



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

**Financial Statements
Years Ended September 30, 2012 and 2011**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

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

We have audited the accompanying statements of plan net assets of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the Trust) at September 30, 2012 and 2011, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Trust's management. 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 the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Miami Fire Fighters' and Police Officers' Retirement Trust as of September 30, 2012 and 2011, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2013 on our consideration of the City of Miami Fire Fighters' and Police Officers' Retirement Trust internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the 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. The required supplementary information for the year ended September 30, 2007 was reported on by Koch Reiss & Co., P.A., whose report states that they did not audit this information and did not express an opinion on it.

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 (other supplemental schedules) as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
January 11, 2013



ADMINISTRATOR
Robert H. Magie

**ASSISTANT
ADMINISTRATOR**
Dania L. Ortiz

TRUSTEES

Orne Cetera
Sergio Diaz
Monica Fernandez
Raul Fernandez
Tom Gabriel
Robert Moskowitz
Thomas Rcell
Annette Rotolo

Management's Discussion and Analysis **(Required Supplementary Information - Unaudited)** **September 30, 2012 and 2011**

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, 2012 and 2011. 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 2012 and 2011 by \$1,425.3 and \$1,297.2 million, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increase and (decrease) of \$128.2 million and of (\$42.3) million in net assets, of the respective years, have 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 76% as of the October 1, 2009 actuarial valuation, to 75% as of the October 1, 2010 valuation, and 72% as of the October 1, 2011 valuation.
- 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, 2011 the Trust's total additions were \$100.8 million which were comprised of contributions of \$54.3 million and net investment income of \$46.5 million.

- 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.

For the fiscal year ended September 30, 2011 the Trust's deductions increased over the prior year from \$120.9 million to \$143.2 or 18.4%. Most of this increase is attributable to increased pension benefits paid.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

Plan Highlights

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.

For the year ending September 30, 2011, the total return of the portfolio was 3.0%. Actual net investment income was \$46.5 million in 2011 compared with \$121.8 million in 2010.

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets 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 Assets* present information that includes all of the Trust's assets and liabilities, with the balance representing the Net Assets 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 Assets* report how the Trust's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in these statements. The additions include contributions to the to the retirement plan from employers (City) and members and net investment income, which includes 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 Employer Contributions* 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, 2012 and 2011

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, 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%.

Trust's total assets as of September 30, 2011, were \$1,666.2 million and were mostly comprised of cash and cash equivalents, investments, property and equipment, and receivables related to investments. Total assets decreased \$2.2 million or 0.1%.

- 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.

Total liabilities as of September 30, 2011 were \$369.1 million and were mostly comprised of obligations under securities lending, payable for securities purchased and deferred retirement option plan payable. Total liabilities increased \$40.1 million or 12.2% 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, 2012 by \$1,425.3 million. Total net assets held in trust for pension benefits increased \$128.2 million or 9.9% from the previous year.

Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2011 by \$1,297.2 million. Total net assets held in trust for pension benefits decreased \$42.3 million or 3.2% from the previous year.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

Description of the Financial Statements – continued

Financial Analysis - continued

Table 1 - Condensed Statements of Plan Net Assets
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 assets held in trust for pension benefits	\$ 1,425,322	\$ 1,297,169	\$ 128,153	9.9%

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

Description of the Financial Statements – continued

Financial Analysis - continued

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

	2011	2010	Increase (Decrease) Amount	Total Percentage Change
Assets:				
Cash and cash equivalents	\$ 68,533	\$ 43,709	\$ 24,824	56.8%
Receivables	9,529	13,973	(4,444)	(31.8)
Investments	1,352,827	1,387,316	(34,489)	(2.5)
Security lending collateral - invested	233,291	221,384	11,907	5.4
Property and equipment, net	2,043	2,085	(42)	(2.0)
Total assets	1,666,223	1,668,467	(2,244)	(0.1)
Liabilities:				
Payables for securities purchased	9,526	17,537	(8,011)	(45.7)
Accounts payable and other	374	268	106	39.5
Deferred Retirement Option Plan	125,863	89,768	36,095	40.2
Obligations under securities lending	233,291	221,384	11,907	5.4
Total liabilities	369,054	328,957	40,097	12.2
Net assets held in trust for pension benefits	\$ 1,297,169	\$ 1,339,510	\$ (42,341)	(3.2)%

Additions to Plan Net Assets

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 2012 and 2011 totaled \$273.3 and \$100.8 million, respectively.

