



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

**Financial Statements
Years Ended September 30, 2013 and 2012**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (required supplementary information - unaudited) ..	3 - 10
Financial Statements:	
Statements of Plan Net Position.....	11
Statements of Changes in Plan Net Position.....	12
Notes to Financial Statements.....	13 - 33
Required Supplementary Information:	
Schedule 1 - Schedule of Funding Progress.....	34
Schedule 2 - Schedule of Contributions by Employer.....	34
Other Supplementary Schedules:	
Schedules of Investment Expenses.....	35
Schedules of Administrative Expenses.....	36
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 <i>Government Auditing Standards</i>	37 - 38



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 statement of plan net position as of September 30, 2013 and 2012, and the related statements of changes in plan 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 financial position of the City of Miami Fire Fighters' and Police Officers' Retirement Trust as of September 30, 2013 and 2012, and the related statements of changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.



**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.

Supplementary Information

Our audits were conducted the purpose of forming an opinion on the basic financial statements of the Trust. The accompanying supplemental schedules of investment expenses and administrative expenses (other supplemental schedules) as listed in the accompanying table of contents is presented for purposes or 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 xx, 2014 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, 2014



ADMINISTRATOR
Robert H. Nagle

**ASSISTANT
ADMINISTRATOR**
Dania L. Orta

TRUSTEES

Ornel Cotera
Sergio Diez
Monica Fernandez
Raul Fernandez
Tom Gabriel
Robert Moskowitz
Thomas Roell
Annette Rotolo

Management's Discussion and Analysis **(Required Supplementary Information - Unaudited)** **September 30, 2013 and 2012**

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, 2013 and 2012. 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 2013 and 2012 by \$1,499.8 and \$1,425.3 million, respectively (reported as net position held in trust for pension benefits). The Trust's net position is held in trust to meet future benefit payments. The increase of \$74.5 million and of \$128.2 million in 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.
- The Trust's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 72% as of the October 1, 2011 valuation to 73% as of the October 1, 2012 valuation.
- For the fiscal year ended September 30, 2013 the Trust's total additions were \$221.9 million which were comprised of contributions of \$55.7 million and net investment income of \$166.2 million.

For the fiscal year ended September 30, 2012 the Trust's total additions were \$273.3 million which were comprised of contributions of \$55.8 million and net investment income of \$217.5 million.

- For the fiscal year ended September 30, 2013 the Trust's deductions increased over the prior year from \$145.2 million to \$147.4 or 1.5%. Most of this increase is attributable to increased pension benefits paid and distributions to retirees.

For the fiscal year ended September 30, 2012 the Trust's deductions increased over the prior year from \$143.2 million to \$145.2 or 1.4%. Most of this increase is attributable to increased pension benefits paid.

Management's Discussion and Analysis

(Required Supplementary Information - Unaudited)

September 30, 2013 and 2012

Plan Highlights

For the year ending September 30, 2013, the total return of the portfolio was 12.5%. Actual net investment income was \$166.2 million in 2013 compared with \$217.5 million in 2012.

For the year ending September 30, 2012, the total return of the portfolio was 17.9%. Actual net investment income was \$217.5 million in 2012 compared with \$46.5 million in 2011.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Position and Statements of Changes in Plan 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 two types of required supplementary schedules, which provide historical trend information about the Trust's funding. The two types of schedules include a schedule of funding progress and a schedule of employer contributions.

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.

Description of the Financial Statements

The *Statements of Plan Net Position* presents information that includes all of the Trust's assets and liabilities, with the balance representing the Net Position Held in Trust for Pension Benefits. 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 Plan 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.

There are also two *Required Supplementary Schedules* included in this report as required by the Governmental Accounting Standards Board. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the Trust from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Contributions by Employer* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2013 and 2012

Description of the Financial Statements - continued

Additional information is presented as part of *Other Supplementary Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the 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, 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 increased \$140.6 million or 7.5%.

Trust's total assets as of September 30, 2012, were \$1,884.8 million and were mostly comprised of cash and cash equivalents, investments, property and equipment, and receivables related to investments: Total assets increased \$218.5 million or 13.1%.

- Total liabilities as of September 30, 2013 were \$525.5 million and were mostly comprised of obligations under securities lending, payable for securities purchased and deferred retirement option plan payable. Total liabilities increased \$66.1 million or 14.4% from the prior year primarily due to an increase in deferred retirement option plan and payable for securities purchased.

