



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

**Financial Statements
Years Ended September 30, 2016 and 2015**

**City of Miami Fire Fighters’ and Police Officers’
Retirement Trust
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Tel: 305-442-2200
Fax: 305-444-0880
www.bdo.com

2121 PonceDeLeon Blv, 11th Floor
Coral Gables, FL 33134

Independent Auditor's Report

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

Report on the Financial Statements

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 fiduciary net position as of September 30, 2016 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental 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.



**Independent Auditor's Report
(continued)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Miami Fire Fighters' and Police Officers' Retirement Trust as of September 30, 2016 and the related changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

The Trust has adopted the disclosure requirements of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* in 2016. The provisions of the additional disclosure requirements are discussed in Note 3 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying supplemental schedules of investment expenses and administrative expenses 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. 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



**Independent Auditors' Report
(continued)**

2015 Financial Statements

The financial statements of the Trust as of and for the year ended September 30, 2015 were audited by Goldstein Schechter Koch, LLP ("GSK") whose partners and professional staff joined BDO USA, LLP as of August 15, 2016, and has subsequently ceased operations. GSK expressed an unmodified opinion on those financial statements in their report dated January 13, 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017 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.

BDO USA, LLP

February 17, 2017

Certified Public Accountants



ADMINISTRATOR
Dania L. Orta

Ornel Cotera
Nelson Enriquez
Monica Fernandez
Thomas Gabriel
Daniel Iturrey
Sean MacDonald
Thomas Roell
Robert Suarez
Annette Valdivia

(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015

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, 2016 and 2015. 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 2016 and 2015 by \$1,700.1 million and \$1,674.7 million, respectively (reported as net position restricted for pensions). The Trust's net position is held in trust to meet future benefit payments. The increase of \$25.4 million and decrease of \$74.0 million in fiduciary net position, of the respective years, has resulted primarily from the changes in the fair value of the Trust's investments, respectively, due to volatile financial markets.
- For the fiscal year ended September 30, 2016 the Trust's total additions were \$193.7 million which were comprised of contributions of \$60.8 million and net investment income of \$132.9 million.

For the fiscal year ended September 30, 2015 the Trust's total additions were \$93.7 million which were comprised of contributions of \$57.9 million and net investment income of \$35.8 million.

- For the fiscal year ended September 30, 2016 the Trust's deductions increased over the prior year from \$167.8 million to \$168.3 or 0.3%. Most of this increase is attributable to increased pension benefits paid and distributions to retirees.

For the fiscal year ended September 30, 2015 the Trust's deductions increased over the prior year from \$141.9 million to \$167.8 or 18.2%. Most of this increase is attributable to increased pension benefits paid and distributions to retirees.

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Plan Highlights

For the year ending September 30, 2016, the total return of the portfolio was 9.3%. Actual net investment income was \$132.9 million in 2016 compared with \$35.8 million in 2015.

For the year ending September 30, 2015, the total return of the portfolio was 2.4%. Actual net investment income was \$35.8 million in 2015 compared with \$133.6 million in 2014.

Overview of the Financial Statements

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

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

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

Description of the Financial Statements

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

The *Statements of Changes in Fiduciary Net Position* report 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.

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Description of the Financial Statements - continued

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

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

Financial Analysis

- Trust's total assets as of September 30, 2016, were \$1,860.5 million and were mostly comprised of cash and cash equivalents, investments, security lending collateral, and receivables related to investments. Total assets decreased \$67.7 million or 3.5%.

Trust's total assets as of September 30, 2015, were \$1,928.2 million and were mostly comprised of cash and cash equivalents, investments, security lending collateral, and receivables related to investments. Total assets decreased \$73.0 million or 3.6%.

- Total liabilities as of September 30, 2016 were \$160.4 million and were mostly comprised of obligations under securities lending and payable for securities purchased. Total liabilities decreased \$93.1 million or 36.7% from the prior year primarily due to a decrease in obligations under securities lending.

Total liabilities as of September 30, 2015 were \$253.5 million and were mostly comprised of obligations under securities lending and payable for securities purchased. Total liabilities increased \$1.0 million or 0.4% from the prior year primarily due to an increase in obligations under securities lending.

- Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2016 by \$1,700.1 million. Total fiduciary net position restricted for pensions increased \$25.4 million or 1.5% from the previous year.

Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2015 by \$1,674.7 million. Total fiduciary net position restricted for pensions decreased \$74.0 million or 4.2% from the previous year.

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Description of the Financial Statements - continued

Financial Analysis - continued

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

	2016	2015	Increase (Decrease) Amount	Total Percentage Change
Assets:				
Cash and cash equivalents	\$ 61,262	\$ 44,751	\$ 16,511	36.9%
Receivables	15,604	12,622	2,982	23.6
Investments	1,635,172	1,627,169	8,003	0.5
Security lending collateral – invested	146,627	241,803	(95,176)	(39.4)
Property and equipment, net	1,829	1,872	(43)	(2.3)
Total assets	1,860,494	1,928,217	(67,723)	(3.5)
Liabilities:				
Payables for securities purchased	13,329	11,365	1,964	17.3
Accounts payable and other liabilities	439	377	62	16.4
Obligations under securities lending	146,627	241,803	(95,176)	(39.4)
Total liabilities	160,395	253,545	(93,150)	(36.7)
Net position restricted for pensions	\$ 1,700,099	\$ 1,674,672	\$ 25,427	1.5%

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Description of the Financial Statements - continued

