,941            | 12,454,257            | 9,567,040            | 3,353,874            |
|                                  | <u>\$ 565,801,034</u> | <u>\$ 12,398,803</u> | <u>\$ 136,638,555</u> | <u>\$284,472,528</u> | <u>\$132,291,148</u> |
| % of fixed income portfolio      | 100.0%                | 2.19%                | 24.15%                | 50.28%               | 23.38%               |

2013

| Investment Maturities (in years) |                       |                      |                       |                       |                       |
|----------------------------------|-----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| Investment Type                  | Fair Value            | Less than 1          | 1 to 5                | 6 to 10               | More than 10          |
| U.S. treasuries                  | \$ 120,496,825        | \$ 8,004,797         | \$ 45,129,545         | \$ 54,199,527         | \$ 13,162,956         |
| U.S. agencies                    | 112,219,609           | 15,309               | 5,493,519             | 6,222,559             | 100,488,222           |
| Domestic Fixed Income            | 249,753,513           | 4,045,119            | 98,603,407            | 105,644,814           | 41,460,173            |
| International Fixed Income       | 33,333,814            | 551,446              | 13,554,103            | 13,629,939            | 5,598,326             |
|                                  | <u>\$ 515,803,761</u> | <u>\$ 12,616,671</u> | <u>\$ 162,780,574</u> | <u>\$ 179,696,839</u> | <u>\$ 160,709,677</u> |
| % of fixed income portfolio      | 100.0%                | 2.4%                 | 31.6%                 | 34.8%                 | 31.2%                 |

*Credit Risk*

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

**City of Miami Fire Fighters' and Police Officers'  
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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Credit Risk - continued*

The following tables disclose credit ratings by investment type, at September 30, as applicable:

| 2014                                     |                       |                            |
|--|-----------------------|----------------------------|
|  | Fair Value            | Percentage<br>of Portfolio |
| <b>U.S. government guaranteed*</b>       | <b>\$ 210,047,479</b> | <b>37.12%</b>              |
| <b>Credit risk debt securities:</b>      |                       |                            |
| AAA                                      | 16,444,891            | 2.91                       |
| AA+                                      | 7,410,425             | 1.31                       |
| AA                                       | 7,532,062             | 1.33                       |
| AA-                                      | 5,718,609             | 1.01                       |
| A+                                       | 16,748,987            | 2.96                       |
| A  | 26,541,096            | 4.69                       |
| A-                                       | 39,127,317            | 6.92                       |
| BBB+                                     | 35,576,074            | 6.29                       |
| BBB                                      | 38,532,247            | 6.81                       |
| BBB-                                     | 18,716,536            | 3.31                       |
| BB+ and lower                            | 121,367,396           | 21.45                      |
| Not rated                                | 22,037,915            | 3.89                       |
| <b>Total credit risk debt securities</b> | <b>355,753,555</b>    | <b>62.88</b>               |
| <b>Total fixed income securities</b>     | <b>\$ 565,801,034</b> | <b>100.00%</b>             |
| 2013                                     |                       |                            |
|  | Fair Value            | Percentage<br>of Portfolio |
| <b>U.S. government guaranteed*</b>       | <b>\$ 232,716,434</b> | <b>45.12%</b>              |
| <b>Credit risk debt securities:</b>      |                       |                            |
| AAA                                      | 14,796,543            | 2.87                       |
| AA+                                      | 11,609,401            | 2.25                       |
| AA                                       | 6,747,238             | 1.31                       |
| AA-                                      | 4,453,949             | 0.86                       |
| A+                                       | 14,001,756            | 2.71                       |
| A  | 18,392,668            | 3.57                       |
| A-                                       | 36,196,978            | 7.02                       |
| BBB+                                     | 22,250,511            | 4.31                       |
| BBB                                      | 29,520,672            | 5.72                       |
| BBB-                                     | 19,101,666            | 3.70                       |
| BB+ and lower                            | 88,636,469            | 17.18                      |
| Not rated                                | 17,379,476            | 3.37                       |
| <b>Total credit risk debt securities</b> | <b>283,087,327</b>    | <b>54.88</b>               |
| <b>Total fixed income securities</b>     | <b>\$ 515,803,761</b> | <b>100.00%</b>             |

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



**City of Miami Fire Fighters' and Police Officers'  
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September 30, 2014 and 2013

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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Concentration of Credit Risk*

The investment policy of the Trust contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2014 and 2013.

*Custodial Credit Risk*

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

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

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

The Trust participates in securities lending transactions, as lender, and the securities loaned in those circumstances are exposed to some degree of custodial credit risk. The trust does require that its custodian maintain insurance to help protect against losses due to negligence, theft, and certain other events.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The Trust may have exposure to foreign currency risk to the extent its investments contain non-U.S. dollar denominated holdings in foreign countries. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the manager uses them in many cases.

**City of Miami Fire Fighters' and Police Officers'  
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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Foreign Currency Risk - continued*

The Trust has exposure to foreign currency fluctuation at September 30, as follows:

| 2014                   |                              |                      |                   |                     |                      |
|------------------------|------------------------------|----------------------|-------------------|---------------------|----------------------|
| Currency               | Cash and<br>cash equivalents | Equity               | Fixed Income      | Real Estate         | Total                |
| Australian Dollar      | \$ -                         | \$ 813,639           | \$ -              | \$ -                | \$ 813,639           |
| British Pound Sterling | -                            | 4,610,494            | -                 | -                   | 4,610,494            |
| Canadian Dollar        | -                            | 2,452,855            | -                 | -                   | 2,452,855            |
| Euro                   | 110,614                      | 14,921,908           | -                 | 4,634,518           | 19,667,040           |
| Hong Kong Dollar       | -                            | 2,301,238            | -                 | -                   | 2,301,238            |
| Japanese Yen           | -                            | 19,194,881           | -                 | -                   | 19,194,881           |
| Mexican Peso           | -                            | 412,017              | -                 | -                   | 412,017              |
| Norwegian Krone        | -                            | 773,442              | -                 | -                   | 773,442              |
| Singapore Dollar       | -                            | 3,117,824            | 279,582           | -                   | 3,397,406            |
| South Korean Won       | -                            | 3,156,903            | -                 | -                   | 3,156,903            |
| Swedish Krona          | -                            | 1,225,255            | -                 | -                   | 1,225,255            |
| Swiss Franc            | -                            | 3,905,098            | -                 | -                   | 3,905,098            |
| Other                  | -                            | 1,777,992            | -                 | -                   | 1,777,992            |
| <b>Total</b>           | <b>\$ 110,614</b>            | <b>\$ 58,663,546</b> | <b>\$ 279,582</b> | <b>\$ 4,634,518</b> | <b>\$ 63,688,260</b> |

| 2013                   |                              |                      |              |                     |                      |
|------------------------|------------------------------|----------------------|--------------|---------------------|----------------------|
| Currency               | Cash and<br>cash equivalents | Equity               | Fixed Income | Real Estate         | Total                |
| Australian Dollar      | \$ -                         | \$ 964,130           | \$ -         | \$ -                | \$ 964,130           |
| British Pound Sterling | 35,100                       | 4,994,864            | -            | -                   | 5,029,964            |
| Canadian Dollar        | -                            | 2,238,745            | -            | -                   | 2,238,745            |
| Euro                   | 22,611                       | 13,790,016           | -            | 3,283,386           | 17,096,013           |
| Hong Kong Dollar       | 1,357                        | 1,594,356            | -            | -                   | 1,595,713            |
| Japanese Yen           | -                            | 15,491,496           | -            | -                   | 15,491,496           |
| Mexican Peso           | -                            | 526,707              | -            | -                   | 526,707              |
| Norwegian Krone        | -                            | 557,135              | -            | -                   | 557,135              |
| Singapore Dollar       | -                            | 3,229,234            | -            | -                   | 3,229,234            |
| South Korean Won       | -                            | 2,473,635            | -            | -                   | 2,473,635            |
| Swedish Krona          | -                            | 1,045,370            | -            | -                   | 1,045,370            |
| Swiss Franc            | -                            | 4,063,640            | -            | -                   | 4,063,640            |
| Other                  | -                            | 1,909,118            | -            | -                   | 1,909,118            |
| <b>Total</b>           | <b>\$ 59,068</b>             | <b>\$ 52,878,446</b> | <b>\$ -</b>  | <b>\$ 3,283,386</b> | <b>\$ 56,220,900</b> |

**City of Miami Fire Fighters' and Police Officers'  
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Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Derivatives*

Derivatives are financial instruments whose value is derived from underlying asset or data. All of the Trust derivatives are considered investments. Derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. The Trust may invest in various derivative financial instruments such as financial futures; forward foreign currency contracts and currency options; interest rate swaps, interest-only and principal only CMOs; and mortgage CMOs to enhance the performance and reduce volatility.

In past years, the primary reasons for the use of derivative contracts have pertained to their ability to facilitate changes to the asset allocation of the total Trust and for their low cost of implementation. The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with the Retirement Trust's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the managers' investment strategy and the Retirement Trust's investment guidelines, but could not be made through traditional investment securities.

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and traded on an organized exchange with gains and losses settled daily thereby minimizing credit and default risk. Gains and losses are included in net appreciation in the fair value of investments total of the statement of changes in the fiduciary net position.

As of September 30, 2014 and 2013, the Trust did not have any derivatives.

*Securities Lending Transactions*

A retirement system is authorized by state statutes and board of trustees' policies to lend its investment securities. The lending is managed by the Trust's custodial bank. All loans can be terminated on demand by either the Trust or the borrowers, although the average term of loans is approximately 199 and 154 days, respectively, as of September 30, 2014 and 2013. The custodial bank and its affiliates are prohibited from borrowing the Trust's securities.

**City of Miami Fire Fighters' and Police Officers'  
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**Note 3 - Deposit and Investment Risk Disclosures - continued**

*Securities Lending Transactions - continued*

The agent lends the Trust's U.S. government and agency securities and domestic corporate fixed-income and equity securities for securities or cash collateral at least 102 percent of the market value of the securities plus any accrued interest and international securities at least 105 percent of the market value of the securities plus any accrued interest. The securities lending contracts do not allow the Trust to pledge or sell any collateral securities unless the borrower defaults. Cash collateral is invested in the agent's collateral investment pool, whose share values are based on the amortized cost of the pool's investments. Investments are restricted to issuers with a credit rating A3 or A- or higher by Moody's or Standard & Poor's. At September 30, 2014 and 2013, the pool had a weighted average term to maturity of 45 and 38 days, respectively.

The relationship between the maturities of the investment pool and the Trust's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Trust cannot determine. There are policy restrictions by the custodial bank that limit the amount of securities that can be lent at one time or to one borrower.

Loaned securities continue to be classified as investment assets on the statement of fiduciary net position. Off balance sheet cash collateral is recorded as an asset with a corresponding liability. For lending agreements collateralized by securities, no accompanying asset or liability is recorded, since the Trust is not permitted to sell or re-pledge the associated collateral.

The following represents the balances relating to securities lending transactions at September 30:

|  | 2014   |   |   |
|--|--|---|---|
| <b>Securities Lent:</b>                | <b>Market Value<br/>of Securities<br/>on Loan for Cash</b> | <b>Fair Value of<br/>Cash Collateral<br/>Invested</b> | <b>Fair Value<br/>of Liabilities<br/>to Borrowers</b> |
| U.S. government and agency obligations | \$ 105,086,247   | \$ 107,639,830  | \$ 107,639,830  |
| International equities                 | 2,974,847  | 3,116,345   | 3,116,345   |
| Domestic corporate stocks              | 101,188,917  | 104,147,008   | 104,147,008   |
| Domestic corporate bonds               | 20,245,538   | 20,808,712  | 20,808,712  |
| <b>Total securities lent</b>           | <b>\$ 229,495,549</b>                                      | <b>\$ 235,711,895</b>                                 | <b>\$ 235,711,895</b>                                 |
|  | 2013   |   |   |
| <b>Securities Lent:</b>                | <b>Market Value<br/>of Securities<br/>on Loan for Cash</b> | <b>Fair Value of<br/>Cash Collateral<br/>Invested</b> | <b>Fair Value<br/>of Liabilities<br/>to Borrowers</b> |
| U.S. government and agency obligations | \$ 109,339,936   | \$ 111,792,750  | \$ 111,792,750  |
| International equities                 | 4,626,418  | 4,921,402   | 4,921,402   |
| Domestic corporate stocks              | 122,942,214  | 126,117,471   | 126,117,471   |
| Domestic corporate bonds               | 42,777,675   | 43,877,845  | 43,877,845  |
| <b>Total securities lent</b>           | <b>\$ 279,686,243</b>                                      | <b>\$ 286,709,468</b>                                 | <b>\$ 286,709,468</b>                                 |

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
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**Note 3 - Deposit and Investment Risk Disclosures - continued**

The contract with the Trust's custodian requires the custodian to indemnify the Trust if the borrower fails to return the securities, due to the insolvency of a borrower, and the custodian has failed to live up to its contractual responsibilities relating to the lending of those securities. At year end, the Trust has no credit risk exposure to borrowers because the amounts of collateral held by the Trust exceed the amounts the borrowers owe the Trust. There are no significant violations of legal or contractual provisions, no borrowers or lending agent default losses, and no recoveries of prior period losses during the year. There is no income distributions owing on securities lent.

**Note 4 - COLA Accounts**

Effective January 9, 1994, the Trust entered into an agreement with the City of Miami with regards to the funding methods, member benefits, member contributions and retiree COLA. As of January 9, 1994, members no longer contribute to the original COLA account (COLA I), and a new COLA account (COLA II) was established.

The agreement included the following provisions:

- The funding method was changed to an aggregate cost method.
- Combining all accounts for investment purposes (membership and benefit, COLA I and COLA II).
- Retirees receive additional COLA benefits.
- Active members no longer contribute 2% of pretax earnings to fund the original retiree COLA account (COLA I account).

The COLA II account is funded annually by a percentage of the excess investment returns from other than COLA I account assets. The excess earnings contributed to the COLA II account will be used to fund a minimum annual payment of \$2.5 million, increasing by 4% compounded annually. To the extent necessary, the City will fund the portion of the minimum annual payment not funded by annual excess earnings no later than January 1 of the following year. During the years ended September 30, 2014 and 2013, approximately \$5,478,000 and \$5,278,000, respectively, was funded by the City. Benefits payable from the COLA accounts are computed in accordance with an actuarially based formula as defined in Section 40.204 of the City of Miami Code.

**City of Miami Fire Fighters' and Police Officers'  
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**Note 5 - Deferred Retirement Option Plan (DROP)**

Members who are eligible for service retirement or Rule of 64 or Rule 68 after September 1998 may elect to enter the Deferred Retirement Option Plan ("DROP"). Maximum participation in the DROP for firefighters shall be 54 full months and for police officers shall be 84 full months. A member's creditable service, accrued benefit and compensation calculation shall be frozen.

Upon commencement of participation in the DROP, the participant's contribution and the City's contribution to the Trust for that participant cease as the participant will not earn further creditable service for pension purposes.

Effective July 24, 2008, firefighter DROP participants may continue City employment for up to a maximum of 54 full months and police officers who elect DROP on May 8, 2008, or thereafter, may continue City employment for up to a maximum of 84 full months. No payment is made to or for the benefit of a DROP participant beyond that period. For persons electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the retirement trust into the member's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits. Payments received by the participant in the DROP account are tax deferred. A series of investment vehicles which are established by the board of trustees are made available to DROP participants to choose from. Any losses, charges, or expenses incurred by the participant in their DROP account are not made up by the City or the Trust, but shall be borne by the participant.

Upon termination of employment, a member may receive distribution from the DROP account in the following manner:

- Lump sum distribution
- Periodic payments
- Annuity
- Roll over of the balance to another qualified retirement plan

Any member may defer distribution until the latest date authorized by Section 401(a)(9) of the Internal Revenue Code.

A DROP participant shall not be entitled to receive an ordinary or service disability retirement and in the event of death of a DROP participant, there shall be no accidental death benefit for pension purposes. DROP participation does not affect any other death or disability benefit provided to a member under federal law, state law, City ordinance, or any rights or benefits under any applicable collective bargaining agreement. At September 30, 2014 and 2013, there were 396 and 474 DROP participants, respectively.

The DROP of the Trust also consists of a Benefit Actuarially Calculated DROP ("BACDROP"). A member may elect to BACDROP to a date no further back than the date of their retirement eligibility date. Effective October 1, 2001, the BACDROP period must be in 12 month increments, beginning at the start of a pay period, not to exceed 48 full months for firefighters and 12 full months for police officers who elect DROP on October 1, 2003. Participation in the BACDROP does not preclude participation in the Forward DROP.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
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**Note 5 - Deferred Retirement Option Plan (DROP) - continued**

Any participant who is employed and not participating in the DROP on September 30, 2010 shall be eligible to elect the DROP for benefits accrued prior to that date.

A backdrop benefit option shall be implemented on January 1, 2013 to replace the existing DROP program. Employees who have not attained normal retirement eligibility as of January 1, 2013 or were not vested by October 1, 2010, and all employees hired on or after January 1, 2013, will be eligible for the Backdrop option, but will not be eligible for the DROP. Anyone eligible for the forward DROP as of January 1, 2013 remains eligible for the forward DROP as it presently exists and anyone eligible for the forward DROP as of January 1, 2013, who chooses not to enter the forward DROP remains eligible for the Backdrop.

