City Pension Fund for Firefighters and Police Officers In the City of Miami Beach

Financial Statements
Years Ended September 30, 2011 and 2010

GSK Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
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Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Trustees
City Pension Fund for Firefighters and Police Officers in the
City of Miami Beach, Florida

We have audited the accompanying statements of plan net assets of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan"), as of September 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach as of September 30, 2011 and 2010, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the required supplementary information, as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it. The required supplementary information for the years ended September 30, 2006 and 2007 was reported on by Koch Reiss & Company, P.A., whose report states that they did not audit this information and did not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying supplementary schedules of investment expenses and administrative expenses (other supplementary schedules) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary schedules have been subjected to auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
December 15, 2011

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Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2011 and 2010

Our discussion and analysis of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2011 and 2010. Its purpose is to provide explanations and insights into the information presented in the financial statements, notes to the financial statements and required supplementary information. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2011 and 2010 by $522,867,903 and $533,495,516, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The decrease of $10,627,613 and increase of $39,283,642 of the respective years has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 74.2% as of the October 1, 2008 valuation to 66.0% as of October 1, 2009 valuation and 64.3% as of the October 1, 2010.

- Receivables at September 30, 2011 decreased by $729,501 (or a 22.3% decrease) due primarily to a decrease in receivable for employee contributions.

  Receivables at September 30, 2010 increased by $252,051 (or an 8.3% increase) due primarily to an increase in receivable for employee contributions.

- Liabilities at September 30, 2011 increased by $3,491,612 (or a 34.4% increase) due primarily to increases in Deferred Retirement Option Plan participants' contributions and investment gains incurred by the Deferred Retirement Option Plan investment holdings and prepaid employer contributions for the fiscal year ended September 30, 2011 received in advance.

  Liabilities at September 30, 2010 increased by $3,502,361 (or an 52.8% increase) due primarily to increases in Deferred Retirement Option Plan participants' contributions and investment gains incurred by the Deferred Retirement Option Plan investment holdings.

Financial Highlights - continued

- For the fiscal year ending September 30, 2011, City contributions to the Plan increased by $9,407,752 (or a 40.4% increase) based on the actuarial valuation. Actual employer contributions were $32,691,021 and $23,283,269 for 2011 and 2010, respectively. Contributions from the Share plan in the amounts of $120,549 and $120,549 were received in the fiscal years ending 2011 and 2010, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

  For the fiscal year ending September 30, 2010, City contributions to the Plan increased by $3,243,823 (or a 16.2% increase) based on the actuarial valuation. Actual employer contributions were $23,283,269 and $20,039,446 for 2010 and 2009, respectively. Contributions from the Share plan in the amounts of $120,549 and $120,549 were received in the fiscal years ending 2010 and 2009, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

- For the fiscal year ending September 30, 2011, employee contributions including buybacks, decreased by $464,457 (or a 7.8% decrease). Actual employee contributions, including buybacks, were $5,525,395 and $5,989,852 for 2011 and 2010, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

  For the fiscal year ending September 30, 2010, employee contributions including buybacks and transfers decreased by $552,745 (or a 8.4% decrease). Actual employee contributions, including buybacks and transfers were $5,989,852 and $6,542,597 for 2010 and 2009, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

- For the fiscal year ending September 30, 2011, the Plan had a net investment loss of ($3,058,249) compared to net investment income of $52,902,072 in 2010. Actual results were ($17,217,915) and $39,329,217 in net unrealized (depreciation) appreciation in fair value of investments and net realized gain on investment for 2011 and 2010, respectively, and $16,712,242 and $15,819,863, of income from interest and dividends for 2011 and 2010, respectively. Investment expenses increased by $305,568 (or 13.6%).

  For the fiscal year ending September 30, 2010, the Plan had net investment income of $52,902,072 compared to net investment income of $6,683,121 in 2009. Actual results were $39,329,217 and ($9,154,705) in net unrealized (depreciation) appreciation in fair value of investments and net realized gain on investment for 2010 and 2009, respectively, and $15,819,863 and $17,943,433, of income from interest and dividends for 2010 and 2009, respectively. Investment expenses increased by $141,401 (or 6.7%).

