

City of Coral Gables Retirement System

Financial Statements
Years Ended September 30, 2011 and 2010



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

City of Coral Gables Retirement System
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Independent Auditors' Report

Board of Trustees
City of Coral Gables Retirement System
Coral Gables, Florida

We have audited the accompanying statements of plan net assets of the City of Coral Gables Retirement System (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 of Coral Gables Retirement System as of September 30, 2011 and 2010 and the changes in its 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 supplementary information. However, we did not audit the information and do not express an opinion on it. The required supplementary information for the years ended September 30, 2006 through 2008, was reported on by other auditors whose report states that they did not audit this information and did not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying other 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
February 23, 2012



The City of Coral Gables

Retirement System

405 BILTMORE WAY
CORAL GABLES, FLORIDA 33134

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

Our discussion and analysis of the City of Coral Gables Retirement System (the "Plan") financial performance provides an overview of the financial activities and funding conditions 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 review it in conjunction with the financial statements.

Financial Highlights

- The Plan's assets exceeded its liabilities at the close of the fiscal years ended September 30, 2011 and 2010 by \$240,793,471 and \$236,696,539 (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increases of \$4,096,932 and \$18,001,250, in net assets of the respective years have 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 liability, changed from 61.2% as of the October 1, 2008 actuarial valuation to 57.0% as of the October 1, 2009 valuation to 57.5% as of the October 1, 2010 valuation.
- For the fiscal year ended September 30, 2011, receivables decreased \$2,631,958 (or 41.44%) primarily due to a decrease in receivable for securities sold.

For the fiscal year ended September 30, 2010, receivables increased \$3,452,288 (or 119.07%) primarily due to an increase in receivable for securities sold and decrease in accrued interest and dividends receivable.

- For the fiscal year ended September 30, 2011, liabilities increased by \$2,853,226 (or 6.16%) primarily as a result of an increase in obligations under securities lending.

For the fiscal year ended September 30, 2010, liabilities decreased by \$9,088,217 (or 16.40%) primarily as a result of a decrease in obligations under securities lending.

- For fiscal year ended September 30, 2011, employer contributions (City) to the Plan decreased by \$2,613,715 (or 11.00%) based on the actuarial valuation. Actual City contributions were \$21,628,945 and \$24,302,660 for 2011 and 2010, respectively.

For fiscal year ended September 30, 2010, employer contributions (City) to the Plan increased by \$1,394,963 (or 6.09%) based on the actuarial valuation. Actual City contributions were \$24,302,660 and \$22,907,697 for 2010 and 2009, respectively.

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

Financial Highlights - continued

- For the fiscal year ended September 30, 2011, employee contributions, including buybacks, increased by \$630,387 (or 22.23%). The actual employee contributions, including buybacks, were \$3,466,245 and 2,835,858 for 2011 and 2010, respectively.

For the fiscal year ended September 30, 2010, employee contributions, including buybacks, increased by \$702,396 (or 32.92%). The actual employee contributions, including buybacks, were \$2,835,858 and \$2,133,462 for 2010 and 2009, respectively.

- For the fiscal year ended September 30, 2011, net investment income decreased \$12,916,884 (or 63.585). The actual results for 2011 and 2010 were \$2,111,628 and \$15,424,160 of net appreciation in fair market value of investments, respectively and \$6,842,331 and \$6,277,103 of income from interest, dividends and other, for 2011 and 2010, respectively. Net income from security lending activities was \$108,864 and \$78,455 for 2011 and 2010, respectively. Investment expenses increased by \$199,989 (or 13.67%) from 2010.

For the fiscal year ended September 30, 2010, net investment income was \$20,317,005 compared to a net loss of \$4,099,962 for the fiscal year ended September 30, 2009. The actual results for 2010 and 2009 were \$15,424,160 and (\$9,044,005) of net appreciation (depreciation) in fair market value of investments, respectively and \$6,277,103 and \$5,941,191 of income from interest, dividends and other, for 2011 and 2010, respectively. Net income from security lending activities was \$78,455 and \$134,154 for 2010 and 2009, respectively. Investment expenses increased by \$381,411 (or 29.29%) from 2009.

- For the fiscal year ended September 30, 2011, benefit payments and refunds of contributions decreased by \$1,193,695 (or 4.05%) from 2010.

For the fiscal year ended September 30, 2010, benefit payments and refunds of contributions increased by \$3,553,173 (or 13.72%) from 2009.

- For the fiscal year ended September 30, 2011, administrative expenses increased by \$13,146 from 2010 (or 4.92%) due primarily to an increase in professional fees and other administrative expenses.

For the fiscal year ended September 30, 2010, administrative expenses decreased by \$707 from 2009 (or -0.26%).