Financial Analysis - continued

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

	2015	2014	Increase (Decrease) Amount	Total Percentage Change
Assets:				
Cash and cash equivalents	\$ 44,751	\$ 61,295	\$ (16,544)	(27.0)%
Receivables	12,622	12,333	289	2.3
Investments	1,627,169	1,689,979	(62,810)	(3.7)
Security lending collateral – invested	241,803	235,712	6,091	2.6
Property and equipment, net	1,872	1,914	(42)	(2.2)
Total assets	1,928,217	2,001,233	(73,016)	(3.6)
Liabilities:				
Payables for securities purchased	11,365	16,320	(4,955)	(30.4)
Accounts payable and other liabilities	377	505	(128)	(25.3)
Obligations under securities lending	241,803	235,712	6,091	2.6
Total liabilities	253,545	252,537	1,008	0.4
Net position restricted for pensions	\$ 1,674,672	\$ 1,748,696	\$ (74,024)	(4.2)%

Additions to Fiduciary Net Position

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from members and the City and through earnings on investments. Contributions and net investment income for fiscal years 2016 and 2015 totaled \$193.7 million and \$93.8 million, respectively.

For the fiscal year ended September 30, 2016 total additions to plan fiduciary net position increased by \$99.9 million or 106.6% 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 approximately \$56,000 or 0.1% based on the actuarial valuation.
- Member contributions increased from the previous year by approximately \$2.8 million or 29.7%. This increase is primarily due to an increase in the number of active members.
- Net investment income increased from the previous year by \$97.1 million or 270.9%.

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Description of the Financial Statements - continued

Additions to Fiduciary Net Position - continued

For the fiscal year ended September 30, 2015 total additions to plan fiduciary net position decreased by \$96.9 million or 50.8% from those of the prior year, due primarily to a decrease in net appreciation in fair value of investments.

Actual results were:

- City contributions increased from the previous year by approximately \$1 million or 2.0% based on the actuarial valuation.
- Member contributions decreased from the previous year by approximately \$0.2 million or 1.5%. This decrease is primarily due to a decrease in the contractual contributions resulting from a decrease in the contribution rate and the changes in membership mix during the year.
- Net investment income decreased from the previous year by \$97.8 million or 73.2%.

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

	2016	2015	Increase Amount	Total Percentage Change
City contribution	\$ 48,673	\$ 48,617	\$ 56	0.1%
Member contributions	12,082	9,317	2,765	29.7
Net investment income	132,947	35,844	97,103	270.9
Total additions	\$ 193,702	\$ 93,778	\$ 99,924	106.6%

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

	2015	2014	Increase (Decrease) Amount	Total Percentage Change
City contribution	\$ 48,617	\$ 47,655	\$ 962	2.0%
Member contributions	9,317	9,463	(146)	(1.5)
Net investment income	35,844	133,609	(97,765)	(73.2)
Total additions	\$ 93,778	\$ 190,727	\$ (96,949)	(50.8)%

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Description of the Financial Statements - continued

Deductions from Fiduciary Net Position

The primary expenses of the Trust include the payment of pension benefits to members and beneficiaries, refund of contributions to former members, distributions to retirees, and administrative expenses. Total deductions for fiscal years ended 2016 and 2015 were \$168.3 million and \$167.8 million, an increase of 0.3% and 18.2%, over years 2015 and 2014 deductions, respectively.

For the fiscal years ended September 30, 2016 and 2015, the payment of pension benefits to retirees increased by \$0.6 million and \$24.2 million or 0.4% and 20.7%, respectively, from the previous year. For the 2016 year, pension benefits paid remained fairly consistent at an increase of \$0.6 million or 0.4% over 2015 compared to a \$24.2 million or 20.7% increase in 2015 over 2014 due to increased payments of DROP benefits during the year.

For the fiscal years ended September 30, 2016 and 2015, administrative expenses decreased by approximately \$190,000 and increased by approximately \$140,000 or 8.6% and 6.4%, respectively, from the previous year.

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

	2016	2015	Increase (Decrease) Amount	Total Percentage Change
Pension benefits paid	\$ 141,475	\$ 140,863	\$ 612	0.4%
Refund of contributions	384	1,111	(727)	(65.3)
Distributions to retirees	24,344	23,564	780	3.3
Administrative expenses and depreciation	2,072	2,265	(193)	(8.6)
Total deductions	\$ 168,275	\$ 167,803	\$ 472	0.3%

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

	2015	2014	Increase Amount	Total Percentage Change
Pension benefits paid	\$ 140,863	\$ 116,682	\$ 24,181	20.7%
Refund of contributions	1,111	990	121	12.2
Distributions to retirees	23,564	22,189	1,375	6.2
Administrative expenses and depreciation	2,265	2,129	136	6.4
Total deductions	\$ 167,803	\$ 141,990	\$ 25,813	18.2%

**The City of Miami Firefighters' and Police Officers' Retirement Trust
Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2016 and 2015**

Description of the Financial Statements - continued

Capital Assets

As of September 30, 2016 and 2015, the Trust's investment in capital assets totaled \$1.83 million and \$1.87 million, respectively (net of accumulated depreciation). This investment in capital assets includes land and building for administrative use. The appraised value is \$2,640,000 and \$2,500,000 at September 30, 2016 and 2015, respectively.

Retirement System as a Whole

The Trust's fiduciary net position has increased from that of fiscal year ended 2015 and decreased from that of fiscal year ended 2014. Management believes, and actuarial studies concur, that the Trust is in a financial position to meet its current obligations.