- For the fiscal year ending September 30, 2011, benefit payments and refunds of contributions increased by $2,619,464 (or 6.2%).

  For the fiscal year ending September 30, 2010, benefit payments and refunds of contributions increased by $4,119,773 (or 10.8%).

Financial Highlights – continued

- For the fiscal year ended September 30, 2011, administrative expenses increased by $274,765 (or 39.4%) due to increase in legal fees.

  For the fiscal year ended September 30, 2010, administrative expenses decreased by $70,343 (or 9.2%).

Plan Highlights

For the fiscal year ending September 30, 2011, the time-weighted return of the portfolio was -1.04% for the trailing year and ranked in the 78th percentile. Actual net returns from investments were a net (loss) in 2011 of ($3,058,249) compared with net income of $52,902,072 in 2010.

For the fiscal year ending September 30, 2010, the time-weighted return of the portfolio was 10.66 % for the trailing year and ranked in the 13th percentile. Actual net returns from investments was net income in 2010 of $52,902,072 compared with net income of $6,683,121 in 2009.

Overview of the Financial Statements

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

The Plan presents two types of required supplementary schedules, which provide historical trend information about the Plan's funding. The two types of schedules include a schedule of funding progress and a schedule of contributions by employer and other contributing entity.

The Plan 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 Plan's overall financial status.

Description of the Financial Statements

The *Statement of Plan Net Assets* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Assets Held in Trust for Pension Benefits. It is a snapshot of the financial position of the Plan at that specific point in time and reflects the resources available to pay employees, retirees and beneficiaries at that point in time.

The *Statement of Changes in Plan Net Assets* reports how the Plan's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employers and employees and net investment income (loss), which includes interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

Description of the Financial Statements - continued

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 Plan, contributions, significant accounting policies, funding policy, and investment risk disclosure.

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

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

Statement of Plan Net Assets

The table below reflect condensed comparative statements of plan net assets as of September 30:

	2011	2010	2009
Investments	**$ 533,933,488**	$ 540,339,988	$ 497,806,036
Receivables	**2,545,161**	3,274,662	3,022,611
Cash	**20,000**	20,000	20,000
Total assets	**536,498,649**	543,634,650	500,848,647
Liabilities	**13,630,746**	10,139,134	6,636,773
Net assets held in trust for pension benefits	**$ 522,867,903**	$ 533,495,516	$ 494,211,874

Statement of Changes in Plan Net Assets

The table below reflects a condensed comparative summary of the changes in net assets and reflects the activities of the Plan for the fiscal years ended September 30:

	2011	2010	2009
Additions:			
Contributions			
City	**$ 32,691,021**	$ 23,283,269	$ 20,039,446
Employees	**5,525,395**	5,989,852	6,542,597
Share plan	**120,549**	120,549	120,549
Total	**38,336,965**	29,393,670	26,702,592
Net investment (loss) income	**(3,058,249)**	52,902,072	6,683,121
Total additions	**35,278,716**	82,295,742	33,385,713
Deductions:			
Benefits paid	**44,826,829**	42,294,293	37,986,970
Participants' contributions refunded	**107,594**	20,666	208,216
Administrative expenses	**971,906**	697,141	767,484
Total deductions	**45,906,329**	43,012,100	38,962,670
Net (decrease) increase	**(10,627,613)**	39,283,642	(5,576,957)
Net assets held in trust for pension benefits at beginning of year	**533,495,516**	494,211,874	499,788,831
Net assets held in trust for pension benefits at end of year	**$ 522,867,903**	$ 533,495,516	$ 494,211,874

The Plan's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns for fiscal year September 30, 2011 decreased from those of fiscal years ended September 30, 2010 and September 30, 2009.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Asset Allocation

At the end of the fiscal year ended September 30, 2011, the domestic equity portion comprised 49.3% ($257,653,980) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 41.8% ($218,719,466), while cash and cash equivalents comprised 1.3% ($6,630,602). The portion of investments allocated to international equity was $21,200,647 or 4.1% and to real estate was $18,432,773 or 3.5% of the total portfolio, net of DROP mutual funds.