Total liabilities as of September 30, 2012 were \$459.4 million and were mostly comprised of obligations under securities lending, payable for securities purchased and deferred retirement option plan payable. Total liabilities increased \$90.4 million or 24.5% from the prior year primarily due to an increase in deferred retirement option plan and obligations under securities lending.

- Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2013 by \$1,499.8 million. Total net position held in trust for pension benefits increased \$74.5 million or 5.2% from the previous year.

Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2012 by \$1,425.3 million. Total net position held in trust for pension benefits increased \$128.2 million or 9.9% from the previous year.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2013 and 2012

Description of the Financial Statements – continued

Financial Analysis - continued

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

	2013	2012	Increase (Decrease) Amount	Total Percentage Change
Assets:				
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)
Total assets	2,025,311	1,884,761	140,550	7.5
Liabilities:				
Payables for securities purchased	38,240	13,735	24,505	178.4%
Accounts payable and other	403	608	(205)	(33.7)
Deferred Retirement Option Plan	200,182	168,279	31,903	19.0
Obligations under securities lending	286,709	276,817	9,892	3.6
Total liabilities	525,534	459,439	66,095	14.4
Net position held in trust for pension				
benefits	\$ 1,499,777	\$ 1,425,322	\$ 74,455	5.2%

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2013 and 2012

Description of the Financial Statements – continued

Financial Analysis - continued

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

	2012	2011	Increase (Decrease) Amount	Total Percentage Change
Assets:				
Cash and cash equivalents	\$ 52,745	\$ 68,533	\$ (15,788)	(23.0)%
Receivables	18,195	9,529	8,666	90.9
Investments	1,535,004	1,352,827	182,177	13.5
Security lending collateral – invested	276,817	233,291	43,526	18.7
Property and equipment, net	2,000	2,043	(43)	(2.1)
Total assets	1,884,761	1,666,223	218,538	13.1
Liabilities:				
Payables for securities purchased	13,735	9,526	4,209	44.2
Accounts payable and other	608	374	234	62.7
Deferred Retirement Option Plan	168,279	125,863	42,416	33.7
Obligations under securities lending	276,817	233,291	43,526	18.7
Total liabilities -	459,439	369,054	90,385	24.5
Net position held in trust for pension benefits	\$ 1,425,322	\$ 1,297,169	\$ 128,153	9.9%

Additions to Plan 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 2013 and 2012 totaled \$221.9 and \$273.3 million, respectively.

For the fiscal year ended September 30, 2013 total additions to plan net position decreased by \$51.5 million or 18.8% 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%. This decrease is primarily due to changes imposed by City management on the Trust which decreased the City's actuarially computed minimum required contribution.
- Member contributions increased from the previous year by \$1.2 million or 12.3%. This increase is primarily due to an increase in purchase of additional service years by members and transfers of contributions from the general employee's pension plan.
- Net investment income decreased from the previous year by \$51.3 million or 23.6%.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2013 and 2012

Description of the Financial Statements – continued

Additions to Plan Net Position- continued

For the fiscal year ended September 30, 2012 total additions to plan net position increased \$172.5 million or 171.1% from those of the prior year, due primarily to an increase in net appreciation in fair value of investments.

Actual results were:

- City contributions increased from the previous year by \$0.3 million or 0.6%. This increase is primarily due to changes imposed by City management on the Trust which increased the City's actuarially computed minimum required contribution.
- Member contributions increased from the previous year by \$1.3 million or 17.6%. This increase is primarily due to a change in contribution rate for police officers from 7% to 10% during the fiscal year.
- Net investment income increased from the previous year by \$171.0 million or 367.4%.

Additions in Plan Net position
Years Ended September 30,
(Dollar Amounts in Thousands)

	2013	2012	Increase (Decrease) Amount	Total Percentage Change
City contribution	\$ 46,227	\$ 47,418	\$ (1,191)	(2.5)%
Member contributions	9,427	8,391	1,036	12.3
Net investment income	166,223	217,517	(51,294)	(23.6)
Total additions	\$ 221,877	\$ 273,326	\$ (51,449)	(18.8)%

Additions in Plan Net position
Years Ended September 30,
(Dollar Amounts in Thousands)

	2012	2011	Increase (Decrease) Amount	Total Percentage Change
City contribution	\$ 47,418	\$ 47,157	\$ 261	0.6%
Member contributions	8,391	7,138	1,253	17.6
Net investment income	217,517	46,535	170,982	367.4
Total additions	\$ 273,326	\$ 100,830	\$ 172,496	171.1%

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2013 and 2012

Description of the Financial Statements – continued

Deductions from Plan 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 2013 and 2012 were \$147.4 and \$145.2 million, an increase of 1.5% and 1.4%, over years 2013 and 2012 expenditures, respectively.