Contacting the Trust's Financial Management

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

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

Statements of Fiduciary Net Position
September 30, 2016 and 2015

	2016				2015			
	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	\$ 44,657,418	\$ 2,521,628	\$ 14,082,648	\$ 61,261,694	\$ 32,723,347	\$ 1,749,114	\$ 10,278,268	\$ 44,750,729
Investments, at fair value:								
Debt securities, domestic	320,960,346	18,123,357	101,214,352	440,298,055	370,192,096	19,787,345	116,275,809	506,255,250
Debt securities, international	20,044,441	1,131,830	6,320,984	27,497,255	19,777,975	1,057,164	6,212,181	27,047,320
Equity investments, domestic	267,490,876	15,104,148	84,352,838	366,947,862	283,554,095	15,156,409	89,063,171	387,773,675
Equity investments, international	148,856,173	8,405,318	46,941,566	204,203,057	173,883,304	9,294,334	54,616,028	237,793,666
Private equity	100,949,668	5,700,227	31,834,323	138,484,218	87,514,502	4,677,787	27,487,944	119,680,233
Real estate	119,219,370	6,731,845	37,595,645	163,546,860	107,003,279	5,719,492	33,609,288	146,332,059
Absolute return	70,054,906	3,955,722	22,091,707	96,102,335	-	-	-	-
Mutual funds - Deferred Retirement Option Plan	198,092,739	-	-	198,092,739	202,286,695	-	-	202,286,695
Total investments	1,245,668,519	59,152,447	330,351,415	1,635,172,381	1,244,211,946	55,692,531	327,264,421	1,627,168,898
Security lending cash collateral - invested	106,885,510	6,035,401	33,706,181	146,627,092	173,659,717	9,910,007	58,233,892	241,803,616
Receivables:								
Proceeds from securities sold	12,299,282	-	-	12,299,282	8,728,226	-	-	8,728,226
City contributions	-	-	-	-	349,061	-	-	349,061
Accrued interest	3,304,949	-	-	3,304,949	3,544,894	-	-	3,544,894
Total receivables	15,604,231	-	-	15,604,231	12,622,181	-	-	12,622,181
Property and equipment, net	1,333,278	75,285	420,447	1,829,010	1,368,680	73,158	429,897	1,871,735
Total assets	1,414,148,956	67,784,761	378,560,691	1,860,494,408	1,464,585,871	67,424,810	396,206,478	1,928,217,159
Liabilities:								
Payable for securities purchased	13,329,386	-	-	13,329,386	11,365,077	-	-	11,365,077
Accounts payable and other liabilities	439,430	-	-	439,430	376,849	-	-	376,849
Obligations under securities lending	106,885,510	6,035,401	33,706,181	146,627,092	173,659,719	9,910,006	58,233,891	241,803,616
Total liabilities	120,654,326	6,035,401	33,706,181	160,395,908	185,401,645	9,910,006	58,233,891	253,545,542
Net position restricted for pensions	\$ 1,293,494,630	\$ 61,749,360	\$ 344,854,510	\$ 1,700,098,500	\$ 1,279,184,226	\$ 57,514,804	\$ 337,972,587	\$ 1,674,671,617

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

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

Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2016 and 2015

	2016				2015			
	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
Additions:								
Contributions:								
City	\$ 42,747,818	\$ -	\$ 5,924,797	\$ 48,672,615	\$ 42,919,757	\$ -	\$ 5,696,920	\$ 48,616,677
Members	12,082,805	-	-	12,082,805	9,317,231	-	-	9,317,231
Total contributions	54,830,623	-	5,924,797	60,755,420	52,236,988	-	5,696,920	57,933,908
Investment income:								
Net appreciation in fair value of investments	86,965,940	3,637,312	20,855,015	111,458,267	9,150,643	249,958	2,098,542	11,499,143
Interest	11,046,128	501,525	2,893,396	14,441,049	13,560,316	573,807	3,493,603	17,627,726
Dividends	9,117,690	414,886	2,389,915	11,922,491	8,709,875	370,855	2,247,415	11,328,145
Other	252,476	11,654	66,481	330,611	242,205	10,307	62,545	315,057
	107,382,234	4,565,377	26,204,807	138,152,418	31,663,039	1,204,927	7,902,105	40,770,071
Less investment expense	(4,357,437)	(197,717)	(1,141,933)	(5,697,087)	(4,133,539)	(175,102)	(1,065,777)	(5,374,418)
Net investment income from investing activities	103,024,797	4,367,660	25,062,874	132,455,331	27,529,500	1,029,825	6,836,328	35,395,653
Security lending activities:								
Security lending income	501,027	22,764	131,361	655,152	460,098	19,571	118,679	598,348
Unrealized loss	(125,156)	(5,686)	(32,814)	(163,656)	(114,919)	(4,890)	(29,642)	(149,451)
Net income from security lending activities	375,871	17,078	98,547	491,496	345,179	14,681	89,037	448,897
Total net investment income	103,400,668	4,384,738	25,161,421	132,946,827	27,874,679	1,044,506	6,925,365	35,844,550
Total additions	158,231,291	4,384,738	31,086,218	193,702,247	80,111,667	1,044,506	12,622,285	93,778,458
Deductions:								
Pension benefits paid	141,474,741	-	-	141,474,741	140,863,255	-	-	140,863,255
Refund of contributions	384,403	-	-	384,403	1,110,899	-	-	1,110,899
Distributions to retirees	-	148,648	24,195,678	24,344,326	-	164,707	23,399,027	23,563,734
Depreciation expense	32,575	1,534	8,617	42,726	32,744	1,445	8,537	42,726
Administrative expenses	2,029,168	-	-	2,029,168	2,222,561	-	-	2,222,561
Total deductions	143,920,887	150,182	24,204,295	168,275,364	144,229,459	166,152	23,407,564	167,803,175
Net increase (decrease)	14,310,404	4,234,556	6,881,923	25,426,883	(64,117,792)	878,354	(10,785,279)	(74,024,717)
Net position restricted for pensions								
Beginning of year	1,279,184,226	57,514,804	337,972,587	1,674,671,617	1,343,302,018	56,636,450	348,757,866	1,748,696,334
End of year	\$ 1,293,494,630	\$ 61,749,360	\$ 344,854,510	\$ 1,700,098,500	\$ 1,279,184,226	\$ 57,514,804	\$ 337,972,587	\$ 1,674,671,617