At the end of the fiscal year ended September 30, 2010, the domestic equity portion comprised 52.0% ($276,003,936) of the total portfolio, net of DROP mutual funds. The allocation to fixed income securities was 39.6% ($209,403,207), while cash and cash equivalents comprised 0.9% ($4,990,326). The portion of investments allocated to international equity was $24,453,325 or 4.6% and to real estate was $15,611,166 or 2.9% of the total portfolio, net of DROP mutual funds.

The target asset allocation was as follows, at September 30, 2011 and 2010:

	2011	2010
Domestic equity	**46%**	51%
Fixed income	**40%**	35%
International equity	**5%**	5%
Real estate equity	**4%**	4%
Cash equivalents	**5%**	5%

Contacting the Plan'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 Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach, 1691 Michigan Avenue, Suite 355, Miami Beach, Florida 33139.

City Pension Fund for Firefighters and Police Officers In The City Of Miami Beach

Statements of Plan Net Assets

September 30, 2011 and September 30, 2010

		2011		2010
Assets				
Cash	$	**20,000**	$	20,000
Receivables:				
Employees contributions		-		621,194
Receivable for securities sold		**107,344**		-
Accrued interest and dividends		**2,437,817**		2,653,468
Total receivables		**2,545,161**		3,274,662
Investments, at fair value:				
Money market funds		**6,610,602**		4,970,326
U.S. government securities		**36,850,803**		42,640,262
Corporate bonds		**154,465,035**		166,762,945
Common stocks		**207,501,706**		224,698,351
Domestic equity fund		**50,152,274**		51,305,585
International equity fund		**21,200,647**		24,453,325
Private placements		**27,403,628**		-
Real estate fund		**18,432,773**		15,611,166
Mutual funds self-directed DROP participants		**11,316,020**		9,898,028
Total investments		**533,933,488**		540,339,988
Total assets		**536,498,649**		543,634,650
Liabilities				
Accrued expenses		**259,457**		241,106
Employee contributions payable		**258,108**		-
Payable for securities purchased		**71,663**		-
Prepaid City contributions		**1,725,498**		-
Deferred retirement option plan payable		**11,316,020**		9,898,028
Total liabilities		**13,630,746**		10,139,134
Net assets held in trust for pension benefits	$	**522,867,903**	$	533,495,516

(a schedule of funding progress is presented on Page 24)

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

City Pension Fund for Firefighters and Police Officers
In The City Of Miami Beach
Statements of Changes in Plan Net Assets
For the Years Ended September 30, 2011 and 2010

		2011		2010
Additions				
Contributions:				
City	$	**32,691,021**	$	23,283,269
Share plan		**120,549**		120,549
		32,811,570		23,403,818
Employees:				
Contributions		**4,904,143**		4,914,418
Transfers in		**-**		408,164
Buybacks		**621,252**		667,270
Total employees		**5,525,395**		5,989,852
Total contributions		**38,336,965**		29,393,670
Investment (loss) income:				
Unrealized (depreciation) appreciation in fair value of investments		**(37,092,596)**		31,707,608
Net realized gain on investments		**19,874,681**		7,621,609
Interest and dividends		**16,712,242**		15,819,863
Total investment (loss) income		**(505,673)**		55,149,080
Less: investment expenses		**2,552,576**		2,247,008
Net investment (loss) income		**(3,058,249)**		52,902,072
Total additions		**35,278,716**		82,295,742
Deductions				
Benefits paid		**44,826,829**		42,294,293
Participants' contributions refunded		**107,594**		20,666
Administrative expenses		**971,906**		697,141
Total deductions		**45,906,329**		43,012,100
Net (decrease) increase		**(10,627,613)**		39,283,642
Net assets held in trust for pension benefits				
Beginning of period		**533,495,516**		494,211,874
End of period	$	**522,867,903**	$	533,495,516

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

Note 1 – Description of the Plan

Plan membership

The City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan") was f/k/a City Pension Fund for Firemen and Policemen - City of Miami Beach and City Supplemental Pension Fund for Firefighters and Police Officers - City of Miami Beach. The former plans were merged and the name was changed to City Pension Fund for Firefighters and Police Officers in the City of Miami Beach. The Plan is a defined benefit pension plan covering substantially all police officers and firefighters of the City of Miami Beach (the "City") created under Chapter 23414, Laws of Florida, Special Acts of 1945, as amended through November 4, 2003.