For the fiscal year ended September 30, 2012 total additions to plan net assets 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%.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

Description of the Financial Statements – continued

Additions to Plan Net Assets - continued

For the fiscal year ended September 30, 2011 total additions to plan net assets decreased \$92.5 million or 47.3% 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 \$13.9 million or 22.8%. This decrease is primarily due to changes imposed by City management on the Trust which reduced the City's actuarial computed minimum required contribution.
- Member contributions decreased from the previous year by \$3.3 million or 31.6%. This decrease is primarily due to reductions in pay from changes imposed by City management.
- Net investment income decreased from the previous year by \$75.3 million or 61.8%.

Additions in Plan Net Assets
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%

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

	2011	2010	Increase (Decrease) Amount	Total Percentage Change
City contribution	\$ 47,157	\$ 61,052	\$ (13,895)	(22.8)%
Member contributions	7,138	10,436	(3,298)	(31.6)
Net investment income	46,535	121,813	(75,278)	(61.8)
Total additions	\$ 100,830	\$ 193,301	\$ (92,471)	(47.8)%

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

Description of the Financial Statements – continued

Deductions from Plan Net Assets

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 2012 and 2011 were \$145.2 and \$143.2 million, an increase of 1.4% and 18.4%, over years 2011 and 2010 expenditures, respectively.

For the fiscal years ended September 30, 2012 and 2011, the payment of pension benefits to retirees increased by \$1.0 and \$21.9 million or 0.8% and 21.6%, 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, 2012 and 2011, administrative expense increased by \$0.1 and \$0.2 million or 5.4% and 7.2%, respectively, from the previous year.

Deductions from Plan Net Assets
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%

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

	2011	2010	Increase (Decrease) Amount	Total Percentage Change
Pension benefits paid	\$ 123,313	\$ 101,372	\$ 21,941	21.6%
Refund of contributions	274	241	33	13.7
Distributions to retirees	17,364	17,237	127	0.7
Administrative expenses	2,220	2,070	150	7.2
Total deductions	\$ 143,171	\$ 120,920	\$ 22,251	18.4%

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2012 and 2011

Capital Assets

As of September 30, 2012 and 2011, the Trust's investment in capital assets totaled \$2.0 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 \$2,000,000 and \$2,000,000 at September 30, 2012 and 2011, respectively.

Retirement System as a Whole

The Trust's net assets have increased from those of fiscal years ended 2011 and 2010. 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 Assets
September 30, 2012 and 2011