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, 2016 and 2015

Note 1 - Description of the Plan

Organization

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

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

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

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

Membership

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

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

	2016	2015
Retirees and beneficiaries currently receiving benefits and terminated members entitled to benefits but not yet receiving them	2,220	2,250
Current members:		
Vested	722	650
Nonvested	1,147	1,000
	1,869	1,650

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, 2016 and 2015

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, 2016 and 2015 it was not necessary to create an ICA.

During the years ended September 30, 2016 and 2015, approximately \$141,000 and \$39,000 respectively, is included as member contributions for the purchase of additional service years by members as provided for by the Trust.

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

Effective the first full pay period following October 1, 2012, the member contribution for firefighters shall be 10% 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 10% 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, 2016 and 2015

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 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.

Effective September 30, 2010, for members who retire or terminate employment with ten or more years of creditable service on or after October 1, 2010, member retirement allowances shall not exceed the lesser of 100% of the member's average final compensation or an annual retirement allowance of \$100,000 as of retirement or DROP entry based on the normal form of benefit in effect on the date of retirement: provided, in no event shall the benefit limitation be less than the lesser of 100% of the member's average final compensation or the member's accrued benefit as of September 30, 2010, determined in accordance with the provisions in effect on September 29, 2010, and based on the normal form of benefit in effect on that 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, 2016 and 2015

Note 1 - Description of the Plan - continued

Pension Benefits – continued

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.

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.
- 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, 2016 and 2015, approximately \$5,925,000 and \$5,697,000, 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, 2016 and 2015

Note 1 - Description of the Plan - continued

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, 2016 and 2015, there were 274 and 269 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 by 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, 2016 and 2015

Note 1 - Description of the Plan - continued

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 BACDROP 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 DROP as of January 1, 2013 remains eligible for the DROP as it presently exists and anyone eligible for the DROP as of January 1, 2013, who chooses not to enter the DROP remains eligible for the BACDROP.

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

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

	2016	2015
Beginning balance	\$ 202,286,695	\$ 217,666,435
Additions	17,443,641	24,988,209
Distributions	(33,988,991)	(40,808,453)
Interest and earnings	12,351,394	440,504
Ending balance	\$ 198,092,739	\$ 202,286,695

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

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, to be cash equivalents.

Investments

Investments are recorded at fair value in the statement of fiduciary net position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to Note 3 to the financial statements for more detail regarding the methods used to measure the fair value of investments.

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

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

Use of Estimates

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

Property and Equipment, Net

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

**City of Miami Fire Fighters’ and Police Officers’
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 2 - Summary of Significant Accounting Policies - continued

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.

Adoption of Accounting Pronouncements

In 2016, the Trust adopted Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”). GASB 72 addresses accounting and financial reporting issues related to fair value measurement of assets and liabilities. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of GASB 72 resulted in increased disclosures related to the fair value measurement of investments.

Subsequent Events

Management has evaluated subsequent events through February 17, 2017, the date which the financial statements were available for issue.

Note 3 - Deposit and Investment Risk Disclosures

Cash and Cash Equivalents

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

Cash and cash equivalents at September 30 consists of the following:

	2016	2015
(Managed overdraft) deposits	\$ (173,711)	\$ 26,702
Invested cash and currency	17,974,631	28,665,458
Short-term investment	43,460,774	16,058,569
Total	\$ 61,261,694	\$ 44,750,729

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - 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 with 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 31.9% (at market) of the Trust's total asset value. Investments in stocks of foreign companies shall be limited to 21.8% of the value of the Trust's portfolio.

Investments in domestic fixed income securities shall be limited to 57.2% (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 bank loans has also been authorized by the Trust. The goal of the bank loan allocation is to generate reasonable returns, while providing diversification relative to core and high yield fixed income managers. Proper portfolio diversification of bank loan portfolios is required, such that reasonable risk/reward expectations are maintained. Performance attribution is required, as is the case of domestic core and high yield fixed income managers. Additionally, investment in absolute return has been authorized by the Trust. The goal of the absolute return allocation is to protect against volatility. Proper diversification of absolute return portfolios is required, such that reasonable risk/reward expectations are maintained. Performance attribution is required, as is the case of domestic fixed income and equity 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. Global real estate investments and private equity allocation range is limited to 13.1% and 7%, respectively, of the value of the portfolio with a target mix of 11.1% and 4%, respectively.