For the fiscal years ended September 30, 2013 and 2012, the payment of pension benefits to retirees increased by \$.7 and \$1.0 million or .5% and 0.8%, respectively, from the previous year. The increase in pension benefit expenditures resulted from an increase in number of retirees and an increase in benefit payments to retirees.

For the fiscal years ended September 30, 2013 and 2012, administrative expense decreased by \$0.2 and increased \$0.1 million or (8.6%) and 5.4%, respectively, from the previous year.

Deductions from Plan Net position
Years Ended September 30,
(In Thousands)

	2013	2012	Increase (Decrease) Amount	Total Percentage Change
Pension benefits paid	\$ 124,985	\$ 124,321	\$ 664	.5%
Refund of contributions	773	766	7	.9
Distributions to retirees	19,522	17,748	1,774	10.0
Administrative expenses	2,143	2,339	(196)	(8.6)
Total deductions	\$ 147,423	\$ 145,174	\$ 2,249	1.5%

Deductions from Plan Net position
Years Ended September 30,
(In Thousands)

	2012	2011	Increase (Decrease) Amount	Total Percentage Change
Pension benefits paid	\$ 124,321	\$ 123,313	\$ 1,008	0.8%
Refund of contributions	766	274	492	180.0
Distributions to retirees	17,748	17,364	384	2.2
Administrative expenses	2,339	2,220	119	5.4
Total deductions	\$ 145,174	\$ 143,171	\$ 2,003	1.4%

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2013 and 2012

Capital Assets

As of September 30, 2013 and 2012, the Trust's investment in capital assets totaled \$1.96 and \$2.0 million, respectively (net of accumulated depreciation). This investment in capital assets includes land and building for administrative use. The appraised value is \$2,200,000 and \$2,000,000 at September 30, 2013 and 2012, respectively.

Retirement System as a Whole

The Trust's net position has increased from that of fiscal years ended 2012 and 2011. 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 Plan Net Position
September 30, 2013 and 2012

	2013			2012		
	Membership and Benefit Account	Cost-of-Living Adjustment I Account	Cost-of-Living Adjustment II Account	Membership and Benefit Account	Cost-of-Living Adjustment I Account	Cost-of-Living Adjustment II Account
Assets:						
Cash and cash equivalents	\$ 44,139,572	\$ 2,101,011	\$ 13,488,352	\$ 39,329,356	\$ 1,749,196	\$ 11,666,836
Investments, at fair value:						
Debt securities, domestic	356,544,394	16,971,249	108,954,304	368,170,143	16,374,549	109,215,604
Debt securities, international	24,633,627	1,172,542	7,527,645	23,575,368	1,048,526	6,993,501
Equity investments, domestic	356,478,449	16,968,110	108,934,152	335,071,112	14,902,454	99,396,963
Equity investments, international	195,106,052	9,286,903	59,621,311	166,254,186	7,394,237	49,318,370
Private equity	39,227,092	1,867,181	11,987,176	32,734,411	1,455,879	9,710,479
Real estate	86,612,935	4,122,712	26,467,537	93,287,248	4,148,997	27,673,138
Mutual funds - Deferred Retirement Option Plan	200,181,768	-	-	168,278,569	-	-
Total investments	1,258,784,317	50,388,697	323,492,125	1,187,371,037	45,324,642	302,308,055
Security lending cash collateral - invested	211,877,764	10,085,224	64,746,480	206,407,607	9,180,080	61,229,657
Receivables:						
Proceeds from securities sold	35,252,091	-	-	12,296,591	-	-
City contributions	3,380,875	-	-	-	-	-
Accrued interest	5,617,527	-	-	5,898,115	-	-
Total receivables	44,250,493	-	-	18,194,706	-	-
Property and equipment, net	1,446,358	68,845	441,984	1,491,226	66,323	442,364
Total assets	1,560,498,504	62,643,777	402,168,941	1,452,793,932	56,320,241	375,646,912
Liabilities:						
Payable for securities purchased	38,239,651	-	-	13,735,005	-	-
Accounts payable and other liabilities	403,297	-	-	608,290	-	-
Obligations under securities lending	211,877,764	10,085,224	64,746,480	206,407,607	9,180,080	61,229,657
Deferred Retirement Option Plan	200,181,768	-	-	168,278,569	-	-
Total liabilities	450,702,480	10,085,224	64,746,480	389,029,471	9,180,080	61,229,657
Net position held in trust for pension benefits (a schedule of funding progress is presented on page 34)	\$ 1,109,796,024	\$ 52,558,553	\$ 337,422,461	\$ 1,063,764,461	\$ 47,140,161	\$ 314,417,255
						\$ 1,425,321,877