- An eligible employee who elects the Backdrop option shall receive a monthly benefit payable on the employee's actual retirement date based on the benefit the employee would have received if he/she had left City employment and retired on an earlier date after attaining normal retirement eligibility. In addition, an eligible employee who elects the Backdrop option will receive a lump sum payment equal to the accumulation of monthly retirement benefit payments he/she would have received during the period following the Backdrop date through the actual retirement date plus interest at the rate of 3% per year, compounded annually.
- Employees are eligible to elect the Backdrop option after completing one year of creditable service following the normal retirement date. The maximum Backdrop period is seven years.
- Employees will be able to revoke their Backdrop election one time, but within one month of their election.

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

|                   | <u>2014</u>           | <u>2013</u>           |
|-------------------|-----------------------|-----------------------|
| Beginning balance | \$ 200,181,768        | \$ 168,278,569        |
| Additions         | 37,390,395            | 43,764,083            |
| Distributions     | 28,609,875            | 22,292,014            |
| Interest          | <u>8,704,147</u>      | <u>10,431,130</u>     |
| Ending balance    | <u>\$ 217,666,435</u> | <u>\$ 200,181,768</u> |

**Note 6 – Net Pension Liability of the City**

The components of the net pension liability of the City at September 30, 2014 were as follows:

|                             | <u>2014</u>            |
|-----------------------------|------------------------|
| Total pension liability     | \$ 2,149,956,347       |
| Plan fiduciary net position | <u>(1,748,696,334)</u> |
| City net pension liability  | <u>\$ 401,260,013</u>  |

Plan fiduciary net position as a percentage of total pension liability 81.34%

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 6 – Net Pension Liability of the City - continued**

*Actuarial Assumptions*

The total pension liability at September 30, 2014 was determined using an actuarial valuation as of October 1, 2014, with update procedures used to roll forward the total pension liability to September 30, 2014. The actuarial valuation used the following actuarial assumptions:

|                            |  |
|----------------------------|--|
| Inflation                  | 3.25%  |
| Projected salary increases | 3.25%-9.75%, average, including inflation  |
| Projected COLAs            | Amount varies annually with the adjustment on January 1st                              |
| Investment rate of return  | 7.5% compounded annually, net of pension plan investment expense, including inflation. |

Mortality rates are calculated with the RP 2000 Mortality Table projected to 2020 using Scale AA for all healthy retirees. Disabled Mortality rates are calculated based on the RP 2000 Disabled Mortality Table projected to 2020 using Scale AA.

The actuarial assumptions used in the October 1, 2014 valuations was based on the results of an actuarial experience study for the period October 1, 2008 to September 30, 2011.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension Trust investment expense and inflation) for each major asset class as well as historical investment data and Trust performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation as of the valuation date of October 1, 2014 (see the discussion of the Trust's investment policy) are summarized in the following table:



**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

**Note 6 – Net Pension Liability of the City - continued**

| <u>Asset Class</u>     | <u>Long-Term Expected Real Rate of Return*</u> | <u>2014</u> |
|------------------------|--|-------------|
| Domestic Fixed Income  |  | 1%          |
| Foreign Fixed Income   |  | 0%          |
| Domestic Equities      |  | 5.8%        |
| International Equities |  | 6.5%        |
| Real Estate            |  | 4.7%        |
| Private Equity         |  | 9.0%        |
| Cash                   |  | 0%          |

\* Real rates of return are net of the long-term inflation assumption of 7.50% for 2014.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that Trust member contributions will be made at the current contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments of current Trust members. Therefore, the long term expected rate of return on pension Trust investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability To Changes In The Discount Rate*

The following presents the net pension liability of the City using the discount rate of 7.5%, as well as what the employer net pension liability would if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 Percent) than the current rate:

|                    | <b>City Net Pension Liability</b> |                                 |                       |
|--------------------|-----------------------------------|---------------------------------|-----------------------|
|                    | 1% Decrease<br>(6.5%)             | Current Discount<br>Rate (7.5%) | 1% Increase<br>(8.5%) |
| September 30, 2014 | \$ 603,189,825                    | \$ 401,260,013                  | \$ 230,207,720        |

**Note 7 – Restatement of Financial Statements**

In accordance with U.S. GAAP and paragraph 49 of GASB 67, certain changes in accounting principle were retrospectively applied, and therefore, comparative financial statements include a restatement of all prior periods presented for the following changes made to comply with the requirements of GASB 67.

# City of Miami Fire Fighters' and Police Officers' Retirement Trust

Notes to Financial Statements  
September 30, 2014 and 2013

## Note 7 – Restatement of Financial Statements - continued

The Trust administers a DROP (see Note 5). During the DROP participation period, each member's monthly retirement benefit accrues and the balance accumulates within the DROP account. Upon termination of employment at the end of the DROP period, each retired member's funds are immediately due and payable. Monthly accruals of benefits were previously expensed and accordingly recorded as a deduction on the Statement of Changes in Plan Net Position. Similarly, the total amount of deferred retirement benefits that had accumulated but not yet been distributed at fiscal year-end were previously classified as a liability on the Statement of Plan Net position. According to paragraph 98 of GASB 67, "DROP balances, similar to other benefit payments, should be recognized as a pension plan liability only when ultimately due to the plan member". Further clarification is provided by question 37 in the GASB 67 implementation guide which states that "benefits generally would be considered due and payable only when they are required to be distributed to the plan member from the DROP account."

As a result of the preceding, financial statements have been restated to report a liability only for benefits due but not yet distributed to members who had ended their participation in the DROP program at September 30. Likewise, deductions have been restated to include only DROP amounts actually distributed to participants as well as amounts due but not yet distributed. Additions have also been restated to add back those that relate to the DROP for investment income earned by the DROP account. The cumulative effect of the restatement is as follows:

### Statement of Fiduciary Net Position

|  |                         |
|--|-------------------------|
| Total liabilities, previously reported                         | \$ 525,534,184          |
| <u>Impact of restatement</u>                                   | <u>(200,181,768)</u>    |
| <u>Total liabilities, as restated</u>                          | <u>\$ 325,352,416</u>   |
| Net position restricted for pensions, previously reported      | \$ 1,499,777,038        |
| <u>Impact of restatement</u>                                   | <u>200,181,768</u>      |
| <u>Total net position restricted for pensions, as restated</u> | <u>\$ 1,699,958,806</u> |

### Statement of Changes in Fiduciary Net Position

|                                       |                       |
|---------------------------------------|-----------------------|
| Total additions, previously reported  | \$ 221,877,797        |
| <u>Impact of restatement</u>          | <u>10,431,130</u>     |
| <u>Total additions, as restated</u>   | <u>\$ 232,308,927</u> |
| Total deductions, previously reported | \$ 147,422,636        |
| <u>Impact of restatement</u>          | <u>(21,472,069)</u>   |
| <u>Total deductions, as restated</u>  | <u>\$ 125,950,567</u> |

## Note 8 - Property and Equipment

Property and equipment consist of the following at September 30:

|                                | Estimated<br>Useful Life | 2014                | 2013                |
|--------------------------------|--------------------------|---------------------|---------------------|
| Land                           | N/A                      | \$ 760,865          | \$ 760,865          |
| Building                       | 39 years                 | 1,666,305           | 1,666,305           |
| Total cost                     |                          | 2,427,170           | 2,427,170           |
| Less: accumulated depreciation |                          | 512,709             | 469,983             |
| <u>Net</u>                     |                          | <u>\$ 1,914,461</u> | <u>\$ 1,957,187</u> |

Depreciation expense for the years ended September 30, 2014 and 2013 was \$42,726 and \$42,725, respectively.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
Notes to Financial Statements  
September 30, 2014 and 2013

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**Note 9 - Administrative Expenses Reimbursement**

For the fiscal years ended September 30, 2014 and 2013 administrative costs (in the amounts of \$2,087,114 and \$2,044,488, respectively) of the Trust are funded by the City of Miami and are accounted for as a part of the actuarially determined minimum required contributions from the City and are reflected in contributions from the City in the attached statement of changes in fiduciary net position.

**Note 10 - Off-Balance-Sheet Financing**

The Trust, in the normal course of business, enters into commitments with off-balance-sheet risk. The Trust adheres to the same credit policies, financial and administrative controls, and risk limiting and monitoring procedures for commitments as for on-balance-sheet investments.

The future financial commitments outstanding for private equity investments at September 30, 2014 and 2013 were, respectively, approximately \$57,329,000 and \$57,297,000.

**Note 11 - Retirement Plan for Staff**

The employees of the Trust participate in a separate plan sponsored by the City of Miami Fire Fighters' and Police Officers' Retirement Trust, which is a single employer defined benefit pension plan for the staff of the Trust. The quarterly contribution to the plan is based on a specified percentage of the eligible employees' compensation. The employees' contribution is 7% of compensation for all employees. The Trust is to contribute such amounts as necessary to provide the Plan with assets sufficient to meet the benefits to be paid to the participants. Retirement contributions for the fiscal years ended September 30, 2014 and 2013 were \$36,324 and \$115,793, respectively.

The Trust's contributions to the Plan for the calendar years ending December 31, 2014, 2013 and 2012 were actuarially determined by the January 1, 2014, 2013, and 2012 valuations to be \$50,637, \$54,486, and \$143,996, respectively.

**Note 12 – Legal Matters**

The Trust may be party to legal proceedings, investigations, and claims in the ordinary course of operations. The Trust records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Trust evaluates, along with legal counsel, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Trust does not establish an accrued liability. In the opinion of management, the ultimate outcome of the claim and litigation, if any, will not have a material effect on the Trust's financial position.

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust  
Required Supplementary Information  
Schedule of Changes in the City's Net Pension Liability (Unaudited)  
Last Fiscal Year**

|   |    |               |
|---|----|---------------|
| <b>Total pension liability</b>                              |    |               |
| Service cost  | \$ | 17,233,272    |
| Interest  |    | 155,338,970   |
| Changes of benefit terms                                    |    | -             |
| Differences between expected and actual experience          |    | (6,638,755)   |
| Changes of assumptions                                      |    | -             |
| Benefit payments, including refunds of member contributions |    | (139,860,276) |
| Net change in total pension liability                       |    | 26,073,211    |
| Total pension liability- beginning                          |    | 2,123,883,136 |
| Total pension liability- ending                             |    | 2,149,956,347 |
| <b>Plan fiduciary net position</b>                          |    |               |
| Contributions - employer                                    |    | 47,654,757    |
| Contributions - member                                      |    | 9,462,569     |
| Net investment income                                       |    | 133,609,444   |
| Benefit payments, including refunds of member contributions |    | (139,860,276) |
| Administrative expenses                                     |    | (2,086,240)   |
| Depreciation expense  |    | (42,726)      |
| Net change in plan fiduciary net position                   |    | 48,737,528    |
| Plan fiduciary net position – beginning                     |    | 1,699,958,806 |
| Plan fiduciary net position - ending                        | \$ | 1,748,696,334 |
| City's net pension liability                                | \$ | 401,260,013   |

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

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Miami Fire Fighters' and Police Officers'  
 Retirement Trust  
 Required Supplementary Information  
 Schedule of Changes in the City's Net Pension Liability (Unaudited) - continued  
 Last Fiscal Year**

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|                              |    |                 |
|------------------------------|----|-----------------|
| Total pension liability      | \$ | 2,149,956,347   |
| Plan fiduciary net position  |    | (1,748,696,334) |
| City's net pension liability | \$ | 401,260,013     |

---

|   |        |
|---|--------|
| Plan fiduciary net position as a percentage of the<br>total pension liability | 81.34% |
|---|--------|

|                            |    |            |
|----------------------------|----|------------|
| Covered – employee payroll | \$ | 85,222,842 |
|----------------------------|----|------------|

|   |         |
|---|---------|
| City's net pension liability as a percentage of<br>covered – employee payroll | 470.84% |
|---|---------|

|                                       |    |             |
|---------------------------------------|----|-------------|
| Total employee payroll including DROP | \$ | 127,786,644 |
|---------------------------------------|----|-------------|

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

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust  
Required Supplementary Information  
Schedule of Contributions by Employer (Unaudited)  
Last 10 Fiscal Years**

|  | <u>2014</u>    | <u>2013</u>    | <u>2012</u>    | <u>2011</u>         | <u>2010</u>   |
|--|----------------|----------------|----------------|---------------------|---------------|
| Actuarially determined contribution                                  | \$ 47,305,679  | \$ 45,412,248  | \$ 47,418,316  | \$ 47,156,797       | \$ 59,025,379 |
| Contributions in relation to the actuarially determined contribution | 47,305,679     | 45,412,248     | 47,418,316     | 44,928,642          | 59,025,379    |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 2,228,155</u> | <u>\$ -</u>   |
| <br>   |                |                |                |                     |               |
| Covered-employee payroll   | \$ 93,705,765  | \$ 85,222,842  | \$ 82,205,838  | \$ 82,164,617       | \$ 80,152,355 |
| Contributions as a percentage of covered-employee payroll            | 50.48%         | 53.29%         | 57.68%         | 54.68%              | 73.65%        |
| <br>   |                |                |                |                     |               |
|  | <u>2009</u>    | <u>2008</u>    | <u>2007</u>    | <u>2006</u>         | <u>2005</u>   |
| Actuarially determined contribution                                  | \$ 36,993,395  | \$ 36,040,251  | \$ 40,542,078  | \$ 50,635,213       | \$ 49,393,765 |
| Contributions in relation to the actuarially determined contribution | 36,993,395     | 36,040,251     | 40,542,078     | 50,635,213          | 49,393,765    |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>         | <u>\$ -</u>   |
| <br>   |                |                |                |                     |               |
| Covered-employee payroll   | \$ 122,212,346 | \$ 129,369,531 | \$ 103,630,392 | \$ 90,363,952       | \$ 91,514,713 |
| Contributions as a percentage of covered-employee payroll            | 30.27%         | 27.86%         | 39.12%         | 56.03%              | 53.97%        |

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

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust  
Required Supplementary Information  
Schedule of Investment Returns (Unaudited)  
For the Year Ended September 30, 2014**

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|   | <b>2014</b> |
|---|-------------|
| Annual money-weighted rate of return, net of investment expense | 8.60%       |

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

*See accompanying independent auditors' report and notes to required supplementary information.*

**City of Miami Fire Fighters' and Police Officers'  
 Retirement Trust  
 Required Supplementary Information  
 Notes to Required Supplementary Information (Unaudited)  
 Last Ten Fiscal Years**

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*Method and assumptions used in calculations of the City's actuarially determined contributions.* The actuarially determined contribution rates in the schedule of the City's contributions are calculated as of October 1, one year prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

|                                    |  |
|------------------------------------|--|
| Actuarial cost method              | Aggregate Cost Method  |
| Asset valuation method             | 20% Write-Up Method: Expected actuarial value of assets, adjusted by 20% of the difference between expected actuarial value and actual market value (net of pending transfers to the COLA Fund). |
| Interest Rates                     | 7.50% net of investment expenses   |
| Inflation                          | 3.25%  |
| Projected salary increases         | 1.5-5% for promotions and other increase plus salary merit   |
| Expense and or Contingency Loading | \$ 2,222,561   |
| Mortality Rates:                   |  |
| Healthy                            | RP 2000 Mortality Table Projected to 2020 using Scale AA   |
| Disabled                           | RP 2000 Disabled Mortality Table Projected to 2020 using Scale AA  |
|                                    | 100% of the assumed deaths are expected to be ordinary deaths  |

*See accompanying independent auditors' report.*



**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust  
Required Supplementary Information  
Notes to Required Supplementary Information (Unaudited) - continued  
Last 10 Fiscal Years**

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Retirement Rates: If eligible for retirement, the following decrements apply, based on service.

| <u>Years of Service</u> | <u>Police %</u> | <u>Fire %</u> |
|-------------------------|-----------------|---------------|
| <20                     | 0               | 0             |
| 20                      | 10              | 10            |
| 21-24                   | 3               | 3             |
| 25-29                   | 40              | 5             |
| 30-34                   | 50              | 25            |
| 35                      | 100             | 25            |
| 36                      |                 | 25            |
| 37                      |                 | 100           |

All Members are assumed to elect a 5-year BackDROP when they reach five years following first retirement eligibility.

Disability Rates: 100% of the disabilities are expected to be accidental with the following probabilities. No recovery is assumed

| <u>Age</u> | <u>Rates</u> |
|------------|--------------|
| 35         | 0.285%       |
| 40         | 0.390%       |
| 45         | 0.800%       |
| 50         | 1.210%       |

Withdrawal Rates:

| <u>Age</u> | <u>&lt;5</u> | <u>5+</u> |
|------------|--------------|-----------|
| 30         | 2.40%        | 1.92%     |
| 35         | 2.40%        | 1.92%     |
| 40         | 1.80%        | 1.44%     |
| 45         | 1.20%        | 0.96%     |
| 50         | 0.00%        | 0.00%     |

Marital Status and Ages:

100% of Members are assumed to be married.

Female spouses assumed to be 3 years younger than male spouses.

Compensated Absence Balance Transfers:

No liabilities or costs are included for the provision to transfer compensated absence balances into FIPO to purchase additional creditable service, based on our understanding that assets will be transferred immediately prior to retirement to cover 100% of the liability for the additional service.