The following is a brief description of the Plan provided for general information purposes only. Members should refer to the Plan document for more complete information. The Plan document governs in the event a question arises.

Service retirement benefits

Any employee (member) may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when age and length of creditable service equals to at least 70 years.

Upon retirement, a employee will receive a monthly pension, payable for life, equal to 3% of the average monthly salary, as defined in the Plan ordinance, for each of the first 15 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 15 years, provided that the pension does not exceed 90% of the average monthly salary. The average monthly salary of the employee is computed based on the salary for the two highest paid years prior to the date of retirement or the average of the last 2 paid years to the employee prior to the date of retirement. The inclusion of overtime in the employee's salary for the two highest-paid years or last two years, as the case may be, shall be limited in each year to an amount which is equal to 70% of the difference between the employee's annualized pay rate at retirement and the highest annualized pay rate for the next higher salary rank.

Disability benefits

Service connected - Any member who becomes totally and permanently disabled at any time as a result of illness or injury suffered in the line of duty may be retired on an accidental disability pension. For a service connected disability, the minimum pension payable is 85% of monthly salary of the employee at the time of disability retirement, less any offset for worker's compensation.

Non-service connected - Any member who becomes totally or permanently disabled after 5 years of creditable service as a result of illness or injury not suffered in the line of duty may be retired on an ordinary disability retirement pension. Upon disability retirement, a member receives a monthly pension equal to their service retirement benefits. For a non-service connected disability, the pension is the accrued benefit after 5 years of creditable service.

Note 1 – Description of the Plan - continued

Death benefits

The Plan also provides benefits for beneficiaries of members for service connected and non-service connected death.

Cost of living adjustment

In conformity with Sec. 67 of the Plan all retirees and beneficiaries receiving a monthly pension for at least 1 year will receive a 2.5% increase in benefits the next following October 1^{st}.

Refund of employee contributions

If a member resigns or is lawfully discharged before retirement, their contributions with 3% interest per annum are returned to them. The Plan also provides a special provision for vested benefits for members who terminate after 10 years of service.

Membership

At October 1, the Plan membership consisted of:

	2010	2009
Active Members	**468**	478
Deferred Vested Members	**13**	12
	481	490
Retired Members:		
a. Service	**484***	473*
b. Disabled	**59**	62
c. Beneficiaries	**88**	99
	631	634
Total	**1,112**	1,124

*Including members in the DROP

Deferred retirement option plan

An active member may enter into the Deferred Retirement Option Plan (the "DROP") on the first day of any month after attainment of age 50 or rule of 70 retirement and becoming eligible to receive a service retirement pension. Upon becoming eligible to participate in the DROP, a member may elect to enter that program for a period not to exceed 36 months.

Note 1 – Description of the Plan - continued

Deferred retirement option plan - continued

DROP participants have self-directed accounts, and the rate of return earned will therefore depend on the return of the particular accounts selected by the individuals. Once a member enters the DROP, their monthly retirement benefit is fixed, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including earnings, is payable to them and they also begin to receive their previously fixed monthly retirement benefit. The DROP is administered by the Plan's Board of Trustees.

Other benefits

Effective November 4, 2003, a member who retires, enters the DROP, or separates from City employment and is entitled to service or disability benefits, may elect, in lieu of such benefits, a joint and contingent survivor option, at any time prior to retirement. Under the joint and contingent survivor option, the member shall receive an actuarially adjusted retirement benefit during the member's lifetime, and have the same monthly benefit (or designated percentage of 25%, 50%, 66-2/3% or 75% thereof) continued after the member's death to and for the lifetime of the member's designated joint pensioner. The election of the joint and contingent survivor option shall be null and void if the designated joint pensioner dies before the member's retirement. The value of the joint and contingent survivor option shall be actuarially equivalent to the value otherwise payable.

In the alternative and in lieu of the normal form of benefit, the member may, at any time prior to retirement, elect to receive a lifetime retirement benefit with 120 monthly payments guaranteed. If the member should die before 120 monthly payments are made, benefits will continue to be paid to the member's designated beneficiary for the balance of the 120 month period. If the retired member is living after 120 monthly payments are made, the payments shall be continued for the member's remaining lifetime.