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 Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - 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	2016		2015	
	Target % of Portfolio	Actual % of Portfolio	Target % of Portfolio	Actual of Portfolio
Cash and cash equivalents	0.0%	4.1%	0.0%	3.0%
Domestic equities	25.9	24.5	28.0	26.4
Core fixed income	29.2	31.2	41.0	36.3
International equities	16.8	13.7	18.0	16.2
Real estate	11.1	10.9	8.0	10.0
Absolute return	13.0	6.4	-	-
Private equity	4.0	9.2	5.0	8.1
	100.0%	100.0%	100.0%	100.0%

Rate of Return

For the years ended September 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.70% and 1.84%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Investments

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

	2016	2015
Debt securities, domestic:		
U.S. treasuries	\$ 34,510,050	\$ 20,465,617
U.S. agencies	54,738,391	52,115,148
TIPS	-	70,416,067
Corporate bonds	333,985,649	341,555,180
Asset backed securities	5,077,046	11,803,360
Mortgage backed securities	5,270,343	3,081,652
Guaranteed fixed income	6,716,576	6,818,226
	440,298,055	506,255,250
Debt securities, international:		
International government bonds	2,618,055	2,141,807
Corporate bonds	24,879,200	24,905,513
	27,497,255	27,047,320
Equity securities, domestic	366,947,862	387,773,675
Equity securities, international	204,203,057	237,793,666
Private equity	138,484,218	119,680,233
Real estate equity	163,546,860	146,332,059
Absolute return funds	96,102,335	-
Mutual funds - DROP	198,092,739	202,286,695
Total	\$ 1,635,172,381	\$ 1,627,168,898

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:

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Interest Rate Risk - continued

2016					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 34,510,050	\$ 2,039,512	\$ 17,940,612	\$ 7,479,853	\$ 7,050,073
U.S. agencies	54,738,391	104,042	775,727	3,390,488	50,468,134
Domestic fixed income	351,049,614	4,790,717	62,043,299	252,529,037	31,686,561
International fixed income	27,497,255	1,471,215	8,482,918	12,923,655	4,619,467
	<u>\$ 467,795,310</u>	<u>\$ 8,405,486</u>	<u>\$ 89,242,556</u>	<u>\$ 276,323,033</u>	<u>\$ 93,824,235</u>
% of fixed income portfolio	100.0%	1.80%	19.08%	59.06%	20.06%

2015					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	\$ 90,881,684	\$ 2,865,057	\$ 33,484,590	\$ 50,457,188	\$ 4,074,849
U.S. agencies	52,115,148	-	487,097	2,774,927	48,853,124
Domestic fixed income	363,258,418	3,809,500	70,857,232	260,241,732	28,349,954
International fixed income	27,047,320	588,294	13,808,463	9,588,644	3,061,919
	<u>\$ 533,302,570</u>	<u>\$ 7,262,851</u>	<u>\$ 118,637,382</u>	<u>\$ 323,062,491</u>	<u>\$ 84,339,846</u>
% of fixed income portfolio	100.0%	1.36%	22.25%	60.58%	15.81%

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, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Credit Risk - continued

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

	2016	
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 89,248,442	19.08%
Credit risk debt securities:		
AAA	8,411,614	1.80
AA+	1,983,290	0.42
AA	4,317,774	0.92
AA-	9,430,552	2.02
A+	8,664,401	1.85
A	21,900,231	4.68
A-	23,613,883	5.05
BBB+	47,962,906	10.25
BBB	40,305,419	8.62
BBB-	15,813,813	3.38
BB+ and lower	122,759,625	26.24
Not rated	73,383,360	15.69
Total credit risk debt securities	378,546,868	80.92
Total fixed income securities	\$ 467,795,310	100.00%

	2015	
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 142,996,831	26.81%
Credit risk debt securities:		
AAA	12,432,571	2.33
AA+	3,788,034	0.71
AA	3,778,743	0.71
AA-	7,980,502	1.50
A+	12,914,450	2.42
A	21,356,407	4.00
A-	33,568,134	6.30
BBB+	41,710,384	7.82
BBB	40,353,764	7.57
BBB-	15,543,815	2.91
BB+ and lower	196,834,502	36.91
Not rated	44,433	0.01
Total credit risk debt securities	390,305,739	73.19
Total fixed income securities	\$ 533,302,570	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, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Concentration of Credit Risk

The investment policy of the Trust contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of fiduciary net position at September 30, 2016 and 2015.

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, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Foreign Currency Risk - continued

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

2016					
Currency	Cash and cash equivalents	Equity	Fixed Income	Real Estate	Total
Australian Dollar	\$ 40,795	\$ 3,129,737	\$ -	\$ -	\$ 3,170,532
Brazilian Real	-	4,486,137	-	-	4,486,137
British Pound Sterling	25,085	29,844,521	243,039	-	30,112,645
Canadian Dollar	-	3,684,922	169,149	-	3,854,071
Danish Krone	-	4,153,527	-	-	4,153,527
Euro	-	32,731,448	-	6,217,568	38,949,016
Hong Kong Dollar	-	14,363,321	-	-	14,363,321
Indonesian Rupiah	-	3,363,112	103,007	-	3,466,119
Japanese Yen	-	33,076,959	-	-	33,076,959
Mexican Peso	-	444,398	939,782	-	1,384,180
Norwegian Krone	-	984,259	-	-	984,259
Singapore Dollar	-	2,273,397	1,083,048	-	3,356,445
South Korean Won	-	8,983,094	-	-	8,983,094
Swedish Krona	-	1,389,305	-	-	1,389,305
Swiss Franc	-	7,292,641	-	-	7,292,641
Taiwan Dollar	111,593	6,027,513	-	-	6,139,106
Other	-	1,299,162	80,030	-	1,379,192
Total	\$ 177,473	\$ 157,527,453	\$ 2,618,055	\$ 6,217,568	\$ 166,540,549