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

Statements of Changes in Plan Net Position
For the Years Ended September 30, 2013 and 2012

	2013			2012		
	Membership and Benefit Account	Cost-of-Living Adjustment I Account	Cost-of-Living Adjustment II Account	Membership and Benefit Account	Cost-of-Living Adjustment I Account	Cost-of-Living Adjustment II Account
Additions:			Total			Total
Contributions:						
City	\$ 40,949,327	\$ -	\$ 46,227,273	\$ 42,353,775	\$ -	\$ 47,418,316
Members	9,427,186	-	9,427,186	8,390,922	-	8,390,922
Total contributions	50,376,513	-	55,654,459	50,744,697	-	55,809,238
Investment income:						
Net appreciation in fair value of investments	99,540,124	4,520,948	133,696,829	138,705,017	5,812,772	184,293,441
Interest	18,852,814	854,563	25,331,634	20,266,175	854,252	26,950,637
Dividends	9,153,647	415,944	12,305,008	8,330,508	352,589	11,085,811
Other	257,884	11,825	347,101	196,468	8,223	261,065
	127,804,469	5,803,280	171,680,572	167,498,168	7,027,836	222,590,954
Less investment expense	4,554,939	206,557	6,121,099	4,301,904	181,346	5,718,976
Net investment income from investing activities	123,249,530	5,596,723	165,559,473	163,196,264	6,846,490	216,871,978
Security lending activities:						
Security lending income	658,290	29,946	884,985	646,206	27,333	859,839
Security lending fees and rebates	164,479	7,482	221,120	161,459	6,829	214,836
Net income from security lending activities	493,811	22,464	663,865	484,747	20,504	645,003
Total net, investment income	123,743,341	5,619,187	166,223,338	163,681,011	6,866,994	217,516,981
Total additions	174,119,854	5,619,187	221,877,797	214,425,708	6,866,994	273,326,219
Deductions:						
Pension benefits paid	124,985,394	-	124,985,394	124,321,444	-	124,321,444
Refund of contributions	772,557	-	772,557	765,520	421	765,941
Distributions to retirees	-	225,814	19,522,271	-	223,556	17,747,481
Depreciation expense	31,631	1,489	42,725	31,932	1,402	42,726
Administrative expenses	2,099,689	-	2,099,689	2,296,021	-	2,296,021
Total deductions	127,889,271	227,303	147,422,636	127,414,917	225,379	145,173,613
Net increase	46,230,583	5,391,884	74,455,161	87,010,791	6,641,615	128,152,606
Net position held in trust for pension benefits:						
Beginning of year	1,063,764,461	47,140,161	1,425,321,877	976,753,670	40,498,546	1,297,169,271
End of year	\$ 1,109,995,044	\$ 52,532,045	\$ 1,499,777,038	\$ 1,063,764,461	\$ 47,140,161	\$ 1,425,321,877

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

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

Notes to Financial Statements
September 30, 2013 and 2012

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 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:

	2013	2012
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,293	2,285
Current members:		
Vested	556	521
Nonvested	717	715
	<u>1,273</u>	<u>1,236</u>

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, 2013 and 2012

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, 2013 and 2012 it was not necessary to create an ICA.

During the years ended September 30, 2013 and 2012, approximately \$523,000 and \$299,900 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.

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies - continued

Investments

Investments are recorded at fair value in the Statement of Plan 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, 2013 and 2012. 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, 2013 and 2012. 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 plan 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 plan net position.

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2013 and 2012

Note 2 - Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 Plan has adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB Statement No. 63). The adoption of this Statement resulted in a change in the presentation of the Statement of Plan Net Assets to what is now referred to as the Statement of Plan Net Position and the term "net assets" is changed to "net position" throughout the financial statements.