Termination

In case of termination of the Plan, benefits accrued to members to the extent funded will be non-forfeitable.

Funding Requirements

All participants are required to contribute 10% of their salary to the Plan. The City is required to pay into the Plan such amounts as necessary to maintain the actuarial soundness of the Plan and to provide the Plan with assets sufficient to meet the benefits to be paid the members. The City contribution is reduced by any available State (Share Plan).

Investments

The Plan has contracts with investment counselors who supervise and direct the investment of equity and fixed income securities. In addition, the Plan utilizes an investment consultant who monitors the investing activity. The Plan requires the City of Miami Beach to be custodian of all assets. The City in turn has a custodial agreement with a trust company which provides for the custody and handling of all transactions. The Plan provides for investment in U.S. Government securities, money market funds, bonds, notes, real estate, common stock, private placement international bond funds and international equity securities.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The Plan financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. City contributions are recognized as revenues when due pursuant to actuarial valuations. Share plan contributions are recognized as revenues in the period in which they are approved by the State. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest income is recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash and cash equivalents

The Plan considers all money market accounts and highly liquid short-term investments with maturities of less than one year when purchased, to be cash and cash equivalents.

Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair values of quoted investments are based on the closing sales price or bid price as reported by recognized security exchanges. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. 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, 2011 and 2010. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. For real estate funds, commingled funds and private placements, the net asset value is determined and certified by the investment manager as of September 30, 2011 and 2010.

Unrealized gains and losses are presented as net (depreciation) appreciation in fair value of investments on the statement of changes in plan assets along with gains and losses realized on sales of investments. Purchases and sales of investments are recorded on a trade-date basis.

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

Use of estimates

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

Income Tax Status

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

Note 2 - Summary of Significant Accounting Policies - continued

Risk and Uncertainties

Contributions to the Plan 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 employee 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 setting assumptions, that the effect of such changes could be material to the financial statements.

Reclassifications

Certain reclassifications have been made to the prior year amounts to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through December 15, 2011, the date which the financial statements were available for issue.

Note 3 - Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2010, the most recent actuarial valuation date, is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/10	$ 525,709,407	$ 817,640,913	$ 291,931,506	64.3%	$ 40,031,374	729.3%

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

Note 3 - Funded Status and Funding Progress - continued

Additional information as of the latest actuarial valuation follows:

Valuation Date:	October 1, 2010
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent closed
Remaining Amortization Period:	21 to 30 years
Asset Valuation Method:	Market Related Value
Actuarial assumptions:	
Investment rate of return	8.20%
Projected salary increases	2.87% - 9.87%
Includes projected payroll	3.50%
Cost-of-living adjustments	0.00%

Note 4 - Contributions

Actual contributions

The actual contributions from the City of Miami Beach, and the Share Plan for active employees for the fiscal years ended September 30, 2011 and 2010, amounted to $32,811,570 and $23,403,818, respectively, and the actual amount of covered payroll was approximately $49,041,000 and $49,144,000, respectively. The contributions consisted of the following for the fiscal years ended September 30:

	2011		2010	
	Amount	**Percent of Actual Annual Covered Payroll**	Amount	Percent of Actual Annual Covered Payroll
City contributions	**$ 32,691,021**	**66.7%**	$ 23,283,269	47.4%
Share Plan	**120,549**	**0.2**	120,549	0.2
Total contributions from employer and other contributing entities	**$ 32,811,570**	**66.9%**	$ 23,403,818	47.6%
Employee contributions	**4,904,143**	**10.0%**	$ 4,914,418	10.0%
Employee buybacks/transfers	**621,252**	**1.3**	1,075,434	2.2
Total contributions from employees	**$ 5,525,395**	**11.3%**	$ 5,989,852	12.2%

Note 4 – Contributions - continued

Actuarially determined contributions

The contributions required from the City, and the Share Plan for the fiscal year ended September 30, 2011 and 2010, were actuarially determined by the October 1, 2009 and 2008 valuations to be $34,537,068 and $23,403,818, respectively. The actuarially computed annual covered payroll used in October 1, 2009 and 2008 valuations was $41,574,935 and $40,661,885, respectively. However, recent changes enacted by the State of Florida required the Plan Actuary to calculate the required contributions for September 30, 2011 based on the contribution percentage rate (66.66%) stated in the October 1, 2009 valuation applied to the actual pensionable wages. As a result of this change, the Plan has recorded a revised minimum City and Share Plan contribution of $32,811,570 resulting in a prepaid City contribution of $1,725,498 for the fiscal year ended September 30, 2011.