Withdrawal of Employee Contributions:

It is assumed that employees do not withdraw their contribution balances upon employment termination or retirement.

*See accompanying independent auditors' report.*

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust  
Other Supplemental Schedules of Investment Expenses  
For the Years Ended September 30, 2014 and 2013**

|   | 2014         | 2013         |
|---|--------------|--------------|
| Financial management expenses                       |              |              |
| Equities  |              |              |
| Barrow Hanley                                       | \$ 380,004   | \$ 388,493   |
| BGI/Black Rock                                      | 125,998      | 69,370       |
| Boston Partners                                     | 396,089      | 319,476      |
| Champlain Investments                               | 533,242      | 537,823      |
| Delaware Investment                                 | 541,191      | 488,579      |
| RCM Capital   | -            | 42,318       |
| Eagle Asset Management                              | 262,570      | 235,633      |
| First Eagle   | 817,596      | 714,069      |
| Urdang & Associates                                 | 315,056      | 464,104      |
| Wentworth Hauser & Violich                          | -            | 764,991      |
| Total   | 3,371,746    | 4,024,856    |
| Fixed Income  |              |              |
| Ambassador Capital                                  | 169,920      | 162,258      |
| AXA High Yield                                      | 433,039      | 427,691      |
| Barrow Hanley                                       | 265,910      | 267,750      |
| Dodge & Cox   | 222,440      | 218,795      |
| Munder Capital                                      | 131,620      | 129,053      |
| Wellington TIPS                                     | 109,752      | 86,241       |
| Total   | 1,332,681    | 1,291,788    |
| Real Estate   |              |              |
| Certified Appraisal Services of South Florida, Inc. | 1,000        | 1,000        |
| J.P. Morgan   | 919,302      | 792,693      |
| Total   | 920,302      | 793,693      |
| Other   | 85           | 10,762       |
| Total   | 85           | 10,762       |
| Total investment expenses                           | \$ 5,624,814 | \$ 6,121,099 |

**City of Miami Fire Fighters' and Police Officers'  
Retirement Trust**  
**Other Supplemental Schedules of Administrative Expenses**  
**For the Years Ended September 30, 2014 and 2013**

|                               | 2014         | 2013         |
|-------------------------------|--------------|--------------|
| Personnel services            |              |              |
| Salaries and payroll taxes    | \$ 520,606   | \$ 520,139   |
| Fringe benefits               | 208,782      | 95,425       |
| Total personnel services      | 729,388      | 615,564      |
| Professional services         |              |              |
| Actuarial                     | 80,111       | 281,417      |
| Audit                         | 38,000       | 38,000       |
| Consultant and custodial      | 512,472      | 484,835      |
| Legal                         | 219,334      | 80,325       |
| Total professional services   | 849,917      | 884,577      |
| Other                         |              |              |
| Education and travel          | 34,498       | 36,352       |
| Insurance                     | 81,293       | 76,837       |
| Office expense                | 220,130      | 202,334      |
| Repair and maintenance        | 87,558       | 131,373      |
| Retirement contribution       | 54,486       | 115,793      |
| Utilities                     | 28,970       | 36,859       |
| Total other                   | 506,935      | 599,548      |
| Total administrative expenses | \$ 2,086,240 | \$ 2,099,689 |



**Independent Auditors' 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***

Board of Trustees  
City of Miami Fire Fighters' and Police Officers' Retirement Trust  
Miami, Florida

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 of Miami Fire Fighters' and Police Officers' Retirement Trust (the "Trust"), which comprise the statement of fiduciary net position as of September 30, 2014, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust'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 the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 entity'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 Auditors' 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 Trust's financial statements are free of 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 Trust's internal control or on compliance. This report is an integral of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida  
January 15, 2015

Goldstein Schechter Koch

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**III**

**INVESTMENT**

**SECTION**

INVESTMENT ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2014

|  | GENERAL FUND         | COLA I            | COLA II            |
|--|----------------------|-------------------|--------------------|
| BALANCE AS OF 10/01/2013                   | 1,242,886,976        | 52,532,042        | 337,249,947        |
| Additions: Purchases                       |                      |                   |                    |
| Short Term Investment                      | 100,010              |                   |                    |
| Other Money Market                         | 3,520,702            |                   |                    |
| Other Liabilities                          | 4,895,182            |                   |                    |
| Mutual Funds                               | 143,441,006          |                   |                    |
| Private Equity                             | 45,297,363           |                   |                    |
| Private Equity International               | 4,600,517            |                   |                    |
| Commercial Paper                           | 14,757,668           |                   |                    |
| Commodity Ex Traded Fund International     | 2,041,278            |                   |                    |
| US Treasury Bills                          | 19,817,534           |                   |                    |
| US Treasury Bonds                          | 73,202,487           |                   |                    |
| US Treasury Bonds International            | 1,856,317            |                   |                    |
| US Treasury Notes                          | 75,701,754           |                   |                    |
| Corporate Bonds                            | 230,185,535          |                   |                    |
| Corporate Bonds International              | 11,583,986           |                   |                    |
| Domestic Equity                            | 178,831,057          |                   |                    |
| International Equity                       | 35,322,035           |                   |                    |
| DROP Assets                                | 17,484,666           |                   |                    |
| Share of Assets Transferred                | 0                    |                   |                    |
|  | 862,639,097          | 4,289,758         | 33,510,974         |
|  |                      | 4,289,758         | 33,510,974         |
| Deductions: Redemptions & Sale             |                      |                   |                    |
| Short Term Investment                      | 100,000              |                   |                    |
| Other Money Market                         | 3,501,501            |                   |                    |
| Other Liabilities                          | 4,916,442            |                   |                    |
| Mutual Funds                               | 130,561,212          |                   |                    |
| Private Equity                             | 11,566,367           |                   |                    |
| Private Equity International               | 1,484,296            |                   |                    |
| Commercial Paper                           | 15,376,969           |                   |                    |
| Commodity Ex Traded Fund International     | 1,322,801            |                   |                    |
| US Treasury Bills                          | 13,028,792           |                   |                    |
| US Treasury Bonds                          | 90,524,614           |                   |                    |
| US Treasury Bonds International            | 5,056,755            |                   |                    |
| US Treasury Notes                          | 64,458,251           |                   |                    |
| Corporate Bonds                            | 166,679,635          |                   |                    |
| Corporate Bonds International              | 15,194,250           |                   |                    |
| Domestic Equity                            | 220,737,607          |                   |                    |
| International Equity                       | 54,047,985           |                   |                    |
| Share of Securities Transferred To COLA I  | 4,104,404            | 185,354           |                    |
| Share of Securities Transferred To COLA II | 11,507,919           |                   | 22,003,055         |
|  | 814,169,800          |                   |                    |
| BALANCE AS OF 09/30/2014                   | <u>1,291,356,273</u> | <u>56,636,445</u> | <u>348,757,865</u> |

**Miami Fire and Police Retirement Trust**  
**Asset Allocation by Manager**

**Asset Allocation by Manager**

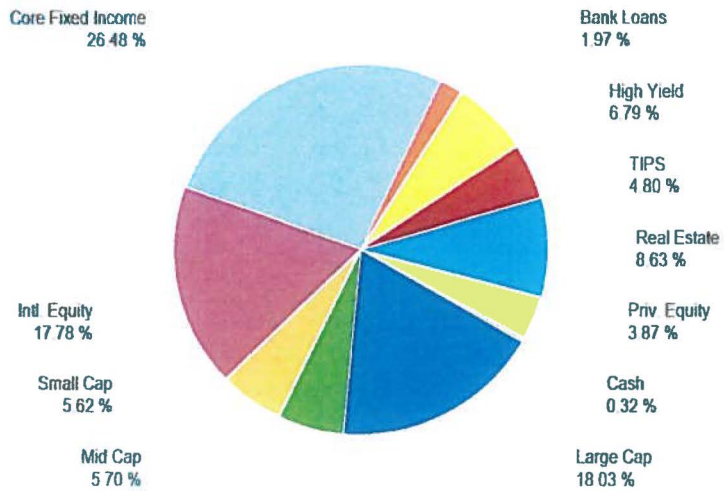
**As Of September 30, 2014**

|                                    | Total Market Value | % of Portfolio | US Equity     | Non-US Equity | US Fixed Income | Alternatives | Real Estate  | Cash |
|------------------------------------|--------------------|----------------|---------------|---------------|-----------------|--------------|--------------|------|
| Total Fund                         |                    |                |               |               |                 |              |              |      |
| Domestic Equity                    |                    |                |               |               |                 |              |              |      |
| Large Cap Equity                   |                    |                |               |               |                 |              |              |      |
| BlackRock S&P Index Fund           | \$30,271,728       | 2.0%           | \$30,271,728  |               |                 |              |              |      |
| Jackson Square Partners            | \$120,209,819      | 7.8%           | \$120,209,819 |               |                 |              |              |      |
| Barrow Hanley Large Value          | \$125,794,834      | 8.2%           | \$125,794,834 |               |                 |              |              |      |
| Mid Capitalization Equity          |                    |                |               |               |                 |              |              |      |
| Champlain Mid Cap                  | \$21,586,977       | 1.4%           | \$21,586,977  |               |                 |              |              |      |
| Boston Partners                    | \$65,714,057       | 4.3%           | \$65,714,057  |               |                 |              |              |      |
| Small Capitalization Equity        |                    |                |               |               |                 |              |              |      |
| Champlain Small Cap                | \$60,571,573       | 4.0%           | \$60,571,573  |               |                 |              |              |      |
| Eagle Asset Management             | \$25,517,218       | 1.7%           | \$25,517,218  |               |                 |              |              |      |
| International Equity               |                    |                |               |               |                 |              |              |      |
| BlackRock EAFE Index Fund          | \$160,633,151      | 10.5%          |               | \$160,633,151 |                 |              |              |      |
| First Eagle                        | \$111,599,518      | 7.3%           |               | \$111,599,518 |                 |              |              |      |
| Legacy WHV                         | \$175,463          | 0.0%           |               | \$175,463     |                 |              |              |      |
| Core Fixed Income                  |                    |                |               |               |                 |              |              |      |
| Ambassador Capital                 | \$113,446,748      | 7.4%           |               |               | \$113,446,748   |              |              |      |
| Munder Capital                     | \$94,157,057       | 6.1%           |               |               | \$94,157,057    |              |              |      |
| Dodge & Cox                        | \$102,351,470      | 6.7%           |               |               | \$102,351,470   |              |              |      |
| Barrow Hanley Opportunistic Credit | \$95,725,782       | 6.2%           |               |               | \$95,725,782    |              |              |      |
| Bank Loans                         |                    |                |               |               |                 |              |              |      |
| Pacific Asset Management           | \$30,214,107       | 2.0%           |               |               | \$30,214,107    |              |              |      |
| High Yield                         |                    |                |               |               |                 |              |              |      |
| AXA High Yield                     | \$104,039,783      | 6.8%           |               |               | \$104,039,783   |              |              |      |
| TIPS                               |                    |                |               |               |                 |              |              |      |
| Wellington TIPS                    | \$73,610,847       | 4.8%           |               |               | \$73,610,847    |              |              |      |
| Real Estate                        |                    |                |               |               |                 |              |              |      |
| JP Morgan Real Estate              |                    |                |               |               |                 |              |              |      |
| JP Morgan SPF                      | \$70,467,073       | 4.6%           |               |               |                 |              | \$70,467,073 |      |
| JP Morgan SSPF                     | \$18,425,765       | 1.2%           |               |               |                 |              | \$18,425,765 |      |
| Centersquare                       | \$41,193,904       | 2.7%           |               |               |                 |              | \$41,193,904 |      |
| Retirement Office                  | \$2,200,000        | 0.1%           |               |               |                 |              | \$2,200,000  |      |

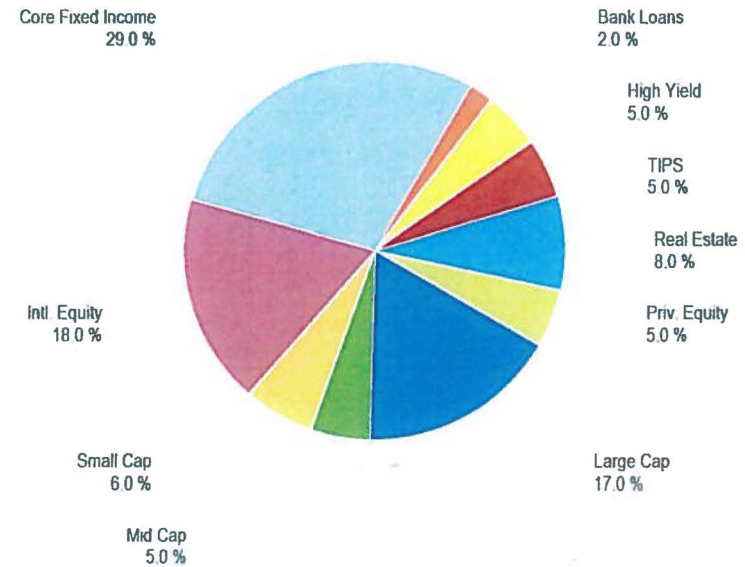


|                                     | Total Market Value     | % of Portfolio | US Equity            | Non-US Equity        | US Fixed Income      | Alternatives        | Real Estate          | Cash               |
|-------------------------------------|------------------------|----------------|----------------------|----------------------|----------------------|---------------------|----------------------|--------------------|
| <b>Private Equity</b>               |                        |                |                      |                      |                      |                     |                      |                    |
| Adams Street                        | \$2,647,394            | 0.2%           |                      |                      |                      | \$2,647,394         |                      |                    |
| BlackRock NTR                       | \$4,740,090            | 0.3%           |                      |                      |                      | \$4,740,090         |                      |                    |
| Catalyst                            | \$1,663,208            | 0.1%           |                      |                      |                      | \$1,663,208         |                      |                    |
| Coller Fund V                       | \$7,693,908            | 0.5%           |                      |                      |                      | \$7,693,908         |                      |                    |
| Coller Fund VI                      | \$6,606,458            | 0.4%           |                      |                      |                      | \$6,606,458         |                      |                    |
| JP Morgan Private Equity            | \$11,526,403           | 0.8%           |                      |                      |                      | \$11,526,403        |                      |                    |
| JP Morgan Global Fund V             | \$1,917,435            | 0.1%           |                      |                      |                      | \$1,917,435         |                      |                    |
| Lexington Capital Partners          | \$8,730,520            | 0.6%           |                      |                      |                      | \$8,730,520         |                      |                    |
| Pantheon Global                     | \$12,247,721           | 0.8%           |                      |                      |                      | \$12,247,721        |                      |                    |
| SL Capital                          | \$1,574,178            | 0.1%           |                      |                      |                      | \$1,574,178         |                      |                    |
| <b>Cash &amp; Cash Alternatives</b> |                        |                |                      |                      |                      |                     |                      |                    |
| BlackRock Liquid Policy Portfolio   | \$609,024              | 0.0%           |                      |                      |                      |                     |                      | \$609,024          |
| Main Account                        | \$4,230,963            | 0.3%           |                      |                      |                      |                     |                      | \$4,230,963        |
| Transition Account                  | \$342                  | 0.0%           |                      |                      |                      |                     |                      | \$342              |
| <b>Total</b>                        | <b>\$1,532,094,518</b> | <b>100.0%</b>  | <b>\$449,666,207</b> | <b>\$272,408,132</b> | <b>\$613,545,794</b> | <b>\$59,347,314</b> | <b>\$132,286,742</b> | <b>\$4,840,329</b> |
| Percent of Total                    |                        |                | 29.3%                | 17.8%                | 40.0%                | 3.9%                | 8.6%                 | 0.3%               |

**Current Allocation**

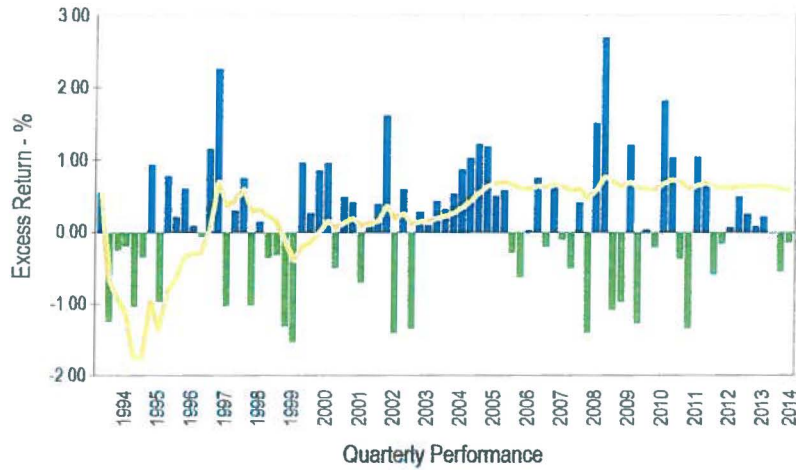


**Target Allocation**



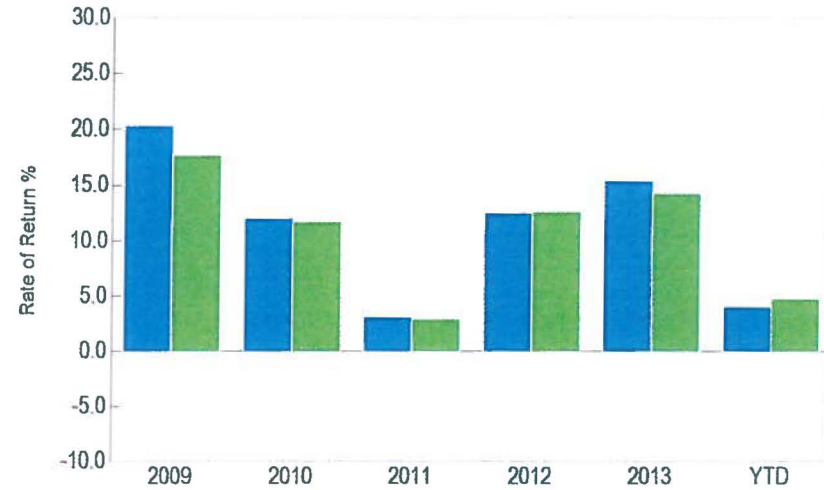
# Total Fund Performance Summary

Annualized Excess Performance



■ Quarterly Out Performance  
■ Quarterly Under Performance  
— Annualized Excess Performance