	2012				2011			
	Membership and Benefit Account	Cost-of-Living Adjustment I Account	Cost-of-Living Adjustment II Account	Total	Membership and Benefit Account	Cost-of-Living Adjustment I Account	Cost-of-Living Adjustment II Account	Total
Assets:								
Cash and cash equivalents	\$ 39,329,356	\$ 1,749,196	\$ 11,666,836	\$ 52,745,388	\$ 51,609,731	\$ 2,139,054	\$ 14,784,656	\$ 68,533,441
Investments, at fair value:								
Debt securities, domestic	368,170,143	16,374,549	109,215,604	493,760,296	340,701,113	14,120,926	97,600,740	452,422,779
Debt securities, international	23,575,368	1,048,526	6,993,501	31,617,395	18,259,196	756,782	5,230,717	24,246,695
Equity investments, domestic	335,071,112	14,902,454	99,396,963	449,370,529	312,473,988	12,951,005	89,514,508	414,939,501
Equity investments, international	166,254,186	7,394,237	49,318,370	222,966,793	143,501,570	5,947,663	41,108,935	190,558,168
Private equity	32,734,411	1,455,879	9,710,479	43,900,769	31,032,677	1,286,200	8,889,939	41,208,816
Real estate	93,287,248	4,148,997	27,673,138	125,109,383	78,007,760	3,233,162	22,346,904	103,587,826
Mutual funds - Deferred Retirement Option Plan	168,278,569	-	-	168,278,569	125,863,217	-	-	125,863,217
Total investments	1,187,371,037	45,324,642	302,308,055	1,535,003,734	1,049,839,521	38,295,738	264,691,743	1,352,827,002
Security lending cash collateral - invested	206,407,607	9,180,080	61,229,657	276,817,344	175,681,613	7,281,417	50,327,559	233,290,589
Receivables:								
Proceeds from securities sold	12,296,591	-	-	12,296,591	3,756,806	-	-	3,756,806
Member contributions	-	-	-	-	1,798	-	-	1,798
Accrued interest	5,898,115	-	-	5,898,115	5,770,922	-	-	5,770,922
Total receivables	18,194,706	-	-	18,194,706	9,529,526	-	-	9,529,526
Property and equipment, net	1,491,226	66,323	442,364	1,999,913	1,538,228	63,754	440,656	2,042,638
Total assets	1,452,793,932	56,320,241	375,646,912	1,884,761,085	1,288,198,619	47,779,963	330,244,614	1,666,223,196
Liabilities:								
Payable for securities purchased	13,735,005	-	-	13,735,005	9,526,212	-	-	9,526,212
Accounts payable and other	608,290	-	-	608,290	373,907	-	-	373,907
Obligations under securities lending	206,407,607	9,180,080	61,229,657	276,817,344	175,681,613	7,281,417	50,327,559	233,290,589
Deferred Retirement Option Plan	168,278,569	-	-	168,278,569	125,863,217	-	-	125,863,217
Total liabilities	389,029,471	9,180,080	61,229,657	459,439,208	311,444,949	7,281,417	50,327,559	369,053,925
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 32)	\$ 1,063,764,461	\$ 47,140,161	\$ 314,417,255	\$ 1,425,321,877	\$ 976,753,670	\$ 40,498,546	\$ 279,917,055	\$ 1,297,169,271

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

Statements of Changes in Plan Net Assets
For the Years Ended September 30, 2012 and 2011

	2012			2011			
	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	Total
Additions:							
Contributions:							
City	\$ 42,353,775	\$ -	\$ 5,064,541	\$ 42,287,046	\$ -	\$ 4,869,751	\$ 47,156,797
Members	8,390,922	-	-	7,137,824	-	-	7,137,824
Total contributions	50,744,697	-	5,064,541	49,424,870	-	4,869,751	54,294,621
Investment income:							
Net appreciation in fair value of investments	138,705,017	5,812,772	39,775,652	11,049,518	191,060	2,047,028	13,287,606
Interest	20,266,175	854,252	5,830,210	19,694,677	778,811	5,502,298	25,975,786
Dividend	8,330,508	352,589	2,402,714	8,965,200	355,657	2,510,255	11,831,112
Other	196,468	8,223	56,374	221,137	8,786	61,880	291,803
	167,498,168	7,027,836	48,064,950	39,930,532	1,334,314	10,121,461	51,386,307
Less investment expense	4,301,904	181,346	1,235,726	4,090,708	161,720	1,142,753	5,395,181
Net investment income from investing activities	163,196,264	6,846,490	46,829,224	35,839,824	1,172,594	8,978,708	45,991,126
Security lending activities:							
Security lending income	646,206	27,333	186,300	549,625	21,792	153,814	725,231
Security lending fees and rebates	161,459	6,829	46,548	137,296	5,444	38,423	181,163
Unrealized gain	-	-	-	-	-	-	-
Net income from security lending activities	484,747	20,504	139,752	412,329	16,348	115,391	544,068
Total net investment income	163,681,011	6,866,994	46,968,976	36,252,153	1,188,942	9,094,099	46,535,194
Total additions	214,425,708	6,866,994	52,033,517	85,677,023	1,188,942	13,963,850	100,829,815
Deductions:							
Pension benefits paid	124,321,444	-	-	123,313,080	-	-	123,313,080
Refund of contributions	765,520	421	-	273,559	-	-	273,559
Distributions to retirees	-	223,556	17,523,925	-	248,193	17,115,648	17,363,841
Depreciation expense	31,932	1,402	9,392	32,218	1,323	9,184	42,725
Administrative expenses	2,296,021	-	-	2,177,814	-	-	2,177,814
Total deductions	127,414,917	225,379	17,533,317	125,796,671	249,516	17,124,832	143,171,019
Net (decrease) increase	87,010,791	6,641,615	34,500,200	(40,119,648)	939,426	(3,160,982)	(42,341,204)
Net assets held in trust for pension benefits:							
Beginning of year	976,753,670	40,498,546	279,917,055	1,016,873,318	39,559,120	283,078,037	1,339,510,475
End of year	\$ 1,063,764,461	\$ 47,140,161	\$ 314,417,255	\$ 976,753,670	\$ 40,498,546	\$ 279,917,055	\$ 1,297,169,271