The required City and Share Plan contributions cover the following for the fiscal years ended September 30:

	2011		2010	
	Amount	**Percent of Actuarially Computed Covered Payroll**	Amount	Percent of Actuarially Computed Covered Payroll
Normal cost	**$ 14,638,171**	**35.2%**	$ 11,201,549	20.9%
Amortization of Unfunded liability	**18,173,399**	**43.7%**	12,202,269	22.8%
Total required from City and Share Plan	**$ 32,811,570**	**78.9%**	$ 23,403,818	43.7%

Note 5 - Deposits and Investment Risk Disclosures

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board to achieve a favorable rate of return using both absolute and relative measures against inflation, preservation of capital and long term growth, which will keep the Plan actuarially sound. The Trustees are authorized to acquire and retain every kind of property investment.

The investments owned are held in a trust account in the name of the Plan but the securities are held in nominee name to facilitate trading.

Note 5 - Deposits and Investment Risk Disclosures - continued

Types of Investments

The Plan's investment policy allowed for investment in bonds, equities, commercial paper, savings accounts, government securities, insurance contracts of domestic corporations and bonds issued by the State of Israel as follows:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.

2. Money market obligations issued by the United States Government or in obligations guaranteed as to principal and interest by the United States government.

3. Domestic and International Equities: equities defined as common stocks and issues convertible to equities, provided:

   a. Each holding shall be listed on a major U.S. exchange.

   b. Not more than five percent (5%) of the market value of the Plan's total assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.

4. The use of un-hedged and/or leveraged derivatives will not be allowed in any form, except Wellington who may have up to fifteen percent (15%) maximum, in their total fund portfolio.

5. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities, or foreign bonds or other evidence of indebtedness denominated in United States Dollars. The U.S. government securities which may be purchased include direct obligations issued by the United States Treasury, such as Treasury bills, certificates on indebtedness, notes and bonds as well as instruments issued or guaranteed by agencies or instrumentalities of the United States government, including mortgage-related securities. Mortgage-related securities or asset-backed securities not issued by the U.S. government or an agency or instrumentality thereof may also be purchased.

6. Fixed income investments defined as preferred issues and fixed income securities provided:

   a. All corporate debt issues (Bonds, Notes, Debentures at the time of purchase) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poors, or Fitch's Manual. Anything herein to the contrary not withstanding, a maximum of 25% of the Inverness bond portfolio may be rated in the fourth (4) highest category.

   b. Any issue, if downgraded below the fourth (4) highest category by two (2) of the three (3) of the above mentioned ratings services must either be sold or specifically approved for retention by the Board of Trustees.

Note 5 - Deposits and Investment Risk Disclosures - continued

Types of Investments - continued

7. Money market funds, defined as fixed income securities having a maturity of less than one year, provided:

    a. All issues shall meet or exceed Standard & Poor's A1, or Moody's P1 credit rating.

8. Bonds issued by the State of Israel.

9. Commingled stocks, bonds private placement international bond funds or money market funds whose investments are restricted to securities meeting the above criteria.

10. In addition to the above, Inverness Counsel, Inc. (money manager) is subject to the following specific guidelines:

    a. Inverness Counsel's investment in corporate common stock, convertible bonds and convertible preferred issues shall not exceed forty eight percent (48%) of their total fund assets at market value.

    b. No limitations are placed on percentage commitments to fixed income or money market investments.

The Plan's investment policy and guidelines include an addendum that allowed the Board to define a formal set of investment objectives and guidelines and procedures for management of the DROP Plan assets.

In accordance with the provisions of Florida Senate Bill 1462, no more than 25% of the Plan's total assets can be invested in foreign securities.

In accordance with the Protecting Florida's Investment Act (Fla. Stat. 215.473), the Board is prohibited from directly investing in any companies, identified by the State Board of Administration (SBA) on its website each quarter, as a scrutinized company.