Return Summary  
Ending September 30, 2014



■ Total Fund  
■ Fund Benchmark

Ending September 30, 2014

Inception

|                       | 3 Mo Rank | Fiscal YTD Rank | 1 Yr Rank | 2 Yrs Rank | 3 Yrs Rank | 4 Yrs Rank | 5 Yrs Rank | 7 Yrs Rank | 10 Yrs Rank | Return | Since |    |       |    |      |    |      |    |      |        |
|-----------------------|-----------|-----------------|-----------|------------|------------|------------|------------|------------|-------------|--------|-------|----|-------|----|------|----|------|----|------|--------|
| <b>Total Fund</b>     | -1.3%     | 64              | 8.8%      | 67         | 8.8%       | 67         | 10.6%      | 45         | 13.0%       | 36     | 10.4% | 27 | 10.3% | 29 | 5.1% | 41 | 7.4% | 20 | 8.4% | Jan-94 |
| <i>Fund Benchmark</i> | -1.2%     | 55              | 9.3%      | 54         | 9.3%       | 54         | 10.4%      | 49         | 12.5%       | 47     | 9.8%  | 38 | 9.9%  | 42 | 4.7% | 57 | 6.5% | 62 | 7.9% | Jan-94 |

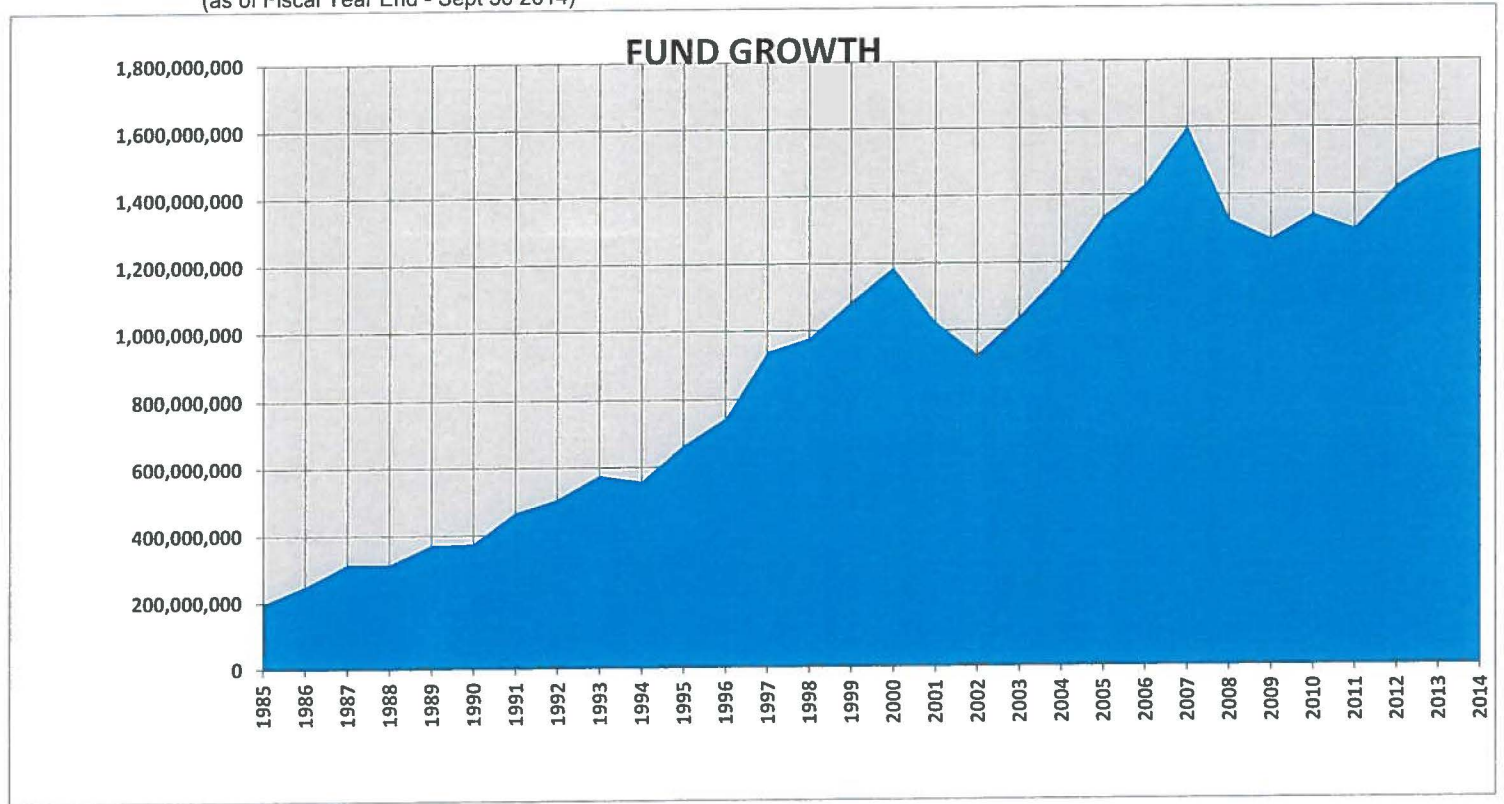
|                       | YTD Rank | 2013 Rank | 2012 Rank | 2011 Rank | 2010 Rank | 2009 Rank | 2008 Rank | 2007 Rank | 2006 Rank | 2005 Rank |       |    |        |    |      |    |       |    |      |    |
|-----------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------|----|--------|----|------|----|-------|----|------|----|
| <b>Total Fund</b>     | 4.0%     | 56        | 15.5%     | 45        | 12.6%     | 47        | 3.1%      | 30        | 12.1%     | 65        | 20.4% | 41 | -23.8% | 50 | 7.3% | 61 | 12.6% | 48 | 9.5% | 10 |
| <i>Fund Benchmark</i> | 4.8%     | 31        | 14.3%     | 54        | 12.7%     | 45        | 3.0%      | 31        | 11.7%     | 70        | 17.8% | 55 | -23.9% | 51 | 6.2% | 81 | 13.0% | 42 | 5.4% | 77 |

### GROWTH OF THE FUND

(as of Fiscal Year End - Sept 30 2014)

FISCAL YEAR MARKET VALUE

|      |               |
|------|---------------|
| 1985 | 199,345,728   |
| 1986 | 250,500,507   |
| 1987 | 314,887,130   |
| 1988 | 314,756,341   |
| 1989 | 372,898,432   |
| 1990 | 375,600,000   |
| 1991 | 467,717,640   |
| 1992 | 507,233,089   |
| 1993 | 577,531,203   |
| 1994 | 559,130,104   |
| 1995 | 665,309,481   |
| 1996 | 742,938,069   |
| 1997 | 938,525,274   |
| 1998 | 978,062,036   |
| 1999 | 1,086,034,187 |
| 2000 | 1,186,001,037 |
| 2001 | 1,025,439,757 |
| 2002 | 926,355,174   |
| 2003 | 1,038,797,014 |
| 2004 | 1,168,244,034 |
| 2005 | 1,336,399,433 |
| 2006 | 1,429,556,438 |
| 2007 | 1,600,810,429 |
| 2008 | 1,324,750,244 |
| 2009 | 1,267,128,720 |
| 2010 | 1,339,510,475 |
| 2011 | 1,297,169,271 |
| 2012 | 1,423,736,735 |
| 2013 | 1,499,777,038 |
| 2014 | 1,532,094,518 |



**IV**

**ACTUARIAL**

**SECTION**

July 3, 2013

Board of Trustees  
City of Miami Fire Fighters' and  
Police Officers' Retirement Trust  
1895 SW 3 Avenue  
Miami, FL 33129-1456

October 1, 2012 Actuarial Report

Dear Board Members:

Enclosed is our report on the actuarial valuation of the City of Miami Fire Fighters' and Police Officers' Retirement Trust as of October 1, 2012, for the fiscal year beginning October 1, 2013.

The report is based upon the terms of Ordinance No. 10002 and the Amended Final Judgment in the matter of Gates v. City of Miami, as well as Ordinance 13344 (excluding any change to the Entry Age Cost Method).

The City contribution requirement for the 2013/2014 fiscal year is \$41,827,871, compared to \$40,145,125 for the 2012/2013 fiscal year. This report reflects the impact of the increase in contributions for police officers as well as the replacement of DROP by Back DROP, effective October 1, 2012.

When expressed as a percentage of total payroll (for active members and members in forward DROP), the City contribution rate decreased from 33.70% as of October 1, 2011 to 33.53% as of October 1, 2012. The percentages of total payroll reflect the hypothetical impact on funding if there were no forward DROP, since members who are presently in DROP could well be more likely to be retired and replaced with active members. The ordinance and State law do not permit funding after members enter a forward DROP.

GASB Statement No. 67 is effective for the fiscal year starting 10/1/2013. Once guidance is received from GASB on various aspects of the required disclosure, we will follow up with a supplemental report reflecting GASB 67.

Respectfully submitted,

THE NYHART COMPANY, INC.

*Randall L. Stanley*

Randall L. Stanley, FSA, FCA, MAAA, EA  
Actuary

*David D. Harris*

David D. Harris, ASA, FCA, MAAA, EA  
Actuary

*Heath W. Merlak*

Heath W. Merlak, FSA, MAAA, EA  
Actuary

Enclosures: Electronic ([dana@miamifipo.org](mailto:dana@miamifipo.org))  
Bound (10 copies)

RLS/DDH/HWM/di  
MIAM501801/701

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

City Contribution Requirement for 2013/2014 Fiscal Year

|  | <u>2013/2014</u>     | <u>2012/2013</u>                               |                            |
|--|----------------------|--|----------------------------|
|  |                      | March 2013<br>Actuarial<br><u>Impact Stmt.</u> | Valuation<br><u>Report</u> |
|  | -\$-                 | -\$-   | -\$-                       |
| I. <u>Unfunded Actuarial Accrued Liability</u> | N/A                  | N/A  | N/A                        |
| II. <u>Normal Cost</u>                         |                      |  |                            |
| A. Present Value of Future Benefits            |                      |  |                            |
| 1. <u>Active Members</u>                       |                      |  |                            |
| a. Retirement                                  | 341,843,203          | 335,320,411                                    | 349,219,159                |
| b. Disability                                  | 44,965,635           | 45,561,455                                     | 42,626,676                 |
| c. Death                                       | 6,261,069            | 6,214,228                                      | 3,601,943                  |
| d. Turnover                                    | 22,373,923           | 23,106,720                                     | 23,242,860                 |
| e. Return of Contributions                     | <u>1,805,399</u>     | <u>1,803,932</u>                               | <u>2,199,182</u>           |
| f. Total                                       | 417,249,229          | 412,006,746                                    | 420,889,820                |
| 2. <u>Retired Members and Beneficiaries</u>    |                      |  |                            |
| a. Service Retirements and<br>Beneficiaries    | 1,347,162,561        | 1,341,405,561                                  | 1,341,422,264              |
| b. Disability Retirements                      | 31,219,352           | 32,341,301                                     | 32,338,742                 |
| c. Terminated Vested Members                   | <u>3,082,011</u>     | <u>3,861,118</u>                               | <u>3,855,757</u>           |
| d. Total                                       | 1,381,463,924        | 1,377,607,980                                  | 1,377,616,763              |
| 3. Total                                       | <u>1,798,713,153</u> | <u>1,789,614,726</u>                           | <u>1,798,506,583</u>       |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

City Contribution Requirement for 2013/2014 Fiscal Year

|   | <u>2013/2014</u>  | <u>2012/2013</u>                        |                     |
|---|-------------------|---|---------------------|
|   |                   | March 2013<br>Actuarial<br>Impact Stmt. | Valuation<br>Report |
|   | -\$-              | -\$-                                    | -\$-                |
| <b>II. <u>Normal Cost</u> (Cont'd)</b>  |                   |   |                     |
| A. Total Present Value of Future Benefits                                       | 1,798,713,153     | 1,789,614,726                           | 1,798,506,583       |
| B. Present Value of Future Member Contributions                                 | 98,090,159        | 100,400,650                             | 106,522,468         |
| C. Actuarial Asset Value  | 1,143,606,948     | 1,150,323,527                           | 1,150,323,527       |
| D. Unfunded Actuarial Accrued Liability   | <u>0</u>          | <u>0</u>                                | <u>0</u>            |
| E. Present Value of Future Normal Costs (A-B-C-D)                               | 557,016,046       | 538,890,549                             | 541,660,588         |
| F. Present Value of Future Payrolls   | 1,243,531,237     | 1,254,333,389                           | 1,104,448,459       |
| G. Administrative Expense   | 2,087,114         | 2,044,488                               | 2,044,488           |
| H. Current Payroll for those under Expected Retirement Age                      | 82,205,838        | 82,164,617                              | 82,164,617          |
| I. Interest Rate  | 7.5%              | 7.5%                                    | 7.5%                |
| J. Current Normal Cost - Payable 10/1/2013<br>([ (E)x(H) / (F) ] + (G)) (1+(I)) | 41,827,871        | 40,145,125                              | 45,516,491          |
| K. Covered Payroll  | 82,205,838        | 82,164,617                              | 82,164,617          |
| L. Normal Cost as Percentage of Covered Payroll<br>(J)/ (K)                     | 50.88%            | 48.86%                                  | 55.40%              |
| <b>III. <u>Quarterly City Contribution Schedule</u></b>                         |                   |   |                     |
| A. Past Service Cost  | 0                 | 0                                       | 0                   |
| B. Normal Cost  | 41,827,871        | 40,145,125                              | 45,516,491          |
| C. Payment Timing   | <u>0</u>          | <u>0</u>                                | <u>0</u>            |
| D. Total  | <u>41,827,871</u> | <u>40,145,125</u>                       | <u>45,516,491</u>   |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Actuarial Asset Value – 20% Write Up Method

|  |                             |
|--|-----------------------------|
| I. <u>Determination of Actuarial Asset Value as of October 1, 2012</u> | -\$-                        |
| A. Actuarial Value of Assets as of 10/01/2011                          | 1,150,323,527               |
| B. City Contributions  | 42,353,775                  |
| C. Member Contributions  | 8,390,922                   |
| D. Benefits Paid   | 124,321,444                 |
| E. Contributions Refunded  | 765,520                     |
| F. Expected Return *   | <u>84,762,464</u>           |
| G. Expected Actuarial Value of Assets (A+B+C-D-E+F)                    | 1,160,743,724               |
| H. Market Value of Assets at 9/30/2012                                 | 1,075,059,845               |
| I. Present Value of 01/01/13 COLA Transfer                             | 0                           |
| J. Present Value of 01/01/14 COLA Transfer                             | 0                           |
| K. Difference (H-I-J-G)  | (85,683,879)                |
| L. 20% of Difference   | (17,136,776)                |
| M. Preliminary Actuarial Asset Value (G+L)                             | 1,143,606,948               |
| N. Maximum Actuarial Asset Value (120% of H-I-J)                       | 1,290,071,814               |
| O. Minimum Actuarial Asset Value (80% of H-I-J)                        | 860,047,876                 |
| P. Actuarial Asset Value at 10/1/2012                                  | 1,143,606,948               |
| Q. Contribution Surplus Account Balance                                | 0                           |
| R. Final Actuarial Value at 10/01/2012 (P – Q)                         | <u><b>1,143,606,948</b></u> |
| II. <u>Rate of Return on Actuarial Asset Value</u>                     | -\$-                        |
| A. Actuarial Asset Value at 10/01/2011                                 | 1,150,323,527               |
| B. Contributions   |                             |
| 1. City Contribution   | 42,353,775                  |
| 2. Members   | <u>8,390,922</u>            |
| 3. Total   | 50,744,697                  |
| C. Benefits and Refunds  | 125,086,964                 |
| D. Contribution Surplus  | 0                           |
| E. Actuarial Asset Value at 10/01/2012                                 | 1,143,606,948               |
| F. Net Return on Investment [E+D+C-B-A]                                | 67,625,688                  |
| G. Rate of Return (II F/I F) (.075)                                    | 5.98%                       |

\*[1,150,323,527 + 42,353,775 + (8,390,922) (2.5/4) – (124,321,444 + 765,520) (13/24)] (.075)