2015					
Currency	Cash and cash equivalents	Equity	Fixed Income	Real Estate	Total
Australian Dollar	\$ -	\$ 811,892	\$ 270,608	\$ -	\$ 1,082,500
British Pound Sterling	46,576	40,171,190	281,027	-	40,498,793
Canadian Dollar	-	3,541,271	167,003	-	3,708,274
Danish Krone	-	7,069,344	-	-	7,069,344
Euro	70,581	32,557,119	-	5,579,160	38,206,860
Hong Kong Dollar	-	10,026,734	-	-	10,026,734
Japanese Yen	-	26,474,113	-	-	26,474,113
Mexican Peso	-	252,298	397,018	-	649,316
Norwegian Krone	-	653,815	-	-	653,815
Singapore Dollar	-	2,497,777	1,026,151	-	3,523,928
South Korean Won	-	3,953,477	-	-	3,953,477
Swedish Krona	-	1,251,351	-	-	1,251,351
Swiss Franc	-	13,877,071	-	-	13,877,071
Other	-	3,014,062	-	-	3,014,062
Total	\$ 117,157	\$ 146,151,514	\$ 2,141,807	\$ 5,579,160	\$ 153,989,638

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Derivatives

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

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

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

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

As of September 30, 2016 and 2015, 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 64 and 183 days, respectively, as of September 30, 2016 and 2015. 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, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Securities Lending Transactions - continued

The agent lends the Trust's U.S. government and agency securities and domestic corporate fixed-income and equity securities for securities or cash collateral at least 102 percent of the market value of the securities plus any accrued interest and international securities at least 105 percent of the market value of the securities plus any accrued interest. The securities lending contracts do not allow the Trust to pledge or sell any collateral securities unless the borrower defaults. Cash collateral is invested in the agent's collateral investment pool, whose share values are based on the amortized cost of the pool's investments. Investments are restricted to issuers with a credit rating A3 or A- or higher by Moody's or Standard & Poor's. At September 30, 2016 and 2015, the pool had a weighted average term to maturity of 32 and 38 days, respectively.

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

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

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

	2016		
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	\$ 12,452,441	\$ 12,732,572	\$ 12,732,572
Domestic corporate stocks	115,636,583	117,982,739	117,982,739
Domestic corporate bonds	15,541,943	15,911,781	15,911,781
Total securities lent	\$ 143,630,967	\$ 146,627,092	\$ 146,627,092

	2015		
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	\$ 76,243,625	\$ 77,560,383	\$ 77,560,383
International equities	3,352,767	3,501,141	3,501,141
Domestic corporate stocks	132,887,359	134,428,163	134,428,163
Domestic corporate bonds	25,865,045	26,313,929	26,313,929
Total securities lent	\$ 238,348,796	\$ 241,803,616	\$ 241,803,616

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Securities Lending Transactions - 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.

Investment Valuation

GASB 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents 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. Investments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Investments traded in an active market with available quoted prices for identical assets as of the reporting date.
- Level 2 – Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.
- Level 3 – Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

The Trust has established a framework to consistently measure the fair value of the Trust's assets and liabilities in accordance with applicable accounting, legal, and regulatory guidance. This framework has been provided by establishing valuation policy and procedures that will provide reasonable assurance that assets and liabilities are carried at fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Trust's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the investment.

The following table summarizes the valuation of the Trust's investments in accordance with the above mentioned fair value hierarchy levels as of September 30:

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Investment Valuation - continued

	Fair Value Measurements Using			
	9/30/2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Government and agency obligations	\$ 91,866,496	\$ -	\$ 91,866,496	\$ -
Municipal/provincial obligations	6,716,576	-	6,716,576	-
Asset backed securities	5,077,046	-	5,077,046	-
Mortgage backed securities	5,270,343	-	5,270,343	-
Corporate bonds	237,725,466	-	164,342,105	73,383,361
Total debt securities	346,655,927	-	273,272,566	73,383,361
Equity securities				
Domestic equities	362,586,055	362,586,055	-	-
International equities	204,010,579	204,010,579	-	-
Total equity securities	566,596,634	566,596,634	-	-
Alternative investments				
Private equity	138,484,218	-	-	138,484,218
Real estate equity	163,546,860	-	-	163,546,860
Total alternative investments	302,031,078	-	-	302,031,078
Total Investments by fair value level	1,215,283,639	\$ 566,596,634	\$ 273,272,566	\$ 375,414,439
Investments measured at the net asset value ("NAV")				
Commingled domestic fixed income funds	121,139,383			
Commingled international equity funds	192,478			
Commingled domestic equity funds	4,361,807			
Absolute return funds	96,102,335			
Mutual funds	198,092,739			
Total investments measured at the NAV	419,888,742			
Total investments measured at fair value	\$ 1,635,172,381			

**City of Miami Fire Fighters’ and Police Officers’
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Investment Valuation - continued

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, 2016 and 2015. 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 and real estate equity 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, 2016 and 2015. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

The Trust’s valuation methods for investments measured at the net asset value (“NAV”) per share (or its equivalent) as of September 30, 2016, are as follows:

2016				
Investments Measured at the NAV				
		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Commingled domestic fixed income funds (1)	\$ 121,139,383	-	Daily	Same Day
Absolute return funds (2)	96,102,335	-	Quarterly	30 Days
Commingled international equity funds (3)	192,478	-	Daily	Same Day
Commingled domestic equity funds (4)	4,361,807	-	Daily	Same Day
Mutual funds (5)	198,092,739	-	Daily	Same Day
Total investments measured at the NAV	\$ 419,888,742	-		

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 3 - Deposit and Investment Risk Disclosures - continued

Investment Valuation - continued

- (1) Commingled domestic fixed income funds consist of one commingled investment vehicle which primarily invests in publicly traded domestic commercial mortgage backed securities. The investment is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (2) Absolute return funds aim to provide positive investment returns in all market conditions over the medium to long term. The funds are actively managed, with a wide investment remit to target a level of return over rolling three-year periods equivalent to cash plus five percent a year, gross of fees. They exploit market inefficiencies through active allocation to a diverse range of market positions. The funds use a combination of traditional assets (such as equities and bonds) and investment strategies based on advanced derivative techniques, resulting in a highly diversified portfolio. The funds can take long and short positions in markets, securities and groups of securities through derivative contracts.
- (3) Commingled international equity funds consist of three commingled investment vehicles which invest primarily in publicly traded global equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (4) Commingled domestic equity funds consist of comingled investment vehicle which invests primarily in publicly traded equity securities. The funds are valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.
- (5) These mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. They are determined to be actively traded.