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

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

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:

	2012	2011
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,285	2,285
Current members:		
Vested	521	518
Nonvested	715	678
	<u>1,236</u>	<u>1,196</u>

Member Contributions

Members contribute a percentage of their base salaries on a bi-weekly basis. Police Officers' member contribution is 10% 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 Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

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, 2012 and 2011 it was not necessary to create an ICA.

During the years ended September 30, 2012 and 2011, approximately \$299,900 and \$69,205 respectively, is included as member contributions for the purchase of additional service years by members as provided for by the Trust.

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.

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."

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust
Notes to Financial Statements
September 30, 2012 and 2011**

Note 1 - Description of the Plan - continued

Pension Benefits - continued

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.”

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.

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.

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

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.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

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.

Investments

Investments are recorded at fair value in the Statement of Plan Net Assets. 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, 2012 and 2011. 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.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies - continued

- **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, 2012 and 2011. 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 assets 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 assets.

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.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

Note 2 - Summary of Significant Accounting Policies - continued

Subsequent Events

Management has evaluated subsequent events through January 11, 2013, the date which the financial statements were available for issue.

Note 3 - Funded Status and Funding Progress

The funded status of the Trust as of October 1, 2011, 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
10/01/11	\$1,150.3	\$1,590.5	\$440.2	72%	\$82.2	536%

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**

Notes to Financial Statements
September 30, 2012 and 2011

Note 3 - Funded Status and Funding Progress - continued

Additional information as of the latest actuarial valuation follows:

Valuation Date: October 1, 2011
 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 5.0% 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

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 net assets available for plan benefits. 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:

	2012	2011
Deposits – managed overdraft	\$ (177,680)	\$ (30,075)
Invested cash and currency	23,427,131	21,600,027
Short-term investment	29,495,937	46,963,489
Total	\$ 52,745,388	\$ 68,533,441

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

Note 4 - Deposit and Investment Risk Disclosures - continued

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.

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.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

Note 4 - Deposit and Investment Risk Disclosures - continued

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	2012		2011	
	Target % of Portfolio	Actual % of Portfolio	Target % of Portfolio	Actual of Portfolio
Cash	0.0%	0.0%	0.0%	0.2%
Domestic equities	28.0	32.5	28.0	32.7
Domestic fixed income	41.0	38.4	41.0	39.7
International equities	18.0	17.3	18.0	16.5
Real estate	8.0	8.9	8.0	8.2
Private equity	5.0	2.9	5.0	2.7

Investments

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

	2012	2011
Debt securities, domestic:		
U.S. treasuries	\$ 67,283,289	\$ 46,527,352
U.S. agencies	105,875,001	90,064,269
TIPS	71,534,033	67,440,484
Corporate bonds	215,817,111	203,919,068
Asset backed securities	13,847,934	18,945,733
Mortgage backed securities	18,866,371	24,439,842
Guaranteed fixed income	536,557	1,086,031
	493,760,296	452,422,779
Debt securities, international:		
International government bonds	5,651,807	2,147,273
Corporate bonds	25,965,588	22,099,422
	31,617,395	24,246,695
Equity securities, domestic	449,370,529	414,939,501
Equity securities, international	222,966,793	190,558,168
Private equity	43,900,769	41,208,816
Real estate equity	125,109,383	103,587,826
Mutual funds - DROP	168,278,569	125,863,217
Total	\$ 1,535,003,734	\$1,352,827,002