**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

I. Development of Actuarial Asset Value (3 Years, for COLA Transfer Purposes)

|  | <u>9/30/2012</u> | <u>9/30/2011</u>             | <u>9/30/2010</u> |
|--|------------------|------------------------------|------------------|
| A. Book Value  | 982,006,300      | 995,657,667                  | 992,423,802      |
| B. Market Value  | 1,075,059,845    | 987,084,959                  | 1,027,739,486    |
| C. B/A   | 1.0947586        | 0.9913899                    | 1.0355853        |
| <hr style="border-top: 1px dashed black;"/>                          |                  |                              |                  |
| D. $1/3 \sum (C)$  |                  | 1.0405779                    |                  |
| E. Adjusted Market Value at 9/30/2012<br>D x \$982,006,300           |                  | 1,021,854,053                |                  |
| F. Contribution Surplus at 9/30/2012                                 |                  | 0                            |                  |
| G. 1. 80% of (Market Value – (F))<br>2. 120% of (Market Value – (F)) |                  | 860,047,876<br>1,290,071,814 |                  |
| H. Preliminary Actuarial<br>Asset Value (E – F)                      |                  | 1,021,854,053                |                  |
| I. Present Value of 1/1/2014<br>COLA Transfer, discounted at 7.50%   |                  | 0                            |                  |
| J. Actuarial Asset Value   |                  | 1,021,854,053                |                  |

II. Rate of Return on Actuarial Asset Value

|   |                   |
|---|-------------------|
| A. Actuarial Asset Value at 10/01/2011        | 1,004,675,155     |
| B. Contributions                              |                   |
| 1. City Contribution                          | 42,353,775        |
| 2. Members                                    | 8,390,922         |
| 3. Total                                      | <u>50,744,697</u> |
| C. Benefits and Refunds                       | 125,086,964       |
| D. Present Value of 1/1/2014<br>COLA Transfer | 0                 |
| E. Contribution Surplus                       | 0                 |
| F. Actuarial Asset Value at 10/01/2012        | 1,021,854,053     |
| G. Net Return on Investment [F+E+D+C-B-A]     | 91,521,165        |
| H. Rate of Return [2 x G/ (A+F-G)]            | 9.46%             |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
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Summary of Asset Transactions for Year Ending September 30, 2012 \*

|   | <u>Membership and<br/>Benefits Accounts</u> | <u>COLA I<br/>Account</u> | <u>COLA II<br/>Account</u> |
|---|---|---------------------------|----------------------------|
|   | -\$-  | -\$-                      | -\$-                       |
| A. Market Value as of October 1, 2011                       | 987,084,959                                 | 40,447,252                | 269,586,716                |
| B. Book Value as of October 1, 2011                         | 995,657,667                                 | 40,798,531                | 271,928,042                |
| C. Income During Year                                       |   |                           |                            |
| 1. City Contributions                                       | 42,353,775                                  | 0                         | 5,064,541                  |
| 2. Member Contributions                                     | 8,390,922                                   | 0                         | 0                          |
| 3. Other Member Contributions                               | 0   | 0                         | 0                          |
| 4. Interest   | 20,480,487                                  | 854,428                   | 5,615,722                  |
| 5. Dividends  | 8,418,467                                   | 352,769                   | 2,314,575                  |
| 6. Net Realized Gains (Losses)                              | 37,754,550                                  | 1,589,215                 | 10,403,097                 |
| 7. Securities Lending Income                                | 653,027                                     | 27,346                    | 179,466                    |
| 8. Rental and Other Income                                  | 198,541                                     | 8,221                     | 54,303                     |
| 9. Income Transfer  | <u>0</u>                                    | <u>0</u>                  | <u>0</u>                   |
|   | 118,249,769                                 | 2,831,979                 | 23,631,704                 |
| D. Disbursements During Years                               |   |                           |                            |
| 1. Benefit Payments   | 124,321,444                                 | 223,556                   | 17,523,925                 |
| 2. Contribution Refunds                                     | 765,520                                     | 421                       | 0                          |
| 3. Custodial and Investment Expenses                        | 4,418,741                                   | 184,354                   | 1,209,613                  |
| 4. Other Expense  | 2,200,000                                   | 0                         | 0                          |
| 5. Securities Lending Fees                                  | 163,163                                     | 6,833                     | 44,841                     |
| 6. Building Depreciation                                    | <u>32,268</u>                               | <u>1,406</u>              | <u>9,051</u>               |
|   | 131,901,136                                 | 416,570                   | 18,787,430                 |
| E. Book Value as of September 30, 2012<br>(B)+(C)-(D)       | 982,006,300                                 | 43,213,940                | 276,772,316                |
| F. Net Change in Unrealized Gains (Losses)                  | 101,626,253                                 | 4,446,171                 | 28,567,884                 |
| G. Market Value as of September 30, 2012<br>(A)+(C)-(D)+(F) | 1,075,059,845                               | 47,308,832                | 302,998,874                |
| H. January 1, 2013 Allocation<br>to COLA II (discounted)    | <u>0</u>                                    | N/A                       | <u>0</u>                   |
| I. Net Market Value as of September 30, 2012                | 1,075,059,845                               | 47,308,832                | 302,998,874                |

\* Based on unaudited financial statements.

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Distribution of Assets as of September 30, 2012 <sup>(1)</sup>

Membership and Benefits and Cost-of-Living Adjustment Accounts

| <u>Description</u>                          | <u>Market</u>        | <u>Book</u>          |
|---|----------------------|----------------------|
|   | -\$-                 | -\$-                 |
| Bills, Bonds, Notes                         | 508,402,098          | 480,422,088          |
| Domestic Stocks                             | 449,370,529          | 361,426,840          |
| International Stocks                        | 216,873,673          | 217,030,548          |
| Private Equity                              | 43,900,769           | 41,891,141           |
| Money Market Funds and Time Deposits        | 23,072,526           | 21,490,439           |
| Mutual Funds                                | 125,109,383          | 121,092,927          |
| Real Estate <sup>(2)</sup>                  | 1,999,913            | 1,999,913            |
| Securities Lending Adjustment               | <u>0</u>             | <u>0</u>             |
| <b>A: Sub-Total</b>                         | <b>1,368,728,891</b> | <b>1,245,353,896</b> |
| <b>B: Cash</b>                              | <b>52,741,573</b>    | <b>52,741,573</b>    |
| Receivables:                                |                      |                      |
| City Contributions                          | 13                   | 13                   |
| Accounts Receivable                         | 2,551                | 2,551                |
| Member Contributions                        | 0                    | 0                    |
| Accrued Interest                            | 4,681,425            | 4,681,425            |
| Accrued Dividends                           | 1,214,126            | 1,214,126            |
| Securities Sold                             | <u>12,296,591</u>    | <u>12,296,591</u>    |
| <b>C: Sub-Total</b>                         | <b>18,194,706</b>    | <b>18,194,706</b>    |
| Payables:                                   |                      |                      |
| Budget Advance                              | (45,675)             | (45,675)             |
| Transfer                                    | 0                    | 0                    |
| Tax Withheld                                | (675)                | (675)                |
| Accounts Payable                            | 608,964              | 608,964              |
| Securities Purchased                        | <u>13,735,005</u>    | <u>13,735,005</u>    |
| <b>D: Sub-Total</b>                         | <b>14,297,619</b>    | <b>14,297,619</b>    |
| <b>E. Total (A+B+C-D)</b>                   | <b>1,425,367,551</b> | <b>1,301,992,556</b> |
| Accounts:                                   |                      |                      |
| <b>COLA I Account</b>                       | <b>47,308,832</b>    | <b>43,213,940</b>    |
| <b>COLA II Account</b>                      | <b>302,998,874</b>   | <b>276,772,316</b>   |
| <b>COLA II Transfer (1/1/2013)</b>          | <b>0</b>             | <b>0</b>             |
| <b>F: Membership &amp; Benefits Account</b> | <b>1,075,059,845</b> | <b>982,006,300</b>   |

<sup>(1)</sup>Based on unaudited financial statements.

<sup>(2)</sup>Reflects accumulated depreciation of \$427,258.

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Investment Results

Yield on Mean Values for 12-Month Period Ending September 30, 2012

|  | -\$-               | <u>Market</u><br>-%- | <u>Book</u><br>-%- |
|--|--------------------|----------------------|--------------------|
| <u>Membership and Benefits Accounts*</u>   |                    |                      |                    |
| Interest                                   | 20,480,487         | 2.2                  | 2.1                |
| Dividends                                  | 8,418,467          | 0.9                  | 0.9                |
| Rental and Other Income, less Depreciation | 166,273            | 0.0                  | 0.0                |
| Realized Gains                             | 37,754,550         | 4.0                  | 3.9                |
| Securities Lending (Net)                   | 489,864            | 0.1                  | 0.1                |
| Increase in Unrealized Gains               | 101,626,253        | 10.7                 | --                 |
| Custodial and Investment Expenses          | <u>(4,418,741)</u> | <u>(0.5)</u>         | <u>(0.5)</u>       |
|  | 164,517,153        | 17.4                 | 6.5                |
| <u>COLA I Account</u>                      |                    |                      |                    |
| Interest                                   | 854,428            | 2.1                  | 2.1                |
| Dividends                                  | 352,769            | 0.9                  | 0.9                |
| Rental and Other Income, less Depreciation | 6,815              | 0.0                  | 0.0                |
| Realized Gains                             | 1,589,215          | 3.9                  | 3.9                |
| Securities Lending (Net)                   | 20,513             | 0.1                  | 0.1                |
| Increase in Unrealized Gains               | 4,446,171          | 11.0                 | --                 |
| Custodial and Investment Expenses          | <u>(184,354)</u>   | <u>(0.5)</u>         | <u>(0.5)</u>       |
|  | 7,085,557          | 17.5                 | 6.5                |
| <u>COLA II Account</u>                     |                    |                      |                    |
| Interest                                   | 5,615,722          | 2.1                  | 2.1                |
| Dividends                                  | 2,314,575          | 0.9                  | 0.9                |
| Rental and Other Income, less Depreciation | 45,252             | 0.0                  | 0.0                |
| Realized Gains                             | 10,403,097         | 4.0                  | 3.9                |
| Securities Lending (Net)                   | 134,625            | 0.1                  | 0.1                |
| Increase in Unrealized Gains               | 28,567,884         | 10.8                 | --                 |
| Custodial and Investment Expenses          | <u>(1,209,613)</u> | <u>(0.5)</u>         | <u>(0.5)</u>       |
|  | 45,871,542         | 17.4                 | 6.5                |

\*Before 1/1/2014 COLA transfer, if any

**CITY OF MIAMI  
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Summary of Accounting Information  
As of October 1

|   | 2012          |               | 2011          |
|---|---------------|---------------|---------------|
|   | -\$-          | -\$-          | -\$-          |
| I. <u>Present Value of Vested Accrued Benefits</u>  |               |               |               |
|   | (FRS 7.75%)   |               |               |
| A. Service Retirements and Beneficiaries  | 1,318,007,212 | 1,347,162,561 | 1,341,422,264 |
| B. Disability Retirements   | 30,658,179    | 31,219,352    | 32,338,742    |
| C. Vested Terminated Members  | 2,966,382     | 3,082,011     | 3,855,757     |
| D. Active Members   | 144,665,341   | 151,491,635   | 157,940,269   |
| E. Total  | 1,496,297,114 | 1,532,955,559 | 1,535,577,032 |
| II. <u>Present Value of Non-Vested Accrued Benefits</u>   | 5,798,899     | 6,221,643     | 32,766,078    |
| III. <u>Present Value of Accrued Benefits</u>   | 1,502,096,013 | 1,539,177,202 | 1,568,323,110 |
| IV. The values of accumulated plan benefits were determined in accordance with the Academy of Actuaries Interpretations and FASB Statement No. 35, <u>Accounting and Reporting by Defined Benefit Pension Plans</u> . |               |               |               |
| V. <u>Statement of Changes in Accrued Benefits</u>  |               |               |               |
| A. Present Value of Accrued Benefits at Beginning of Year   |               |               | 1,568,323,110 |
| B. Increase (Decrease) During the Year Attributable to:   |               |               |               |
| 1. Benefits Accumulated   |               |               | 20,599,751    |
| 2. Benefits Paid and Contributions Refunded   |               |               | (125,086,964) |
| 3. Plan Amendment (Back Drop)   |               |               | (37,592,167)  |
| 4. Assumption/Method Changes (included in Plan Amendment)   |               |               | 0             |
| 5. Increase Due to Decrease in Discount Period  |               |               | 112,933,472   |
| 6. Net Increase   |               |               | (29,145,908)  |
| C. Present Value of Accrued Benefits at End of Year   |               |               | 1,539,177,202 |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Comparison of Funding Progress  
(\$000)

| I. <u>Assets</u>       | <u>10/1/2012</u> | <u>10/1/2011</u> | <u>10/1/2010</u> |
|------------------------|------------------|------------------|------------------|
|                        | -\$-             | -\$-             | -\$-             |
| A. Book Value          | 982,006          | 995,683          | 992,424          |
| B. Market Value        | 1,075,060        | 987,111          | 1,027,740        |
| II. <u>Liabilities</u> |                  |                  |                  |
| A. Retired and Vested  | 1,381,464        | 1,377,617        | 1,360,342        |
| B. Active              |                  |                  |                  |
| Employee Contributions | 72,203           | 66,927           | 64,629           |
| Other Vested           | 79,288           | 91,013           | 89,805           |
| Non-Vested Accrued     | <u>6,222</u>     | <u>32,766</u>    | <u>29,770</u>    |
| C. Total Accrued       | 1,539,177        | 1,568,323        | 1,544,546        |
| III. <u>Ratios</u>     | %                | %                | %                |
| IA/IIC                 | 63.8             | 63.5             | 64.3             |
| IB/IIC                 | 69.8             | 62.9             | 66.5             |

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Note: Item II amounts are present values of accrued benefits.

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Prior Basis

Valuation Date: October 1, 2012 for Fiscal Year beginning October 1, 2013.

Valuation Method: Aggregate Cost Method.

Asset Valuation Method: 20% Write-Up Method: Expected value is based on the Interest Discount/Investment Return rate applied to the actuarial asset value as of previous valuation date and cash flow during the year. 20% of the difference between the Expected Value and the Market Value (net of pending transfers to the COLA Fund) is added to the Expected Value.

The result cannot be greater than 120% of market value or less than 80% of market value (net of pending COLA transfers).

Actuarial Assumptions:

Interest Discount/  
Investment Return: 7.50%, compounded annually.

Inflation: 3.25%, compounded annually.

Mortality: RP 2000 Mortality Table, Employees and Annuitants Combined, projected by scale AA to 2020, producing following specimen rates:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20         | .0235%      | .0138%        |
| 30         | .0402%      | .0216%        |
| 40         | .0919%      | .0522%        |
| 50         | .1487%      | .1189%        |
| 60         | .4887%      | .4573%        |
| 70         | 1.6413%     | 1.5145%       |
| 80         | 5.7647%     | 3.9866%       |

Disabled Mortality: RP 2000 Disabled Mortality Table projected by scale AA to 2020, producing following specimen rates:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20         | 1.5696%     | .5287%        |
| 30         | 2.0418%     | .6093%        |
| 40         | 1.9221%     | .5507%        |
| 50         | 2.0149%     | .8186%        |
| 60         | 3.0450%     | 1.9756%       |
| 70         | 4.6257%     | 3.4045%       |
| 80         | 8.9456%     | 6.2834%       |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Prior Basis  
(Continued)

| <u>Age</u> | <u>Disability</u> | <u>Turnover</u> |           |
|------------|-------------------|-----------------|-----------|
|            |                   | <u>&lt;5</u>    | <u>5+</u> |
| 31         | .00200            | .0240           | .0192     |
| 32         | .00220            | .0240           | .0192     |
| 33         | .00245            | .0240           | .0192     |
| 34         | .00265            | .0240           | .0192     |
| 35         | .00285            | .0240           | .0192     |
| 36         | .00305            | .0228           | .0182     |
| 37         | .00325            | .0216           | .0173     |
| 38         | .00345            | .0204           | .0163     |
| 39         | .00370            | .0192           | .0154     |
| 40         | .00390            | .0180           | .0144     |
| 41         | .00470            | .0168           | .0134     |
| 42         | .00555            | .0156           | .0125     |
| 43         | .00635            | .0144           | .0115     |
| 44         | .00720            | .0132           | .0106     |
| 45         | .00800            | .0120           | .0096     |
| 46         | .00880            | .0096           | .0077     |
| 47         | .00965            | .0072           | .0057     |
| 48         | .01045            | .0048           | .0038     |
| 49         | .01130            | .0024           | .0019     |
| 50         | .01210            | .0000           | .0000     |
| 51         | .01295            | .0000           | .0000     |
| 52         | .01375            | .0000           | .0000     |
| 53         | .01455            | .0000           | .0000     |
| 54         | .01540            | .0000           | .0000     |
| 55         | .01620            | .0000           | .0000     |
| 56         | .01785            | .0000           | .0000     |
| 57         | .01870            | .0000           | .0000     |
| 58         | .01950            | .0000           | .0000     |
| 59         | .02030            | .0000           | .0000     |
| 60         | .00000            | .0000           | .0000     |



**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Prior Basis  
(Continued)

Retirement: Fire Fighters who had attained 64 points by September 30, 2009 and Police Officers who had attained 64 points by September 30, 2010 are subject to the Rule of 64; Fire Fighters who had attained 68 points by September 30, 2010 are subject to the Rule of 68; all others are subject to the Rule of 70. If eligible for Retirement, the following decrements apply, based on service:

| <u>Years of Service</u> | <u>Police %</u> | <u>Fire %</u> |
|-------------------------|-----------------|---------------|
| <20                     | 0               | 0             |
| 20-24                   | 40              | 5             |
| 25-29                   | 50              | 25            |
| 30-31                   | 100             | 25            |
| 32                      |                 | 100           |

Members eligible for Normal Retirement are assumed to retire in accordance with these probabilities. There is no explicit assumption as to the percentage of retirements expected to enter the DROP. No distinction is necessary, since funding is calculated to expect retirement or expected DROP entry.