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 4 - Net Pension Liability of the City

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

	2016	2015
Total pension liability	\$ 2,222,547,481	\$ 2,167,482,636
Plan fiduciary net position	(1,700,098,500)	(1,674,671,617)
City net pension liability	\$ 522,448,981	\$ 492,811,019

Plan fiduciary net position as a percentage of total pension liability	76.49%	77.26%
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Actuarial Assumptions

The total pension liability at September 30, 2016 was determined using an actuarial valuation as of October 1, 2016. The actuarial valuation used the following actuarial assumptions:

Inflation	3.25%
Projected salary increases	3.25%-9.75%, average, including inflation
Projected COLAs	Amount varies annually with the adjustment on January 1st
Investment rate of return	7.42% compounded annually, net of pension plan investment expense, including inflation.

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

The actuarial assumptions used in the October 1, 2016 valuation was based on the results of an actuarial experience study for the period October 1, 2011 to September 30, 2014.

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 4 - Net Pension Liability of the City - continued

Actuarial Assumptions - continued

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

Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation as of the valuation dates of October 1, 2016 and October 1, 2015 (see the discussion of the Trust's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return*	
	2016	2015
Domestic Fixed Income	2.95%	1.98%
Foreign Fixed Income	0.00	0.00
Domestic Equities	3.90	6.75
International Equities	4.70	7.50
Real Estate	3.20	5.73
Private Equity	5.20	10.00
Cash	0.42	0.00

* Real rates of return are net of the long-term inflation assumption of 3.25% for 2016 and 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7.42%, for 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that Trust member contributions will be made at the current contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments of current Trust members. Therefore, the long term expected rate of return on pension Trust investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City using the discount rate of 7.42% for 2016 and 2015 as well as what the employer net pension liability would if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 4 - Net Pension Liability of the City - continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – continued

	City Net Pension Liability - 2016		
	1% Decrease (6.42%)	Current Discount Rate (7.42%)	1% Increase (8.42%)
September 30, 2016	\$ 730,131,214	\$ 522,448,981	\$ 332,514,826

	City Net Pension Liability - 2015		
	1% Decrease (6.42%)	Current Discount Rate (7.42%)	1% Increase (8.42%)
September 30, 2015	\$ 682,899,246	\$ 492,811,019	\$ 318,049,387

Note 5 - Property and Equipment

Property and equipment consist of the following at September 30:

	Estimated Useful Life	2016	2015
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		598,160	555,435
Net		\$ 1,829,010	\$ 1,871,735

Depreciation expense for both years ended September 30, 2016 and 2015 was \$42,726.

Note 6 - Administrative Expenses Reimbursement

For the fiscal years ended September 30, 2016 and 2015 administrative costs (in the amounts of \$2,029,168 and \$2,222,561, respectively) of the Trust are funded by the City of Miami and are accounted for as a part of the actuarially determined minimum required contributions from the City and are reflected in contributions from the City in the attached statement of changes in fiduciary net position.

Note 7 - 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, 2016 and 2015 were, respectively, approximately \$45,825,917 and \$47,380,153.

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Notes to Financial Statements
September 30, 2016 and 2015

Note 8 - 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, 2016 and 2015 were \$87,183 and \$18,162, respectively.

The Trust's contributions to the Plan for the calendar years ending December 31, 2016, 2015 and 2014 were actuarially determined by the January 1, 2016, 2015, and 2014 valuations to be \$29,017, \$26,592 and \$50,637, respectively.

Note 9 - 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.

Required Supplementary Information

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 21,625,163	\$ 19,203,823	\$ 17,233,272
Interest	156,265,650	156,479,438	155,338,970
Changes of benefit terms	-	9,453,429	-
Differences between expected and actual experience	12,725,721	(16,970,540)	(6,638,755)
Changes of assumptions	30,651,781	14,895,466	-
Benefit payments, including refunds of member contributions	(166,203,470)	(165,535,327)	(139,860,276)
Net change in total pension liability	55,064,845	17,526,289	26,073,211
Total pension liability - beginning	2,167,482,636	2,149,956,347	2,123,883,136
Total pension liability - ending	2,222,547,481	2,167,482,636	2,149,956,347
Plan fiduciary net position			
Contributions - employer	48,672,615	48,616,677	47,654,757
Contributions - member	12,082,805	9,317,231	9,462,569
Net investment income	132,946,827	35,844,550	133,609,444
Benefit payments, including refunds of member contributions	(166,203,470)	(165,537,888)	(139,860,276)
Administrative expenses	(2,029,168)	(2,222,561)	(2,086,240)
Other	(42,726)	(42,726)	(42,726)
Net change in plan fiduciary net position	25,426,883	(74,024,717)	48,737,528
Plan fiduciary net position - beginning	1,674,671,617	1,748,696,334	1,699,958,806
Plan fiduciary net position - ending	\$ 1,700,098,500	\$ 1,674,671,617	\$ 1,748,696,334
City's net pension liability	\$ 522,448,981	\$ 492,811,019	\$ 401,260,013