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**

Notes to Financial Statements

September 30, 2012 and 2011

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:

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%

2011					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 113,967,836	\$ 5,927,328	\$ 43,436,369	\$ 50,318,714	\$ 14,285,425
U.S. agencies	90,064,269	524,836	1,811,253	3,082,333	84,645,847
Domestic Fixed Income	248,390,774	3,918,523	73,474,650	117,137,118	53,860,483
International Fixed Income	24,246,595	1,890,033	8,336,415	9,614,784	4,405,363
	\$ 476,669,474	\$ 12,260,720	\$ 127,058,687	\$180,152,949	\$157,197,118
% of fixed income Portfolio	100.0%	2.5%	26.7%	37.8%	33.0%

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 Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

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:

	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%

	2011	
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 204,032,105	42.80%
Credit risk debt securities:		
AAA	28,896,641	6.06
A+	914,175	0.19
AA	27,335,786	5.73
A	73,987,241	15.52
BBB	68,050,776	14.28
BB and lower	70,339,935	14.76
Not rated	3,112,815	0.66
Total credit risk debt securities	272,637,369	57.20
Total fixed income securities	\$ 476,669,474	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 Fighter's and Police Officers' Retirement Trust

**Notes to Financial Statements
September 30, 2012 and 2011**

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 assets at September 30, 2012 and 2011.

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 Fighter's and Police Officers'
Retirement Trust**

Notes to Financial Statements
September 30, 2012 and 2011

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:

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

2011					
Currency	Cash and cash equivalents	Equity	Fixed Income	Real Estate	Total
Australian Dollar	\$ -	\$ 874,601	\$ -	\$ -	\$ 874,601
British Pound Sterling	21,637	3,447,097	656,521	-	4,125,255
Canadian Dollar	3,699	283,963	-	-	287,662
Euro	10,771	9,523,755	-	2,444,700	11,979,226
Hong Kong Dollar	-	833,635	849,930	-	1,683,565
Japanese Yen	-	16,667,880	-	-	16,667,880
Mexican Peso	-	932,607	-	-	932,607
Norwegian Krone	-	-	-	-	-
Singapore Dollar	-	2,692,597	640,770	-	3,333,367
South Korean Won	-	2,602,122	-	-	2,602,122
Swedish Krona	-	319,609	-	-	319,609
Swiss Franc	40,661	6,173,025	-	-	6,213,686
Other	8,582	1,542,860	-	-	1,551,442
Total	\$ 85,350	\$ 45,893,751	\$ 2,147,221	\$ 2,444,700	\$ 50,571,022

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

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 the net appreciation in the fair value of investments total of the Statement of Changes in Plan Net Assets.

As of September 30, 2012 and 2011, 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 128 and 92 days, respectively, as of September 30, 2012 and 2011. The custodial bank and its affiliates are prohibited from borrowing the Trust's securities.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**

Notes to Financial Statements
September 30, 2012 and 2011

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, 2012 and 2011, the pool had a weighted average term to maturity of 34 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 plan net assets. 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:

	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

	2011		
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	\$ 63,434,656	\$ 64,936,073	\$ 64,936,073
International equities	2,237,971	2,402,920	2,402,920
Domestic corporate stocks	124,406,897	129,991,293	129,991,293
Domestic corporate bonds	34,732,674	35,960,303	35,960,303
Total securities lent	\$ 224,812,198	\$ 233,290,589	\$ 233,290,589

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2012 and 2011

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, 2012 and 2011, approximately \$5,065,000 and \$4,870,000, 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 Fighter's and Police Officers' Retirement Trust

**Notes to Financial Statements
September 30, 2012 and 2011**

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. 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, 2012 and 2011, there were 497 and 516 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 Fighter's and Police Officers'
Retirement Trust
Notes to Financial Statements
September 30, 2012 and 2011**

Note 7 - Property and Equipment

Property and equipment consist of the following at September 30:

	Estimated Useful Life	2012	2011
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		427,257	384,532
Net		\$ 1,999,913	\$ 2,042,638

Depreciation expense for the years ended September 30, 2012 and 2011 was \$42,726 and \$42,725, respectively.