Salary Merit Scale:

| <u>Service</u> | <u>Police</u> | <u>Fire</u> |
|----------------|---------------|-------------|
| 0              | .0500         | .0500       |
| 1              | .0500         | .0500       |
| 2              | .0500         | .0500       |
| 3              | .0500         | .0500       |
| 4              | .0500         | .0500       |
| 5              | .0500         | .0500       |
| 6              | .0500         | .0500       |
| 7              | .0250         | .0500       |
| 8              | .0500         | .0500       |
| 9              | .0500         | .0500       |
| 10             | .0100         | .0000       |
| 11             | .0100         | .0000       |
| 12             | .0100         | .0000       |
| 13             | .0100         | .0000       |
| 14             | .0100         | .0000       |
| 15             | .0125         | .0250       |
| 16             | .0125         | .0250       |
| 17             | .0100         | .0100       |
| 18             | .0100         | .0100       |
| 19             | .0100         | .0100       |
| 20             | .0100         | .0100       |
| 21             | .0100         | .0100       |
| 22 +           | .0000         | .0000       |

Salary Merit Scale is combined with 3.25% inflation and 1.5% for promotions and other increases. There is no additional increase at retirement.

Projected Total Payroll: Covered Payroll plus \$42,524,730 in payroll for members in forward DROP during 2011/2012 year.

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Prior Basis  
(Continued)

|  |   |
|--|---|
| Type of Disability:                    | 100% of the disabilities are expected to be accidental disabilities.  |
| Recovery:                              | No probabilities of recovery are used.  |
| Type of Death:                         | 100% of the assumed deaths are expected to be ordinary deaths.  |
| Remarriage:                            | No probabilities of remarriage are used.  |
| Spouse's Ages:                         | Females are assumed to be 3 years younger than males.   |
| Marital Status:                        | All employees are assumed to be married. For Members currently receiving benefits, actual spouse's information is provided.   |
| Investment Expenses:                   | The investment return assumption of 7.5% is net of investment expenses.   |
| Administration Expenses:               | Equal to amount from previous fiscal year (\$2,044,488).  |
| Withdrawal of Employee Contributions:  | It is assumed that employees do not withdraw their contribution balances upon employment termination or retirement.   |
| Compensated Absence Balance Transfers: | No liabilities or costs are included for the provision to transfer compensated absence balances into FIPO to purchase additional creditable service, based on our understanding that assets will be transferred immediately prior to retirement to cover 100% of the liability for the additional service.  |
| Adjustments from Valuation Date:       | One year's interest is added to the calculated deposit to reflect ordinance provision.  |
| Sources of Data:                       | Asset data is from unaudited financial statements and includes an appraised value for the real estate to be used for Market Value. Membership data was furnished by Administrator. Member compensation used is final bi-weekly pay in the year, annualized, with estimated reductions for each active member as of October 1, 2011 based on approach summarized in Tables 2 and 3 in September 24, 2011 Actuarial Impact Statement. |
| Changes Since Prior Valuation:         | None.   |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Revised Basis

Valuation Date: October 1, 2012 for Fiscal Year beginning October 1, 2013.

Valuation Method: Aggregate Cost Method.

Asset Valuation Method: 20% Write-Up Method: Expected value is based on the Interest Discount/Investment Return rate applied to the actuarial asset value as of previous valuation date and cash flow during the year. 20% of the difference between the Expected Value and the Market Value (net of pending transfers to the COLA Fund) is added to the Expected Value.

The result cannot be greater than 120% of market value or less than 80% of market value (net of pending COLA transfers).

Actuarial Assumptions:

Interest Discount/  
Investment Return: 7.50%, compounded annually.

Inflation: 3.25%, compounded annually.

Mortality: RP 2000 Mortality Table, Employees and Annuitants Combined, projected by scale AA to 2020, producing following specimen rates:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20         | .0235%      | .0138%        |
| 30         | .0402%      | .0216%        |
| 40         | .0919%      | .0522%        |
| 50         | .1487%      | .1189%        |
| 60         | .4887%      | .4573%        |
| 70         | 1.6413%     | 1.5145%       |
| 80         | 5.7647%     | 3.9866%       |

Disabled Mortality: RP 2000 Disabled Mortality Table projected by scale AA to 2020, producing following specimen rates:

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20         | 1.5696%     | .5287%        |
| 30         | 2.0418%     | .6093%        |
| 40         | 1.9221%     | .5507%        |
| 50         | 2.0149%     | .8186%        |
| 60         | 3.0450%     | 1.9756%       |
| 70         | 4.6257%     | 3.4045%       |
| 80         | 8.9456%     | 6.2834%       |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Revised Basis  
(Continued)

| <u>Age</u> | <u>Disability</u> | <u>Turnover</u> |           |
|------------|-------------------|-----------------|-----------|
|            |                   | <u>&lt;5</u>    | <u>5+</u> |
| 31         | .00200            | .0240           | .0192     |
| 32         | .00220            | .0240           | .0192     |
| 33         | .00245            | .0240           | .0192     |
| 34         | .00265            | .0240           | .0192     |
| 35         | .00285            | .0240           | .0192     |
| 36         | .00305            | .0228           | .0182     |
| 37         | .00325            | .0216           | .0173     |
| 38         | .00345            | .0204           | .0163     |
| 39         | .00370            | .0192           | .0154     |
| 40         | .00390            | .0180           | .0144     |
| 41         | .00470            | .0168           | .0134     |
| 42         | .00555            | .0156           | .0125     |
| 43         | .00635            | .0144           | .0115     |
| 44         | .00720            | .0132           | .0106     |
| 45         | .00800            | .0120           | .0096     |
| 46         | .00880            | .0096           | .0077     |
| 47         | .00965            | .0072           | .0057     |
| 48         | .01045            | .0048           | .0038     |
| 49         | .01130            | .0024           | .0019     |
| 50         | .01210            | .0000           | .0000     |
| 51         | .01295            | .0000           | .0000     |
| 52         | .01375            | .0000           | .0000     |
| 53         | .01455            | .0000           | .0000     |
| 54         | .01540            | .0000           | .0000     |
| 55         | .01620            | .0000           | .0000     |
| 56         | .01785            | .0000           | .0000     |
| 57         | .01870            | .0000           | .0000     |
| 58         | .01950            | .0000           | .0000     |
| 59         | .02030            | .0000           | .0000     |
| 60         | .00000            | .0000           | .0000     |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Revised Basis  
(Continued)

Retirement: Fire Fighters who had attained 64 points by September 30, 2009 and Police Officers who had attained 64 points by September 30, 2010 are subject to the Rule of 64; Fire Fighters who had attained 68 points by September 30, 2010 are subject to the Rule of 68; all others are subject to the Rule of 70. If eligible for Retirement, the following decrements apply, based on service:

| <u>Years of Service</u> | <u>Police %</u> | <u>Fire %</u> |
|-------------------------|-----------------|---------------|
| <20                     | 0               | 0             |
| 20                      | 10              | 10            |
| 21-24                   | 3               | 3             |
| 25-29                   | 40              | 5             |
| 30-34                   | 50              | 25            |
| 35                      | 100             | 25            |
| 36                      |                 | 25            |
| 37                      |                 | 100           |

All Members retire in accordance with the probabilities above. All Members are assumed to elect a five-year BackDROP when they reach five years following first retirement eligibility.

Salary Merit Scale:

| <u>Service</u> | <u>Police</u> | <u>Fire</u> |
|----------------|---------------|-------------|
| 0              | .0500         | .0500       |
| 1              | .0500         | .0500       |
| 2              | .0500         | .0500       |
| 3              | .0500         | .0500       |
| 4              | .0500         | .0500       |
| 5              | .0500         | .0500       |
| 6              | .0500         | .0500       |
| 7              | .0250         | .0500       |
| 8              | .0500         | .0500       |
| 9              | .0500         | .0500       |
| 10             | .0100         | .0000       |
| 11             | .0100         | .0000       |
| 12             | .0100         | .0000       |
| 13             | .0100         | .0000       |
| 14             | .0100         | .0000       |
| 15             | .0125         | .0250       |
| 16             | .0125         | .0250       |
| 17             | .0100         | .0100       |
| 18             | .0100         | .0100       |
| 19             | .0100         | .0100       |
| 20             | .0100         | .0100       |
| 21             | .0100         | .0100       |
| 22 +           | .0000         | .0000       |

Salary Merit Scale is combined with 3.25% inflation and 1.5% for promotions and other increases. There is no additional increase at retirement.

Projected Total Payroll: Covered Payroll plus \$42,524,730 in payroll for members in forward DROP during 2011/2012 year.

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Summary of Actuarial Basis – Revised Basis  
(Continued)

|  |   |
|--|---|
| Type of Disability:                    | 100% of the disabilities are expected to be accidental disabilities.  |
| Recovery:                              | No probabilities of recovery are used.  |
| Type of Death:                         | 100% of the assumed deaths are expected to be ordinary deaths.  |
| Remarriage:                            | No probabilities of remarriage are used.  |
| Spouse's Ages:                         | Females are assumed to be 3 years younger than males.   |
| Marital Status:                        | All employees are assumed to be married. For Members currently receiving benefits, actual spouse's information is provided.   |
| Investment Expenses:                   | The investment return assumption of 7.5% is net of investment expenses.   |
| Administration Expenses:               | <b>\$2,087,114</b>  |
| Withdrawal of Employee Contributions:  | It is assumed that employees do not withdraw their contribution balances upon employment termination or retirement.   |
| Compensated Absence Balance Transfers: | No liabilities or costs are included for the provision to transfer compensated absence balances into FIPO to purchase additional creditable service, based on our understanding that assets will be transferred immediately prior to retirement to cover 100% of the liability for the additional service.  |
| Adjustments from Valuation Date:       | One year's interest is added to the calculated deposit to reflect ordinance provision. For purposes of minimum City contributions as specified by State Division of Retirement (Exhibit 18), additional interest discount is included to reflect monthly contributions.   |
| Sources of Data:                       | Asset data is from unaudited financial statements and includes an appraised value for the real estate to be used for Market Value. Membership data was furnished by Administrator. Member compensation used is final bi-weekly pay in the year, annualized, with estimated reductions for each active member as of October 1, 2011 based on approach summarized in Tables 2 and 3 in September 24, 2011 Actuarial Impact Statement. |
| <b>Changes Since Prior Valuation:</b>  | <b>Retirement assumptions changed to reflect assumed impact of BackDROP implementation; forward DROP discontinuation for members not eligible for Normal Retirement on January 1, 2013 or vested on September 30, 2010.</b>   |
|  | <b>Administrative expense assumption increased \$42,626 (from \$2,044,488 to \$2,087,114).</b>  |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Disclosure Information Under GASB 25  
(Excluding COLA Fund)

I. Funding Status and Progress as of September 30, 2012 and 2011

| Entry Age Accrued Liability:  | <u>\$(Millions)</u>   |                       |
|---|-----------------------|-----------------------|
|   | <u>Sept. 30, 2012</u> | <u>Sept. 30, 2011</u> |
|   | -\$-                  | -\$-                  |
| - Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | 1,381.5               | 1,377.6               |
| - Current employees -<br>Accumulated employee contributions including interest                                | 72.2                  | 66.9                  |
| Employer - financed vested  | 79.3                  | 91.0                  |
| Employer - financed nonvested   | <u>40.0</u>           | <u>54.9</u>           |
| Total Actuarial Accrued Liability   | 1,573.0               | 1,590.4               |
| Net assets available for benefits (market value)  | <u>1,075.1</u>        | <u>987.1</u>          |
| Unfunded Actuarial Accrued Liability  | 497.9                 | 603.3                 |

The actuarial accrued liability was determined as part of actuarial valuations at September 30, 2012 and September 30, 2011. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.50 percent per year compounded annually, (b) projected salary increases of 3.25 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0 percent to 5.0 percent per year, attributable to seniority/merit and (d) 1.5% for promotions and other increases.

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Disclosure Information Under GASB 25  
(Excluding COLA Fund)

II. Contributions Required and Contributions Made

The funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to pay benefits when due. Contributions for normal costs are determined using the aggregate actuarial cost method. This cost method does not provide for an unfunded actuarial accrued liability.

Contributions totaling \$50,744,697 (\$42,353,775 employer and \$8,390,922 employee) were made for the year ending September 30, 2012. These contributions consisted of (a) \$50,744,697 normal cost, (b) \$0 amortization of the unfunded actuarial accrued liability, and (c) \$0 noninvestment expenses.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation as of the beginning of the preceding year.

III. Analysis of Funding Progress (\$ Millions)

| <u>Fiscal<br/>Year</u> | (1)<br><u>Actuarial<br/>Asset<br/>Value</u><br>(\$) | (2)<br><u>Entry<br/>Age<br/>Reserve</u><br>(\$) | (3)<br><u>Percent<br/>Funded</u><br>(%) | (4)<br><u>Unfunded<br/>EAR<br/>(2)-(1)</u><br>(\$) | (5)<br><u>Annual<br/>Covered<br/>Payroll</u><br>(\$) | (4)/(5)<br>(%) |
|------------------------|---|---|---|--|--|----------------|
| 1992                   | 476.6   | 483.7   | 99                                      | 7.1  | 67.1   | 11             |
| 1993                   | 523.0   | 513.4   | 102                                     | (9.6)  | 72.0   | (13)           |
| 1994                   | 540.3   | 587.5   | 92                                      | 47.2   | 72.9   | 65             |
| 1995                   | 585.6   | 614.4   | 95                                      | 28.8   | 71.5   | 40             |
| 1996                   | 626.0   | 650.0   | 96                                      | 24.0   | 72.9   | 33             |
| 1997                   | 750.9   | 727.1   | 103                                     | (23.8)   | 69.6   | (34)           |
| 1998                   | 850.7   | 800.7   | 106                                     | (50.0)   | 74.3   | (67)           |
| 1999                   | 911.7   | 843.2   | 108                                     | (68.5)   | 77.7   | (88)           |
| 2000                   | 988.8   | 863.4   | 115                                     | (125.4)  | 84.3   | (149)          |
| 2001                   | 941.8   | 932.7   | 101                                     | (9.1)  | 89.7   | (10)           |
| 2002                   | 865.5   | 999.8   | 87                                      | 134.3  | 96.9   | 139            |
| 2003                   | 865.8   | 1,067.9   | 81                                      | 202.1  | 98.9   | 204            |
| 2004                   | 894.6   | 1,152.8   | 78                                      | 258.2  | 89.2   | 289            |
| 2005                   | 1,064.9   | 1,221.6   | 87                                      | 156.7  | 91.5   | 171            |
| 2006                   | 1,133.0   | 1,260.5   | 90                                      | 127.5  | 90.4   | 141            |
| 2007                   | 1,208.8   | 1,318.4   | 92                                      | 109.6  | 103.6  | 106            |
| 2008                   | 1,219.6   | 1,452.5   | 85                                      | 222.9  | 129.4  | 172            |
| 2009                   | 1,165.0   | 1,539.3   | 76                                      | 374.4  | 122.2  | 306            |
| 2010                   | 1,180.6   | 1,568.3   | 75                                      | 387.7  | 80.2   | 483            |
| 2011                   | 1,150.3   | 1,590.5   | 72                                      | 440.2  | 82.2   | 536            |
| 2012                   | 1,143.6   | 1,573.0   | 73                                      | 429.4  | 82.2   | 522            |



**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

(Excluding COLA Fund)