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

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

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

	2016	2015	2014
Total pension liability	\$ 2,222,547,481	\$ 2,167,482,636	\$ 2,149,956,347
Plan fiduciary net position	(1,700,098,500)	(1,674,671,617)	(1,748,696,334)
City's net pension liability	\$ 522,448,981	\$ 492,811,019	\$ 401,260,013
Plan fiduciary net position as a percentage of the total pension liability	76.49%	77.26%	81.34%
Covered - employee payroll	\$ 106,278,378	\$ 93,705,765	\$ 85,222,842
City's net pension liability as a percentage of covered - employee payroll	491.59%	525.91%	470.84%
Total employee payroll including DROP	\$ 133,966,173	\$ 127,786,644	\$ 124,563,050

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

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 48,672,615	\$ 48,616,677	\$ 47,305,679	\$ 45,412,248	\$ 47,418,316
Contributions in relation to the actuarially determined contribution	48,672,615	48,616,677	47,305,679	45,412,248	47,418,316
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 133,083,231	\$ 106,278,378	\$ 93,705,765	\$ 85,222,842	\$ 82,205,838
Contributions as a percentage of covered-employee payroll	36.57%	45.74%	50.48%	53.29%	57.68%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 47,156,797	\$ 59,025,379	\$ 36,993,395	\$ 36,040,251	\$ 40,542,078
Contributions in relation to the actuarially determined contribution	44,928,642	59,025,379	36,993,395	36,040,251	40,542,078
Contribution deficiency (excess)	<u>\$ 2,228,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 82,164,617	\$ 80,152,355	\$ 122,212,346	\$ 129,369,531	\$ 103,630,392
Contributions as a percentage of covered-employee payroll	54.68%	73.65%	30.27%	27.86%	39.12%

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

**City of Miami Fire Fighters' and Police Officers'
 Retirement Trust
 Required Supplementary Information
 Schedule of Investment Returns (Unaudited)
 For the Years Ended September 30, 2016, 2015 and 2014**

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	9.70%	1.84%	8.60%

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

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

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

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

Actuarial cost method	Entry Age Method
Asset valuation method	20% Write-Up Method: Expected actuarial value of assets, adjusted by 20% of the difference between expected actuarial value and actual market value (net of pending transfers to the COLA Fund).
Interest Rates	7.42% net of investment expenses
Inflation	3.25%
Projected salary increases	1.50% for promotions and other increase plus salary merit
Expense and or Contingency Loading	\$2,029,168
Mortality Rates:	
Healthy	RP 2000 Mortality Table Projected to 2020 using scale AA
Disabled	RP 2000 Disabled Mortality Table Projected to 2020 using scale AA
	100% of the assumed deaths are expected to be ordinary deaths

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

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

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

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

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

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

Withdrawal Rates:

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

Marital Status and Ages:

100% of members are assumed to be married.
 Female spouses assumed to be 3 years younger than male spouses.

Compensated Absence Balance Transfers:

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

Withdrawal of Employee Contributions:

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

Other Supplemental Schedules

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust**
Schedules of Investment Expenses
For the Years Ended September 30, 2016 and 2015

	2016	2015
Financial management expenses		
Equities		
Barrow Hanley	\$ 328,954	\$ 358,853
BGI/Black Rock	54,339	119,810
Boston Partners	361,318	408,416
Champlain Investments	347,322	488,976
Jackson Square Partners	489,171	531,361
Eagle Asset Management	196,239	197,183
First Eagle	850,014	853,154
Center Square Partners	198,286	264,655
Total	2,825,643	3,222,408
Fixed Income		
Ambassador Capital	-	40,964
AXA U.S. High Yield	228,905	127,109
Barrow Hanley	275,068	272,461
Dodge & Cox	167,579	229,459
Munder Capital	272,433	-
Wellington International	662,947	-
Wellington TIPS	34,355	411,496
Total	1,641,287	1,081,489
Real Estate		
Certified Appraisal Services of South Florida, Inc.	1,200	1,200
Proxy Voting	8,000	4,000
J.P. Morgan	1,214,618	1,055,236
Total	1,223,818	1,060,436
Other	6,339	10,085
Total	6,339	10,085
Total investment expenses	\$ 5,697,087	\$ 5,374,418

**City of Miami Fire Fighters' and Police Officers'
Retirement Trust
Schedules of Administrative Expenses
For the Years Ended September 30, 2016 and 2015**

	2016	2015
Personnel services		
Salaries and payroll taxes	\$ 461,034	\$ 393,642
Fringe benefits	111,472	110,312
Total personnel services	572,506	503,954
Professional services		
Actuarial	122,786	173,124
Audit	40,500	46,578
Consultant and custodial	710,393	595,720
Legal	101,427	136,572
Total professional services	975,106	951,994
Other		
Education and travel	35,852	39,773
Insurance	98,589	98,023
Office expense	206,879	198,149
Repair and maintenance	64,923	363,628
Retirement contribution	52,273	42,934
Utilities	23,040	24,106
Total other	481,556	766,613
Total administrative expenses	\$ 2,029,168	\$ 2,222,561

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the "Trust"), which comprise the statement of fiduciary net position as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 17, 2017.

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 Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance with
Government Auditing Standards
(continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 part 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.

BDO USA, LLP

February 17, 2017

Certified Public Accountants