Subsequent Events

Management has evaluated subsequent events through January 15, 2014, 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, 2013 and 2012

Note 3 - Funded Status and Funding Progress

The funded status of the Trust as of October 1, 2012, the most recent actuarial valuation date, is as follows, (dollar amounts in millions):

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/12	\$ 1,143.6	\$ 1,573	\$ 429.4	73%	\$82.2	522%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

The Trust is funded in accordance with the Aggregate Cost Method. In accordance with GASB 50, the AAL above has been calculated in accordance with the Entry Age Normal Cost Method, for purposes of calculating and disclosing the funded ratio. The information presented here is intended to serve as a surrogate for the funded status of the plan.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	October 1, 2012
Actuarial Cost Method:	Aggregate Cost Method. Percentage of actual payroll, if greater than calculated dollar City contributions, if greater than dollar amount calculated under the provision of Gates.
Amortization Method:	N/A
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 the 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:	
Investment rate of return	7.5%, compounded annually
Salary increases:	
Inflation	3.25%, compounded annually, attributable to inflation
Seniority/merit	5% to 0% reducing by attained age
Promotion/other	1.5%
Mortality table	RP 2000 mortality table projected to 2020
Disabled mortality	RP 2000 disabled mortality table projected to 2020

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - 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 plan 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:

	2013	2012
Deposits – managed overdraft	\$ (423,874)	\$ (177,680)
Invested cash and currency	39,158,002	23,427,131
Short-term investment	20,994,807	29,495,937
Total	\$ 59,728,935	\$ 52,745,388

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' Retirement Trust

Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - 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:

Authorized Investments	2013		2012	
	Target % of Portfolio	Actual % of Portfolio	Target % of Portfolio	Actual of Portfolio
Cash and cash equivalents	0.0%	4.0%	0.0%	3.7%
Domestic equities	28.0	32.3	28.0	30.1
Core fixed income	41.0	34.6	41.0	35.2
International equities	18.0	17.7	18.0	14.9
Real estate	8.0	7.9	8.0	8.4
Private equity	5.0	3.6	5.0	2.9

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - Deposit and Investment Risk Disclosures - continued

Investments

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

	2013	2012
Debt securities, domestic:		
U.S. treasuries	\$ 81,228,149	\$ 67,283,289
U.S. agencies	112,219,609	105,875,001
TIPS	39,268,676	71,534,033
Corporate bonds	207,424,105	215,817,111
Asset backed securities	22,694,332	13,847,934
Mortgage backed securities	15,501,957	18,866,371
Guaranteed fixed income	4,133,119	536,557
	482,469,947	493,760,296
Debt securities, international:		
International government bonds	6,460,508	5,651,807
Corporate bonds	26,873,306	25,965,588
	33,333,814	31,617,395
Equity securities, domestic	482,380,711	449,370,529
Equity securities, international	264,014,266	222,966,793
Private equity	53,081,449	43,900,769
Real estate equity	117,203,184	125,109,383
Mutual funds - DROP	200,181,768	168,278,569
Total	\$ 1,632,665,139	\$ 1,535,003,734

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

Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - 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:

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
	\$ 515,803,761	\$ 12,616,671	\$ 162,780,574	\$ 179,696,839	\$ 160,709,677
% of fixed income portfolio	100.0%	2.4%	31.6%	34.8%	31.2%

2012

Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 138,817,322	\$ 16,763,020	\$ 55,518,116	\$ 45,663,030	\$ 20,873,156
U.S. agencies	105,875,001	1,061,402	2,655,008	2,934,425	99,224,166
Domestic Fixed Income	249,067,973	5,032,892	84,572,118	114,788,417	44,674,546
International Fixed Income	31,617,395	1,570,479	12,398,088	13,116,685	4,532,143
	\$ 525,377,691	\$ 24,427,793	\$ 155,143,330	\$ 176,502,557	\$ 169,304,011
% of fixed income portfolio	100.0%	4.7%	29.5%	33.6%	32.2%

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'
Retirement Trust**

Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - Deposit and Investment Risk Disclosures - continued

Credit Risk - continued

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

2013		
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 232,716,434	45.12%
Credit risk debt securities:		
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	2.72
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
Total credit risk debt securities	283,087,327	54.88
Total fixed income securities	\$ 515,803,761	100.00%

2012		
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 244,692,323	46.57%
Credit risk debt securities:		
AAA	9,659,787	1.84
AA+	13,359,080	2.54
AA	6,018,794	1.15
AA-	7,144,105	1.36
A+	16,230,876	3.09
A	20,892,150	3.98
A-	35,563,605	6.77
BBB+	23,059,329	4.39
BBB	36,684,491	6.98
BBB-	11,509,255	2.19
BB+ and lower	83,790,353	15.95
Not rated	16,773,543	3.19
Total credit risk debt securities	280,685,368	53.43
Total fixed income securities	\$ 525,377,691	100.00%

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

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - 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 plan net position at September 30, 2013 and 2012.