Note 5 - Deposits and Investment Risk Disclosures - continued

Types of Investments - continued

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocations of these investments at September 30, 2011 and 2010 are as follows:

Authorized investments	Target % of portfolio	2011	2010
Domestic equity	46%	**49%**	52%
Fixed income	40%	**42%**	39%
International equity	5%	**4%**	5%
Real estate equity	4%	**4%**	3%
Cash equivalents	5%	**1%**	1%

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 Plan 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.

Note 5 - Deposits and Investment Risk Disclosures - continued

Interest Rate Risk - continued

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

2011

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
U.S. treasuries	**$ 5,128,664**	**$ -**	**$ 2,550,857**	**$ 2,577,807**	**$ -**
U.S. agencies	**31,722,139**	**9,137,600**	**18,967,560**	**3,616,979**	**-**
Corporate bonds	**154,465,035**	**5,634,966**	**51,320,748**	**97,509,321**	**-**
Private placement	**27,403,628**	**1,654,900**	**8,134,175**	**14,735,218**	**2,879,335**
Total fixed income Securities	**$ 218,719,466**	**$16,427,466**	**$ 80,973,340**	**$ 118,439,325**	**$ 2,879,335**

2010

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. treasuries	$ 4,881,216	$ -	$ 2,440,558	$ 2,440,658	$ -
U.S. agencies	37,759,046	5,189,908	29,010,060	3,559,078	-
Corporate bonds	166,762,945	15,294,207	68,888,490	82,580,248	-
Total fixed income Securities	$ 209,403,207	$20,484,115	$ 100,339,108	$ 88,579,984	$ -

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 Plan's investment policy utilizes portfolio diversification in order to control this risk.

Note 5 - Deposits and Investment Risk Disclosures – continued

Credit Risk - continued

The following table discloses credit ratings by investment type, at September 30, as applicable:

	2011		2010	
	Fair Value	**Percent of Portfolio**	Fair Value	Percent of Portfolio
U.S. Government Guaranteed*	**$ 36,850,803**	**16.85%**	$ 42,640,262	20.36%
Quality rating of credit risk debt securities:				
AA+	**4,875,284**	**2.23**	4,907,085	2.34
AA	**10,554,249**	**4.83**	6,842,280	3.27
AA-	**18,633,221**	**8.52**	10,519,512	5.02
A+	**25,811,403**	**11.80**	39,959,348	19.08
A	**58,257,789**	**26.64**	67,482,036	32.23
A-	**17,538,440**	**8.01**	11,596,399	5.54
BBB+	**13,208,133**	**6.04**	16,574,307	7.92
BBB	**5,586,516**	**2.55**	5,857,921	2.80
BB+	**-**	**-**	3,024,057	1.44
Total domestic credit risk debt securities	**154,465,035**	**70.62**	166,762,945	79.64
Not rated**	**27,403,628**	**12.53**	-	-
Total fixed income securities	**$ 218,719,466**	**100.00%**	$ 209,403,207	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.

**Private placement funds are comprised of international fixed income securities which are not rated by any of the U.S. national rating agencies.

Note 5 - Deposits and Investment Risk Disclosures - continued

Concentration of Credit Risk

The investment policy of the Plan 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 the plan net assets at September 30, 2011 and 2010.

Custodial Credit Risk

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities are uninsured, are not registered in the name of the Plan and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

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

Note 6 - Commitments

The Plan is obligated under a rental operating lease for office space, which expires on August 31, 2016. The base rent for the first twelve months of the lease was $7,355 per month, net of electricity. The lease contains a provision for future rent increases annually by an amount equal to 4% of the prior year's base rent. During the years ended September 30, 2011 and 2010, rent expense under the lease agreement amounted to $113,733 and $105,888, respectively.