Note 8 - Administrative Expenses Reimbursement

Prior to fiscal year ended September 30, 2011, administrative costs of the Trust were paid directly by the Trust from budget advance monies provided by the City. The Trust provided the City with an accounting of how these funds were expended during the period and thus were fully funded by the City.

For the fiscal years ended September 30, 2012 and 2011 the reimbursed administrative expenses are accounted for as a part of the actuarially determined minimum required contributions from the City.

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, 2012 and 2011 were, respectively, approximately \$37,952,000 and \$13,600,000.

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, 2012 and 2011 were \$193,263 and \$80,485, respectively.

The Trust's contributions to the Plan for the calendar years ending December 31, 2012, 2011 and 2010 were actuarially determined by the January 1, 2012, 2011, and 2010 valuations to be \$143,996, \$162,930, and \$144,553, respectively.

**City of Miami Fire Fighter's and Police Officers'
Retirement Trust
Notes to Financial Statements
September 30, 2012 and 2011**

Note 11 - Subsequent Event

The Trust has adopted the following changes through Ordinance File No. 12-01048 adopted by the City on September 27, 2012.

- 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.
- 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.

Required Supplementary Information

**City Of Miami Fire Fighters' And Police Officers'
Retirement Trust**
Required Supplementary Information - Unaudited
September 30, 2012

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
10/01/06	\$ 1,133.00	\$ 1,260.50	\$ 127.50	90%	\$ 90.40	141%
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

* Revised by actuary to demonstrate the percent funded based on the (ACTUARIAL ASSET VALUE) in place of the (NET ASSETS 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

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, 2012 and 2011**

	2012	2011
Financial management expenses		
Equities		
Alliance Bernstein	\$ -	\$ 150,354
Barrow Hanley	374,891	470,100
BGI/Black Rock	65,226	61,849
Boston Partners	271,616	299,705
Champlain Investments	551,245	614,164
Delaware Investment	332,962	368,791
RCM Capital	282,371	362,914
Eagle Asset Management	223,480	260,610
First Eagle	648,629	80,426
Urdang & Associates	419,557	411,186
Wentworth Hauser & Violich	581,322	434,447
Total	3,751,299	3,514,546
Fixed Income		
Ambassador Capital	158,420	154,909
AXA High Yield	371,894	350,635
Barrow Hanley	261,925	246,736
Dodge & Cox	210,701	253,531
Munder Capital	137,865	147,946
Wellington TIPS	110,488	101,652
Total	1,251,293	1,255,409
Real Estate		
Certified Appraisal Services of South Florida, Inc.	1,000	-
J.P. Morgan	715,384	625,226
Total	716,384	625,226
Total investment expenses	\$ 5,718,976	\$ 5,395,181

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust
Other Supplementary Schedules of Administrative Expenses
For the Years Ended September 30, 2012 and 2011**

	2012	2011
Personnel services		
Salaries and payroll taxes	\$ 512,946	\$ 491,504
Fringe benefits	156,010	174,633
Total personnel services	668,956	666,137
Professional services		
Actuarial	144,214	140,052
Audit	38,500	37,900
Consultant and custodial	461,063	419,565
Legal	136,020	79,310
Total professional services	779,797	676,827
Other		
Education and travel	24,167	37,829
Insurance	74,437	88,148
Office expense	501,750	507,885
Repair and maintenance	24,312	96,561
Retirement contribution	193,263	80,485
Utilities	29,339	23,942
Total other	847,268	834,850
Total administrative expenses	\$ 2,296,021	\$ 2,177,814

**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***



**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 the financial statements of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the "Trust") as of and for the year ended September 30, 2012 and have issued our report thereon January 11, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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*.

This report is intended for the information of the Board of Trustees, management, participants and applicable state and city agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
January 11, 2013



Goldstein Schechter Koch
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