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' Retirement Trust

Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - Deposit and Investment Risk Disclosures - continued

Foreign Currency Risk - continued

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

2013					
Currency	Cash and 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
Total	\$ 59,068	\$ 52,878,446	\$ -	\$ 3,283,386	\$ 56,220,900

2012					
Currency	Cash and cash equivalents	Equity	Fixed Income	Real Estate	Total
Australian Dollar	\$ -	\$ 798,244	\$ -	\$ -	\$ 798,244
British Pound Sterling	76,063	5,055,247	-	-	5,131,310
Canadian Dollar	6,464	1,629,607	-	-	1,636,071
Euro	187,628	11,439,464	-	3,017,893	14,644,985
Hong Kong Dollar	-	861,720	266,468	-	1,128,188
Japanese Yen	-	15,184,705	-	-	15,184,705
Mexican Peso	-	1,006,805	-	-	1,006,805
Norwegian Krone	-	462,105	-	-	462,105
Singapore Dollar	-	3,276,878	61,998	-	3,338,876
South Korean Won	-	2,319,209	-	-	2,319,209
Swedish Krona	-	757,524	-	-	757,524
Swiss Franc	109,045	6,632,742	-	-	6,741,787
Other	-	2,074,092	-	-	2,074,092
Total	\$ 379,200	\$ 51,498,342	\$ 328,466	\$ 3,017,893	\$ 55,223,901

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - 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 plan 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 Plan Net Position.

As of September 30, 2013 and 2012, 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 154 and 128 days, respectively, as of September 30, 2013 and 2012. The custodial bank and its affiliates are prohibited from borrowing the Trust's securities.

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

Notes to Financial Statements
September 30, 2013 and 2012

Note 4 - 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, 2013 and 2012, the pool had a weighted average term to maturity of 38 and 34 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 plan 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:

2013			
Securities Lent:	Market Value of Securities on Loan for Cash	Fair Value of Cash Collateral Invested	Fair Value of Liabilities to Borrowers
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
Total securities lent	\$ 279,686,243	\$ 286,709,468	\$ 286,709,468

2012			
Securities Lent:	Market Value of Securities on Loan for Cash	Fair Value of Cash Collateral Invested	Fair Value of Liabilities to Borrowers
U.S. government and agency obligations	\$ 116,409,970	\$ 119,119,277	\$ 119,119,277
International equities	4,116,641	4,364,203	4,364,203
Domestic corporate stocks	112,192,082	115,325,992	115,325,992
Domestic corporate bonds	37,028,822	38,007,872	38,007,872
Total securities lent	\$ 269,747,515	\$ 276,817,344	\$ 276,817,344

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust
Notes to Financial Statements
September 30, 2013 and 2012**

Note 4 - 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 5 - 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, 2013 and 2012, approximately \$5,278,000 and \$5,065,000, 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' Retirement Trust

Notes to Financial Statements
September 30, 2013 and 2012

Note 6 - 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, 2013 and 2012, there were 474 and 497 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**
Notes to Financial Statements
September 30, 2013 and 2012

Note 6 - 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.

Note 7 - Property and Equipment

Property and equipment consist of the following at September 30:

	Estimated Useful Life	2013	2012
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		469,983	427,257
Net		\$ 1,957,187	\$ 1,999,913

Depreciation expense for the years ended September 30, 2013 and 2012 was \$42,725 and \$42,726, respectively.

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

Notes to Financial Statements
September 30, 2013 and 2012

Note 8 - Administrative Expenses Reimbursement

For the fiscal years ended September 30, 2013 and 2012 administrative costs (in the amounts of \$2,044,488 and \$2,200,00, 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 plan net position.

Note 9 - 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, 2013 and 2012 were, respectively, approximately \$57,297,000 and \$37,952,000.