The following is a schedule of the aggregate future minimum rental payments under this lease, excluding applicable sales taxes, net of electricity:

For the year ending September 30,	
2012	$ 107,736
2013	112,046
2014	116,527
2015	121,188
2016	115,149
	$ 572,646

Note 7 - Pension Plan for Employees of the Plan

The administrative employees of the Plan, who do not participant in the plan described herein, participate in the City of Miami Beach Employees Retirement Plan ("MBERP") which is a single employer defined benefit pension plan for general employees of the city of Miami Beach, Florida. MBERP provides retirement, death, and disability benefits to plan members and beneficiaries. The employees of the Plan are required to contribute 8% of their base salary. The MBERP issues a publicly available financial report that can be obtained by contacting Miami Beach Employees Retirement Plan, 1700 Convention Center Drive, Miami Beach, Florida 33139.

Note 8 – Contingencies

There is pending litigation between the City and the Plan concerning enforcement of a City Pension Ordinance related to pension changes in the Fire and Police Unions' contracts that were negotiated by the City and the Unions and whether it was required to be submitted to a referendum of the voters of Miami Beach. Final Judgment was entered in favor of the Plan on August 4, 2011. On November 16, 2011, the City filed a Notice of Appeal, where the appeal is presently pending. The ultimate outcome of this litigation cannot presently be determined. Included in employee contributions payable is $258,108 for fiscal year end September 30, 2011 related to this pending litigation.

Required Supplementary Schedules

City Pension Fund For Firefighters And Police Officers In The City Of Miami Beach

Required Supplementary Information - Unaudited

September 30, 2011

Schedule "1" - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/05	$457,680,582	$551,907,648	$ 94,227,066	82.9%	$31,259,918	301.4%
10/1/06	470,603,144	582,016,296	111,413,152	80.9	35,354,776	315.1
10/1/07	495,993,903	632,992,587	136,998,684	78.4	38,705,407	354.0
10/1/08	507,363,813	683,731,944	176,368,131	74.2	40,661,885	433.7
10/1/09	517,602,834	784,395,822	266,792,988	66.0	41,574,935	641.7
10/1/10	525,709,407	817,640,913	291,931,506	64.3	40,031,374	729.3

Schedule "2" - Schedule of Contributions by Employer and Other Contributing Entity

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2006	$ 14,601,836	100%
2007	15,231,417	100
2008	17,618,045	100
2009	20,159,995	100
2010	23,403,818	100
2011	32,811,570	100

Other Supplementary Schedules

City Pension Fund for Firefighters and Police Officers
In The City Of Miami Beach
Other Supplementary Schedules of Investment Expenses and Administrative Expenses
For the Years Ended September 30, 2011 and 2010

		2011		2010
Schedule "1"				
Schedule of Investment Expenses				
Financial management expenses:				
JP Morgan Investment Management, Inc.	**$**	**172,754**	$	148,133
RBC Global Asset Managmenet (U.S.) Inc.		**66,599**		60,225
Logan Capital Management, Inc.		**99,720**		75,951
Wentworth, Hauser and Violich		**256,775**		223,512
Wellington Trust Company, NA		**358,828**		274,825
Inverness Counsel		**1,380,783**		1,280,720
RhumbLine Advisers		**42,973**		36,225
Wells Capital Management		**4,735**		-
Total financial management expenses		**2,383,167**		2,099,591
Investment consultant fees:				
Thistle Asset consulting		**71,900**		58,650
Investment custodial fees:				
Fiduciary Trust Company		**97,509**		88,767
Total investment expenses	**$**	**2,552,576**	$	2,247,008
Schedule "2"				
Schedule of Administrative Expenses				
Personnel services				
Salaries and payroll taxes	**$**	**274,814**	$	271,476
Fringe benefits		**29,139**		29,578
Total personnel services		**303,953**		301,054
Professional services				
Legal		**310,883**		69,940
Actuarial		**34,397**		47,404
Audit		**21,940**		25,000
Bookkeeping		**4,244**		3,184
Total professional services		**371,464**		145,528
Other				
Rent		**113,733**		105,888
Insurance		**51,122**		46,900
Office expense		**37,187**		33,447
I.T. dept. computer and phone charges		**42,219**		14,585
Computer consultant		**6,178**		6,801
Education, dues & subscriptions		**30,665**		16,286
Medical fees		**6,030**		12,590
Equipment lease		**5,327**		7,054
Utilities		**4,028**		7,008
Total other		**296,489**		250,559
Total administrative expenses	**$**	**971,906**	$	697,141