IV. Revenues and Expenses

| Fiscal<br>Year | <u>Revenues by Source</u>         |                                   |                              |              |
|----------------|-----------------------------------|-----------------------------------|------------------------------|--------------|
|                | <u>Employee<br/>Contributions</u> | <u>Employer<br/>Contributions</u> | <u>Investment<br/>Income</u> | <u>Total</u> |
| (\$)           | (\$)                              | (\$)                              | (\$)                         |              |
| 1992           | 6,115,655                         | 10,029,747                        | 44,569,353                   | 60,714,755   |
| 1993           | 6,455,623                         | 10,442,881                        | 50,309,468                   | 67,207,972   |
| 1994           | 7,435,034                         | 9,296,175                         | 36,915,202                   | 53,646,411   |
| 1995           | 8,318,833                         | 10,880,346                        | 38,919,229                   | 58,118,408   |
| 1996           | 7,852,469                         | 16,547,235                        | 55,421,603                   | 79,821,307   |
| 1997           | 7,664,034                         | 14,377,032                        | 83,180,597                   | 105,221,663  |
| 1998           | 7,692,571                         | 14,155,472                        | 96,007,011                   | 117,855,054  |
| 1999           | 8,556,140                         | 10,376,473                        | 66,039,984                   | 84,972,597   |
| 2000           | 6,257,588                         | 5,400,784                         | 129,752,337                  | 141,410,709  |
| 2001           | 6,336,918                         | 5,481,599                         | 17,717,791                   | 29,536,308   |
| 2002           | 6,721,236                         | 5,400,784                         | (27,704,711)                 | (15,582,691) |
| 2003           | 7,193,936                         | 15,024,366                        | 30,466,098                   | 52,684,400   |
| 2004           | 24,415,150                        | 32,959,003                        | 53,963,150                   | 111,337,303  |
| 2005           | 18,607,681                        | 45,545,130                        | 71,904,910                   | 136,057,721  |
| 2006           | 7,698,594                         | 50,635,213                        | 71,669,124                   | 130,002,931  |
| 2007           | 14,702,629                        | 40,542,078                        | 82,937,630                   | 138,182,337  |
| 2008           | 9,719,896                         | 36,040,251                        | 62,728,078                   | 108,488,225  |
| 2009           | 9,769,139                         | 36,993,395                        | (58,111,291)                 | (11,348,757) |
| 2010           | 10,436,367                        | 54,342,926                        | 62,459,916                   | 127,239,209  |
| 2011           | 7,137,824                         | 40,058,891                        | 83,951,919                   | 131,148,634  |
| 2012           | 8,390,922                         | 42,353,775                        | 67,505,092                   | 118,249,769  |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

(Excluding COLA Fund)

IV. Revenues and Expenses (Continued)

| Fiscal<br>Year | Expenses by Type        |  |                        |                      |
|----------------|-------------------------|--|------------------------|----------------------|
|                | <u>Benefits</u><br>(\$) | <u>Administrative<br/>Expenses</u><br>(\$) | <u>Refunds</u><br>(\$) | <u>Total</u><br>(\$) |
| 1992           | 22,345,166              | 1,137,047                                  | 751,088                | 24,233,301           |
| 1993           | 22,735,888              | 1,314,925                                  | 672,376                | 24,723,189           |
| 1994           | 23,787,091              | 1,420,693                                  | 510,074                | 25,717,858           |
| 1995           | 25,846,564              | 1,567,841                                  | 703,269                | 28,117,674           |
| 1996           | 29,506,924              | 1,870,188                                  | 822,497                | 32,199,609           |
| 1997           | 33,841,809              | 2,079,183                                  | 1,225,239              | 37,146,231           |
| 1998           | 35,593,108              | 2,543,855                                  | 391,524                | 38,537,297           |
| 1999           | 36,900,501              | 2,689,079                                  | 258,383                | 39,847,963           |
| 2000           | 41,237,423              | 2,710,752                                  | 258,804                | 44,206,979           |
| 2001           | 41,386,774              | 2,933,939                                  | 481,746                | 44,802,459           |
| 2002           | 42,766,860              | 2,825,903                                  | 364,256                | 45,957,019           |
| 2003           | 46,083,206              | 2,922,537                                  | 429,225                | 49,434,968           |
| 2004           | 53,249,450              | 3,334,460                                  | 301,580                | 56,885,490           |
| 2005           | 66,518,783              | 3,865,995                                  | 257,859                | 70,642,637           |
| 2006           | 69,825,105              | 4,687,601                                  | 573,228                | 75,085,934           |
| 2007           | 72,378,966              | 5,143,290                                  | 307,545                | 77,829,801           |
| 2008           | 77,794,816              | 5,469,431                                  | 664,235                | 83,928,482           |
| 2009           | 85,094,354              | 3,898,278                                  | 336,755                | 89,329,387           |
| 2010           | 101,438,423             | 3,900,819                                  | 174,358                | 105,513,600          |
| 2011           | 123,360,907             | 4,328,130                                  | 225,732                | 127,914,769          |
| 2012           | 124,321,444             | 6,814,172                                  | 765,520                | 131,901,136          |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

(Excluding COLA Fund)

V. Schedule of Employer Contributions

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u><br><u>(\$)</u> | <u>Amount Contributed</u><br><u>(\$)</u> | <u>Percentage Contributed</u><br><u>(%)</u> | <u>Net Pension Obligation</u><br><u>(\$)</u> |
|--------------------|---|--|---|--|
| 1994               | 9,296,175                                       |  | 100   | 0  |
| 1995               | 10,880,346                                      |  | 100   | 0  |
| 1996               | 16,547,235                                      |  | 100   | 0  |
| 1997               | 14,377,032                                      |  | 100   | 0  |
| 1998               | 14,155,472                                      |  | 100   | 0  |
| 1999               | 10,376,473                                      |  | 100   | 0  |
| 2000               | 5,400,784                                       |  | 100   | 0  |
| 2001               | 4,003,892                                       |  | 100   | 0  |
| 2002               | 1,051,629                                       |  | 100   | 0  |
| 2003               | 18,163,588                                      |  | 100   | 0  |
| 2004               | 36,341,515                                      |  | 100   | 0  |
| 2005               | 45,545,130                                      |  | 100   | 0  |
| 2006               | 50,635,213                                      |  | 100   | 0  |
| 2007               | 40,542,078                                      |  | 100   | 0  |
| 2008               | 36,040,251                                      |  | 100   | 0  |
| 2009               | 36,993,395                                      |  | 100   | 0  |
| 2010               | 54,342,926                                      | 54,342,926                               | 100   | 0  |
| 2011               | 42,287,046*                                     | 40,058,891                               | 95  | 2,228,155                                    |
| 2012               | 42,353,775                                      | 42,353,775                               | 100   | 2,395,267                                    |
| 2013               | 40,145,125                                      |  |   |  |

\*After 9/30/2010 Impact Statement Changes

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Hypothetical City Contribution Requirement for 2013/2014 Fiscal Year

|  | 2013/2014            |                      |                    |
|--|----------------------|----------------------|--------------------|
|  | <u>Total</u>         | <u>Police</u>        | <u>Fire</u>        |
|  | -\$-                 | -\$-                 | -\$-               |
| I. <u>Unfunded Actuarial Accrued Liability</u> | N/A                  | N/A                  | N/A                |
| II. <u>Normal Cost</u>                         |                      |                      |                    |
| A. Present Value of Future Benefits            |                      |                      |                    |
| 1. <u>Active Members</u>                       |                      |                      |                    |
| a. Retirement                                  | 341,843,203          | 202,583,470          | 139,259,733        |
| b. Disability                                  | 44,965,635           | 26,648,807           | 18,316,828         |
| c. Death                                       | 6,261,069            | 3,175,556            | 3,085,513          |
| d. Turnover                                    | 22,373,923           | 12,130,416           | 10,243,507         |
| e. Return of Contributions                     | <u>1,805,309</u>     | <u>979,704</u>       | <u>825,695</u>     |
| f. Total                                       | 417,249,229          | 245,517,953          | 171,731,276        |
| 2. <u>Retired Members and Beneficiaries</u>    |                      |                      |                    |
| a. Service Retirements +<br>Beneficiaries      | 1,347,162,561        | 732,538,914          | 614,623,647        |
| b. Disability Retirements                      | 31,219,352           | 26,842,124           | 4,377,228          |
| c. Terminated Vested Members                   | <u>3,082,011</u>     | <u>2,509,294</u>     | <u>572,717</u>     |
| d. Total                                       | 1,381,463,924        | 761,890,332          | 619,573,592        |
| 3. Total                                       | <u>1,798,713,153</u> | <u>1,007,408,285</u> | <u>791,304,868</u> |
| Entry Age Reserve                              |                      |                      |                    |
| 1. Active                                      | 191,576,351          | 110,968,456          | 80,607,895         |
| 2. Inactive                                    | <u>1,381,463,924</u> | <u>761,890,332</u>   | <u>619,573,592</u> |
| 3. Total                                       | 1,573,040,275        | 872,858,788          | 700,181,487        |
| Actuarial Asset Value*                         | 1,143,606,948        | 634,572,039          | 509,034,909        |

\*Allocated based on Entry Age Reserve

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Hypothetical City Contribution Requirement for 2013/2014 Fiscal Year

|   | 2013/2014            |                       |                     |
|---|----------------------|-----------------------|---------------------|
|   | <u>Total</u><br>-\$- | <u>Police</u><br>-\$- | <u>Fire</u><br>-\$- |
| <b>II. <u>Normal Cost</u> (Cont'd)</b>  |                      |                       |                     |
| A. Total Present Value of Future Benefits                                       | 1,798,713,153        | 1,007,408,285         | 791,304,868         |
| B. Present Value of Future Member Contributions                                 | 98,090,159           | 44,821,694            | 53,268,465          |
| C. Actuarial Asset Value*   | 1,143,606,948        | 634,572,039           | 509,034,909         |
| D. Unfunded Actuarial Accrued Liability   | <u>0</u>             | <u>0</u>              | <u>0</u>            |
| E. Present Value of Future Normal Costs (A-B-C-D)                               | 557,016,046          | 328,014,552           | 229,001,494         |
| F. Present Value of Future Payrolls   | 1,243,531,237        | 664,310,434           | 579,220,803         |
| G. Administrative Expense*  | 2,087,114            | 1,158,112             | 929,002             |
| H. Current Payroll for those under Expected Retirement Age                      | 82,205,838           | 45,740,549            | 36,465,289          |
| I. Interest Rate  | 7.5%                 | 7.5%                  | 7.5%                |
| J. Current Normal Cost - Payable 10/1/2013<br>([ (E)x(H) / (F) ] + (G)) (1+(I)) | 41,827,871           | 25,524,031            | 16,496,914          |
| K. Covered Payroll  | 82,205,838           | 45,740,549            | 36,465,289          |
| L. Normal Cost as Percentage of Covered Payroll<br>(J)/ (K)                     | 50.88%               | 55.80%                | 45.24%              |
| <b>III. <u>Quarterly City Contribution Schedule</u></b>                         |                      |                       |                     |
| A. Past Service Cost  | 0                    | 0                     | 0                   |
| B. Normal Cost  | 41,827,871           | 25,524,031            | 16,496,914          |
| C. Payment Timing   | <u>0</u>             | <u>0</u>              | <u>0</u>            |
| D. Total  | <u>41,827,871</u>    | <u>25,524,031</u>     | <u>16,496,914</u>   |

\*Allocated based on Entry Age Reserve

**V**

**STATISTICAL**

**SECTION**

STATISTICAL DATA OF VARIOUS ACCOUNTS

THROUGH SEPTEMBER 30, 2014

|   | GENERAL FUND  | COLA I     | COLA II     |   |
|---|---------------|------------|-------------|---|
| <b>MEMBERSHIP ACCOUNT</b>                   |               |            |             |   |
| ADD:  |               |            |             |   |
| Members' Contributions                      |               |            |             |   |
| After Tax                                   | 67,189,816    | 0          | 0           |   |
| Pre Tax                                     | 241,774,107   | 11,814,941 | 0           |   |
| After Tax from G & S                        | 17,210        | 0          | 0           |   |
| Interest                                    |               |            |             |   |
| From Benefit Acct                           | 105,944,611   | 0          | 0           |   |
| From Withdrawals                            | 385,365       | 0          | 0           |   |
| Transfers from G & S                        | 75,600        | 0          | 0           |   |
|   | 415,386,708   | 11,814,941 |             | 0 |
| DEDUCT:                                     |               |            |             |   |
| Refunds -                                   |               |            |             |   |
| Leaving Service                             | 19,581,481    | 944,800    | 0           |   |
| Additional Contributions                    | 171,226       | 0          | 0           |   |
| Accidental Death                            | 546,075       | 22,039     | 0           |   |
| Accidental Disability                       | 1,982,443     | 0          | 0           |   |
| Option 6A                                   | 571,614       | 0          | 0           |   |
| Ordinary Death                              | 1,760,097     | 62,320     | 0           |   |
| Transfers -                                 |               |            |             |   |
| After Tax from G & S                        | 4,412,189     | 0          | 0           |   |
| Benefit Account                             | 294,550,936   | 10,472,704 | 0           |   |
| Transfers to Acct Payable                   | 480,131       | 0          | 0           |   |
| Interest withheld                           | 328,950       | 0          | 0           |   |
| Interest                                    | 2,083,506     | 0          | 0           |   |
|   | 326,466,651   | 11,501,863 |             | 0 |
| BALANCE AS OF 9/30/12                       | 88,918,058    | 313,078    |             | 0 |
| <b>BENEFIT ACCOUNT:</b>                     |               |            |             |   |
| ADD:  |               |            |             |   |
| Contributions -                             |               |            |             |   |
| City of Miami                               | 813,395,388   | 2,042,899  | 38,558,184  |   |
| Police Relief & Pension Fund                | 52,342        | 0          | 0           |   |
| Fire Relief & Pension Fund                  | 28,473        | 0          | 0           |   |
| Members                                     | 697,822       | 0          | 0           |   |
| Transfers from Membership Acct              | 294,561,860   | 10,472,704 | 0           |   |
| Amortization of Discounts                   | 10,319,476    | 249,134    | 0           |   |
| Corrections to Control                      | 168,232,895   | 0          | 0           |   |
| Dividends Received                          | 230,398,681   | 4,294,128  | 26,415,650  |   |
| Securities Lending Income                   | 8,534,178     | 279,350    | 1,732,720   |   |
| Excess Interest Transfer                    | 0             | 0          | 288,194,062 |   |
| Interest Income                             | 625,566,540   | 15,096,174 | 61,447,411  |   |
| Other Income                                | 2,557,335     | 37,952     | 200,430     |   |
| Corporate Action                            | 3,017,580     | 91,621     | 594,551     |   |
| Commission Recapture                        | 552,606       | 17,049     | 107,127     |   |
| Profit on Sale of Investments               | 1,057,169,580 | 28,219,574 | 143,151,290 |   |
| Unrealized Profit/Loss DROP                 | 19,135,277    | 0          | 0           |   |
| Unrealized Profit on Sales of Inv           | 161,530,521   | 9,042,291  | 42,795,309  |   |
| Unrealized Profit on Sec Lending Collateral | 1,860,433     | 71,299     | 525,304     |   |
| Rental Income                               | 1,507,801     | 43,205     | 292,070     |   |
| Share of Earnings Income                    | 0             | 1,170,581  | 0           |   |
|   | 3,399,218,789 | 71,127,961 | 604,014,108 |   |
| DEDUCT:                                     |               |            |             |   |
| Pensions Paid                               |               |            |             |   |
| Fire  | 819,708,378   | 0          | 0           |   |
| Police                                      | 708,812,358   | 0          | 0           |   |
| DROP Benefit Expense                        | 50,901,889    | 0          | 0           |   |
| General                                     | 7,034,700     | 0          | 0           |   |
| Former Gen assumed by Trust                 | 276,624       | 0          | 0           |   |
| Pension Payments Prior 1966                 | 989,022       | 0          | 0           |   |
| Distributions                               | 0             | 11,837,863 | 218,822,206 |   |
| Lump Sum Payments to Beneficiaries          | 128,540       | 0          | 0           |   |
| Death Benefits                              | 1,094,603     | 0          | 0           |   |
| Amortization of Premium                     | 4,876,744     | 0          | 0           |   |
| Corrections to Control                      | 17,117,379    | 0          | 0           |   |
| Income Expenses                             | 74,678,924    | 1,980,184  | 11,907,226  |   |
| Building Depreciation                       | 409,834       | 14,193     | 91,683      |   |
| Administrative Expense                      | 8,614,083     | 0          | 0           |   |
| Sliff Short Term Investment Fee             | 174,278       | 7,584      | 50,865      |   |
| Securities Lending Fees                     | 2,300,689     | 73,593     | 453,567     |   |
| Other Expenses                              | 0             | 45,256     | 0           |   |
| Loss on Sale of Investments                 | 41,652,910    | 1,068,210  | 7,163,861   |   |
| Unrealized Profit on Sales of Inv           | 0             | 0          | 16,766,834  |   |
| Vested Rights Withdrawals                   | 954,289       | 0          | 0           |   |
| Transfers -                                 |               |            |             |   |
| Excess Interest Earnings                    | 288,194,062   | 0          | 0           |   |
| G & S Benefit Account                       | 5,378,420     | 0          | 0           |   |
| G & S Share of Earnings                     | 5,251,212     | 0          | 0           |   |
| Interest to Membership Acct                 | 106,009,599   | 0          | 0           |   |
| Interest on VR Withdrawals                  | 275,509       | 0          | 0           |   |
| Overpayments (uncollectible)                | 769           | 0          | 0           |   |
|   | 2,144,834,816 | 15,026,883 | 255,256,243 |   |
| BALANCE AS OF 9/30/14                       | 1,254,383,973 | 56,101,077 | 348,757,865 |   |
| <b>BENEFIT ACCOUNT - SPECIAL</b>            |               |            |             |   |
| ADD:  |               |            |             |   |
| Contributions - City of Miami               | 1,001,273     |            |             |   |
| Members                                     | 9,945         |            |             |   |
|   | 1,011,218     |            |             |   |
| DEDUCT:                                     |               |            |             |   |
| Pension Paid                                | 1,011,218     |            |             |   |
|   | 1,011,218     |            |             |   |
| BALANCE AS OF 9/30/14                       | 0             |            |             |   |