Note 10 - 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, 2013 and 2012 were \$115,793 and \$193,263, respectively.

The Trust's contributions to the Plan for the calendar years ending December 31, 2013, 2012 and 2011 were actuarially determined by the January 1, 2013, 2012, and 2011 valuations to be \$54,486, \$143,996, and \$162,930, respectively.

Note 11 - 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

**Notes to Financial Statements
September 30, 2013 and 2012**

Note 12 - Subsequent Event

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 year ended September 30, 2013, the City contributed \$4,900,000 of Chapter 175 premium tax revenues to the Trust and is included in City contributions in the accompanying statement of changes in plan net position.

Required Supplementary Information

**City Of Miami Fire Fighters' And Police Officers'
Retirement Trust**
Required Supplementary Information - Unaudited
September 30, 2013

Schedule "1" - Schedule of Funding Progress – Revised*
(dollars in millions)

Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/07-	- 1,208.80	1,318.40	109.60	92	103.60	106
10/01/08	1,219.60	1,452.50	232.90	85	129.40	172
10/01/09	1,165.00	1,539.30	374.40	76	122.20	306
10/01/10	1,180.60	1,568.30	387.70	75	80.20	483
10/01/11	1,150.30	1,590.50	440.20	72	82.20	536
10/01/12	1,143.60	1,573.00	429.40	73	82.20	522

* Revised in fiscal year 2012 by actuary to demonstrate the percent funded based on the (ACTUARIAL ASSET VALUE) in place of the (NET POSITION AVAILABLE FOR BENEFITS).

Schedule "2" - Schedule of Contributions by Employer

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2007	\$ 40,542,078	100%
2008	36,040,251	100
2009	36,993,395	100
2010	59,025,379	100
2011	47,156,797	100
2012	47,418,316	100
2013	45,412,248	100

The information presented in the required Supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Since the Trust uses the Aggregate Cost Method, a schedule of Funding Progress is not required as that method does not separately identify or separately amortize unfunded actuarial liabilities. As the Trust believes the above information is useful to users of the financial statements, the above Schedule "1" was prepared excluding COLA accounts using the Entry Age Normal Actuarial Accrued Liability.

Other Supplementary Schedules

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Other Supplementary Schedules of Investment Expenses
For the Years Ended September 30, 2013 and 2012

	2013	2012
Financial management expenses		
Equities		
Barrow Hanley	\$ 388,493	\$ 374,891
BGI/Black Rock	69,370	65,226
Boston Partners	319,476	271,616
Champlain Investments	537,823	551,245
Delaware Investment	488,579	332,962
RCM Capital	42,318	282,371
Eagle Asset Management	235,633	223,480
First Eagle	714,069	648,629
Urdang & Associates	464,104	419,557
Wentworth Hauser & Violich	764,991	581,322
Total	4,024,856	3,751,299
Fixed Income		
Ambassador Capital	162,258	158,420
AXA High Yield	427,691	371,894
Barrow Hanley	267,750	261,925
Dodge & Cox	218,795	210,701
Munder Capital	129,053	137,865
Wellington TIPS	86,241	110,488
Total	1,291,788	1,251,293
Real Estate		
Certified Appraisal Services of South Florida, Inc.	1,000	1,000
J.P. Morgan	792,693	715,384
Total	793,693	716,384
Other	10,762	-
Total	10,762	-
Total investment expenses	\$ 6,121,099	\$ 5,718,976

**City of Miami Fire Fighters' and Police Officers'
 Retirement Trust
 Other Supplementary Schedules of Administrative Expenses
 For the Years Ended September 30, 2013 and 2012**

	2013	2012
Personnel services		
Salaries and payroll taxes	\$ 520,139	\$ 512,946
Fringe benefits	95,425	156,010
Total personnel services	615,564	668,956
Professional services		
Actuarial	281,417	144,214
Audit	38,000	38,500
Consultant and custodial	484,835	461,063
Legal	80,325	136,020
Total professional services	884,577	779,797
Other		
Education and travel	36,352	24,167
Insurance	76,837	74,437
Office expense	202,334	501,750
Repair and maintenance	131,373	24,312
Retirement contribution	115,793	193,263
Utilities	36,859	29,339
Total other	599,548	847,268
Total administrative expenses	\$ 2,099,689	\$ 2,296,021

**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***



**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 plan net position as of September 30, 2013, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2014.

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, 2014