SUMMARY OF RETIREMENTS

JANUARY 1, 1940 THROUGH SEPTEMBER 30, 2014

| <u>DESCRIPTION</u>       | <u>SERVICE</u> | <u>ORDINARY<br/>DISABILITY</u> | <u>SERVICE<br/>ACCIDENTAL<br/>DISABILITY</u> | <u>ACCIDENTAL<br/>DEATH</u> | <u>ORDINARY<br/>DEATH</u> | <u>EARLY<br/>SERVICE</u> | <u>DROP<br/>PLAN</u> | <u>VESTED<br/>RIGHTS</u> | <u>CONTINUANCES</u> | <u>TOTAL<br/>BENEFITS<br/>GRANTED</u> |
|--------------------------|----------------|--------------------------------|--|-----------------------------|---------------------------|--------------------------|----------------------|--------------------------|---------------------|---------------------------------------|
| BENEFITS GRANTED         | 2,436          | 53                             | 460  | 39                          | 5                         | 106                      | 1143                 | 94                       | 361                 | 4,697                                 |
| ASSUMED BY G.E.S.E. FUND | -184           | -3                             | -19  | 0                           | 0                         | 0                        | 0                    | 0                        | 0                   | -206                                  |
| TERMINATED BY DEATH      | -912           | -38                            | -295   | -22                         | 0                         | -49                      | -3                   | -8                       | -118                | -1,445                                |
| TERMINATED DROP PLAN     | 0              | 0                              | 0  | 0                           | 0                         | 0                        | -739                 | 0                        | 0                   | -739                                  |
| TERMINATED BY MARRIAGE   | 0              | 0                              | 0  | -2                          | 0                         | 0                        | 0                    | 0                        | 0                   | -2                                    |
| RETURNED TO SERVICE      | -2             | -3                             | -1   | 0                           | 0                         | 0                        | 0                    | 0                        | 0                   | -6                                    |
| MINORS ATTAINING AGE 18  | 0              | -1                             | 0  | -7                          | 0                         | 0                        | 0                    | 0                        | 0                   | -8                                    |
| PAYMENT SUSPENDED        | -3             | 0                              | 0  | 0                           | 0                         | 0                        | 0                    | 0                        | 0                   | -3                                    |
| UNMATURED VESTED RIGHTS  | 0              | 0                              | 0  | 0                           | 0                         | 0                        | 0                    | -10                      | 0                   | -10                                   |
| WITHDRAWN VESTED RIGHTS  | 0              | 0                              | -2   | 0                           | 0                         | 0                        | 0                    | -27                      | 0                   | -29                                   |
| INACTIVE PARTICIPANTS:   | 1,335          | 8                              | 143  | 8                           | 5                         | 57                       | 401                  | 49                       | 243                 | 2,249                                 |



**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Member Statistics

| I. <u>Active Members</u>        | <u>10/1/2012</u> | <u>10/1/2011</u> | <u>10/1/2010</u> |
|---------------------------------|------------------|------------------|------------------|
| Number of                       |                  |                  |                  |
| Males                           | 1,064            | 1,023            | 1,039            |
| Females                         | <u>172</u>       | <u>173</u>       | <u>188</u>       |
| Total                           | 1,236            | 1,196            | 1,227            |
| <br><u>Averages</u>             |                  |                  |                  |
| Current Age                     | 36.6             | 36.4             | 36.0             |
| Past Service                    | 9.6              | 9.5              | 9.1              |
| Credited Past Service           | 9.6              | 9.5              | 9.1              |
| Annual Earnings                 | \$66,510         | \$68,700         | \$65,324         |
| <br>II. <u>Inactive Members</u> |                  |                  |                  |
| A. Retirees and Beneficiaries   |                  |                  |                  |
| Number                          | 2,101            | 2,089            | 2,062            |
| Average Annual Benefit          | \$57,617         | \$57,253         | \$56,870         |
| Average Age                     | 62.8             | 62.4             | 62.1             |
| B. Disabled                     |                  |                  |                  |
| Number                          | 170              | 178              | 186              |
| Average Annual Benefit          | \$20,958         | \$20,523         | \$20,372         |
| Average Age                     | 69.2             | 68.6             | 68.2             |
| C. Vested Terminated            |                  |                  |                  |
| Number                          | 14               | 18               | 160              |
| Average Deferred Benefit        | \$28,460         | \$26,681         | \$25,276         |
| Average Age                     | 43.2             | 43.9             | 43.6             |

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

**Age-Service Distribution**

| <u>Age</u>   | <u>Completed Years of Service</u> |            |            |              |              |              |              |              |            |              | <u>Earnings</u>             |                               |
|--------------|-----------------------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|-----------------------------|-------------------------------|
|              | <u>0-1</u>                        | <u>2-4</u> | <u>5-9</u> | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30-34</u> | <u>35+</u> | <u>Total</u> | <u>Total</u><br><u>-\$-</u> | <u>Average</u><br><u>-\$-</u> |
| 15-24        | 21                                | 6          | 1          | 0            | 0            | 0            | 0            | 0            | 0          | 28           | 1,358,515                   | 48,518                        |
| 25-29        | 28                                | 138        | 85         | 0            | 0            | 0            | 0            | 0            | 0          | 251          | 13,790,359                  | 54,583                        |
| 30-34        | 4                                 | 87         | 123        | 35           | 1            | 0            | 0            | 0            | 0          | 250          | 15,140,280                  | 60,561                        |
| 35-39        | 2                                 | 54         | 65         | 119          | 33           | 2            | 0            | 0            | 0          | 275          | 18,884,026                  | 68,669                        |
| 40-44        | 1                                 | 17         | 50         | 91           | 87           | 30           | 0            | 0            | 0          | 276          | 20,804,047                  | 75,377                        |
| 45-49        | 0                                 | 14         | 13         | 41           | 40           | 17           | 1            | 0            | 0          | 126          | 9,735,529                   | 77,266                        |
| 50-54        | 0                                 | 0          | 4          | 2            | 6            | 7            | 3            | 0            | 0          | 22           | 1,973,098                   | 89,686                        |
| 55-59        | 0                                 | 0          | 2          | 1            | 3            | 2            | 0            | 0            | 0          | 8            | 609,918                     | 76,247                        |
| 60-64        | 0                                 | 0          | 0          | 0            | 0            | 0            | 0            | 0            | 0          | 0            | 0                           | 0                             |
| 65+          | <u>0</u>                          | <u>0</u>   | <u>0</u>   | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>     | <u>0</u>   | <u>0</u>     | <u>0</u>                    | <u>0</u>                      |
| <b>Total</b> | 56                                | 316        | 343        | 289          | 170          | 58           | 4            | 0            | 0          | 1,236        | 82,205,838                  | 66,510                        |

Average Age: 36.6

Average Service: 9.6

**CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

Reconciliation of Participant Counts

|                 | <u>Actives</u> | <u>Retirees &amp;<br/>Beneficiaries</u> | <u>Disableds</u> | <u>Vested<br/>Terminated</u> |
|-----------------|----------------|---|------------------|------------------------------|
| 10/1/2011       | 1,196          | 2,089                                   | 178              | 18                           |
| Changes due to: |                |   |                  |                              |
| Retirement      | -35            | +39                                     |                  | -4                           |
| Withdrawal      | -8             |   |                  |                              |
| Disability      |                |   |                  |                              |
| Death           |                | -52                                     | -8               |                              |
| New Beneficiary |                | +25                                     |                  |                              |
| New Hires       | +83            |   |                  |                              |
| Data Changes    |                |   |                  |                              |
|                 | -----          | -----                                   | -----            | -----                        |
| 10/1/2012       | 1,236          | 2,101                                   | 170              | 14                           |

**OUTLINE OF PRINCIPAL BENEFIT PROVISIONS OF  
THE CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS'  
RETIREMENT TRUST**

ORIGINAL ORDINANCE NO. 10002 ADOPTED JUNE 13, 1985

EARNABLE COMPENSATION:

Earnable compensation, shall mean an employee's base salary including pickup contributions, for all straight time hours worked, plus assignment pay and payments received for vacation and sick leave taken, jury duty, and death in the family leave taken. Earnable compensation shall not include overtime pay; payments for accrued sick leave, accrued vacation leave, or accrued compensatory leave; holiday pay; premium pay for holidays worked; the value of any employment benefits or non-monetary entitlements; or any other form of remuneration.

COVERED GROUP:

All fire fighters or police officers presently employed by the City as a fire fighter or police officer whether in the classified or unclassified service of the City.

EMPLOYEE CONTRIBUTIONS:

Effective the first full pay period following October 1, 1999, it shall be 7% of pre tax earnable compensation. Effective the first full pay period following October 1, 2000, it shall be 7% of pre tax earnable compensation or a percent equal to the City's contribution, whichever is less. Effective the first full pay period following October 1, 2008, for fire fighter members it will change from 7% to 8% of pre tax earnable compensation. Effective the first full pay period following October 1, 2009, for fire fighter members it will change from 8% to 9% of pre tax earnable compensation. Effective the first full pay period following October 1, 2010, for fire fighter members it will change from 9% to 10% of pre tax earnable compensation. Effective the first full pay period following October 1, 2011, for police officer members who were hired prior to October 1, 2011, it will change from 7% to 10%. For police officer members who were hired on or after October 1, 2011 it will be 13%.

EMPLOYER CONTRIBUTIONS:

The City's annual fiscal contribution to the retirement system shall provide for the following (1) non-investment expenses of the retirement system, (2) normal costs of the retirement system.

NORMAL RETIREMENT AGE:

Age 50

SERVICE RETIREMENT:

The annual normal service retirement allowance, payable on a 40% Joint and Survivor basis for members eligible to retire as of September 30, 2010 will equal 3.0% of average final compensation per year of creditable service for the first 15 years of such creditable service and 3.5% of the average one year compensation per year of creditable service after 15 years.

For members not eligible to retire as of September 30, 2010, benefit will consist of two parts, Part A and Part B. Part A will consist of average one year compensation of the sum of creditable years of service under 15 years at 3% per year plus creditable years of service over 15 years at 3.5% per year for service up to September 30, 2010. Part B will consist of the average one year compensation of the sum of creditable years of service from October 1, 2010, to the date of retirement at 3% per year.

RULE OF 64 RULE OF 68 RETIREMENT RULE OF 70 RETIREMENT:

A member, in service, who has not withdrawn from active membership in the retirement system may elect service retirement on the basis of his or her combined age and creditable service equaling 64 or more. A fire fighter member, in service, who has not withdrawn from active membership in the retirement system and had not attained his/her 64 points as of October 1, 2009, may elect service retirement on the basis of his or her combined age and creditable service equaling 68 or more. As of October 1, 2010 a member in service who has not withdrawn from active membership in the retirement system may also elect service retirement on the basis of his or her combined age and creditable service equaling 70 or more.

Election to retire under Rule of 64, Rule of 68 or Rule of 70 shall be made by written application to the board. Application shall be executed not less than 10 nor more than 90 days subsequent to the date the member desires to be retired.

EARLY SERVICE RETIREMENT:

After 20 years of creditable service, accrued benefit actuarially adjusted.

DEFERRED RETIREMENT OPTION PROGRAM: (DROP)

A member who is eligible to retire under either Rule of 64, Rule of 68, Rule of 70 or Service retirement can elect to participate in the Deferred Retirement Option Program (DROP). The program allows the member to defer receipt of his retirement benefit into a "DROP" account while he/she continues to be employed by the Department. A police officer member can be in the DROP for a maximum of 7 years (84 months). A fire fighter member can be in the DROP for a maximum of 4 ½ years (54 months). Employees who had not attained normal retirement eligibility as of 1/1/2013 or were not vested as of 10/01/2010, and all employees hired on or after 1/1/2013 will not be eligible for the DROP.

BACK DEFERRED RETIREMENT OPTION PROGRAM:

Employees who had not attained normal retirement eligibility as of 1/1/2013 or were not vested as of 10/01/2010, and all employees hired on or after 1/1/2013, will be eligible for the backdrop option. Members who elect the backdrop shall receive a monthly benefit payable on the employee's actual retirement date based on the benefit the employee would have received if he/she had left city employment and retired on an earlier date. An eligible employee who elects the backdrop option will receive a lump sum payment equal to the accumulation of monthly retirement benefit payments he/she would have received during the period plus interest at the rate of 3% per year, compounded annually. An eligible employee may elect a minimum backdrop period of one year and a maximum backdrop period of up to seven years.

AVERAGE FINAL COMPENSATION:

Shall mean the annual earnable compensation of a member during either the last one (1) year or the highest one (1) year of membership service, whichever is greater.

CREDITABLE SERVICE:

Membership credit upon which a member's eligibility to receive benefits under the retirement system is based or upon which the amount of such benefits is determined.

LIMITATIONS ON BENEFITS:

A member's retirement allowances shall not exceed one hundred percent (100%) of the member's final average compensation for members retiring under Service retirement Rule of 64 Retirement or Rule of 68 Retirement. Exceptions are, (1) members whose retirement allowances, prior to October 1, 1998, had already earned one hundred percent or greater, these members may continue to accrue pension benefits; (2) members whose retirement allowance exceeds one hundred percent as of October 1, 1998 due to the multiplier change, these members shall be capped at the new percentage. Monthly retirement allowance for members not eligible for Rule of 64 or Rule of 68 Retirement as of October 1, 2010, shall not exceed \$100,000.00 per year.

OPTIONAL ALLOWANCES:

Normal form (Option 6C) is joint and 40% contingent survivor. Option 1 is cash refund annuity, based on present value at retirement. Option 2 is joint and 100% survivor. Option 3 is joint and 50% contingent survivor. Option 4 is open option. Option 5 is determined by Board due to incapacity of member. Option 6A is withdrawal of employee contributions with credited interest; monthly benefit is half of normal level. Option 6B is an additional 5% with no survivor benefit.

DISABILITY RETIREMENTS:

A. Ordinary Disability

After 10 years of creditable service, if not otherwise eligible for normal retirement, and incurred while not in line of duty, a benefit payable for life consisting of the benefit rate times 90% of average final compensation times years of creditable service, if such retirement allowance exceeds 30% of average final compensation. Otherwise, a benefit of 30% of the member's average final compensation.

B. Accidental Disability

Prior to age 60, incurred in line of duty. A benefit payable on a 40% joint and survivor basis of 66 2/3% of average or final compensation, whichever is larger.

DEATH BENEFIT:

A. Ordinary Death Benefit

After 3 years of service, provided death is not accidentally incurred in line of duty, a lump sum payment of 50% of annual compensation received in year prior to death plus an additional lump sum payment of member's accumulated contributions with interest to date of death. Or in lieu thereof; if eligible for Early or Service retirement, and with 3 years of membership, automatic Option 6C, payable to spouse, as through retirement had occurred on date of death (40% payable)

B. Accidental Death Benefit

Incurred in line of duty (or presumed to be in the line, i.e. heart), annual pension of 50% of average final compensation to spouse until death or remarriage or to children under 18, or to dependent parents for life. If none of such beneficiaries exist, the ordinary death benefit will be paid. Also a lump sum payment of member's accumulated contributions with interest to date of death is paid in addition to the above payments.

VESTED RIGHTS BENEFIT:

After completion of 10 years of service, provided accumulated contributions are not withdrawn. A benefit based on service and average final compensation when employment is terminated. Benefit is deferred to minimum retirement age.

C.O.L.A. ACCOUNT:

The COLA I benefit was determined from available monies from an initial city contribution made from the trust funds excess interest earnings. These monies were allocated to the retiree population, according to unit values and distributed to each member according to his/her actuarial life expectancy, in level monthly lifetime payments. In addition to the above initial benefit, a yearly COLA I increase was financed by 2% of the active member's pension contributions.

This yearly increase was determined on the basis as the initial benefit and added to the monthly lifetime payments. As of January 9, 1994, the active employees ceased making the 2% pension contribution to the COLA I account, and the COLA I benefits were frozen as of that date. Beginning with 1994, in addition to the frozen COLA I benefit, a COLA II benefit was paid. The COLA II benefit is funded from the pension fund's annual excess investment return (other than COLA account assets). The methodology for determining the excess investment return and amounts available for the COLA II benefit are described in detail in Section 40-213 of the City of Miami Code. An actuarial table is developed yearly identifying the benefits due. This table is based upon full years of creditable

service at retirement and full years retired as of April of the current year. For accidental death and accidental disability, years of service are defined as twenty five (25) years, or actual creditable service if greater. Receipt of the COLA II benefit is based on the retiree reaching at least four (4) full years of retirement and fifty years of age. In case of accidental death, the beneficiary will be entitled to the COLA benefit on April 1<sup>st</sup> following the fiftieth anniversary of the employee's birth and the fourth anniversary of the employee's death. COLA benefits for a vested right retiree are based upon such retiree reaching at least four (4) full years of retirement after fifty (50) years of age. COLA benefits reflect the option selected at the time of retirement.

In addition, funding for COLA benefits for future employees hired during the remaining term of the amended final judgement, Gates vs. City of Miami, Circuit Court Case No. 77-9491 CA04, shall be defined and allocated through the remaining term of such final judgment.

**ORDINANCES ADOPTED DURING FISCAL YEAR 2013/2014**

DATE

ORDINANCE NUMBER

None