Plan Highlights

For the fiscal year ended September 30, 2011, the relative return of the portfolio was 2.42%. Actual net returns from investments in 2011 were a net return of \$7,400,121 compared to a net return of \$20,317,005 in 2010.

For the fiscal year ended September 30, 2010, the relative return of the portfolio was 9.18%. Actual net returns from investments in 2010 were a net return of \$20,317,005 compared to a net loss of \$4,099,962 in 2009.

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

Overview of the Financial Statements

The basic financial statements include the Statements of Plan Net Assets and Statements of Changes in Plan Net Assets and Notes to the Financial Statements. The 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. They two types of schedules include a schedule of funding progress and a schedule of employer contributions.

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 members, 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 plan from employers (City) and members (employer) and net investment income, which includes interest, dividends, investment expenses, and the net appreciation 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 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 Contributions* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented.

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.

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

Statement of Plan Net Assets

The following condensed comparative Statement of Plan Net Assets demonstrates the investment position of the Plan.

	2011	2010	2009
Cash and cash equivalents	\$ 5,049,033	\$ 11,343,571	\$ 5,157,205
Receivables	3,719,625	6,351,583	2,899,295
Securities lending cash collateral - invested	48,304,340	44,629,163	52,380,680
Investments	232,916,837	220,715,360	213,689,464
Total assets	289,989,835	283,039,667	274,126,644
Liabilities	49,196,364	46,343,138	55,431,355
Net assets held in trust for pension benefits	\$ 240,793,471	\$ 236,696,539	\$ 218,695,289

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	\$ 21,628,945	\$ 24,302,660	\$ 22,907,697
Share plan	145,830	270,485	145,830
Employees	3,466,245	2,835,858	2,133,462
Total	25,241,020	27,409,003	25,186,989
Net investment income (loss)	7,400,121	20,317,005	(4,099,962)
Net additions	32,641,141	47,726,008	21,087,027
Deductions:			
Pension benefits paid	28,043,897	29,241,730	25,819,788
Refunds of contributions	220,075	215,937	84,706
Administrative expenses	280,237	267,091	267,798
Total deductions	28,544,209	29,724,758	26,172,292
Net increase (decrease)	4,096,932	18,001,250	(5,085,265)
Net assets held in trust for pension benefits			
at beginning of year	236,696,539	218,695,289	223,780,554
Net assets held in trust for pension benefits			
at end of year	\$ 240,793,471	\$ 236,696,539	\$ 218,695,289

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 the fiscal year ended 2011 decreased from those of fiscal year ended 2010 and increased from those of fiscal year ended 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.

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

Asset Allocation

At the end of the fiscal year ended September 30, 2011, the domestic and international equity portion comprised 35.61% (\$84,734,575) and 18.68% (\$44,449,826), respectively, of the total portfolio. The allocation to domestic and international fixed income securities was 22.46% (\$53,458,822) and 4.93% (\$11,708,592), respectively, while cash and cash equivalents comprised 2.12% (\$5,049,033). The portion of investments allocated to real estate was \$28,968,362 or 12.17% of the total portfolio. The remaining 4.03% (\$9,596,660) is allocated to alternative investments.

At the end of the fiscal year ended September 30, 2010, the domestic and international equity portion comprised 44.92% (\$104,236,192) and 20.75% (\$48,159,630), respectively, of the total portfolio. The allocation to domestic and international fixed income securities was 18.68% (\$43,337,552) and 5.08% (\$11,806,419), respectively, while cash and cash equivalents comprised 4.89% (\$11,343,571). The portion of investments allocated to real estate was \$13,175,567 or 5.68% of the total portfolio.

The target asset allocation ranges as of September 30, 2011 and 2010 were as follows:

	2011	2010
Domestic equities	40%	45%
International equities	20%	20%
Domestic fixed income	20%	20%
International fixed income	5%	5%
Real estate	10%	10%
Alternatives	5%	0%

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 finances and to demonstrate accountability for the money they receive. If you have any questions about this report or need additional financial information, contact the City of Coral Gables Retirement System, 405 Biltmore Way, Coral Gables, Florida 33134.

City of Coral Gables Retirement System

Statements of Plan Net Assets

September 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 5,049,033	\$ 11,343,571
Receivables		
Accrued interest and dividends	571,755	446,895
Buyback receivable	71,158	43,331
Share plan contributions	145,830	198,101
Employee contributions	-	194,395
Receivable for securities sold	2,921,250	5,459,533
Other receivables	9,632	9,328
Total receivables	3,719,625	6,351,583
Securities lending cash collateral - invested	48,304,340	44,629,163
Investments, at fair value		
U.S. Government and agency	18,545,710	12,904,972
Domestic fixed income fund	12,785,728	11,365,999
Global fixed income	11,708,592	11,806,419
Corporate bonds	22,127,384	19,066,581
Common stocks	84,734,575	102,556,390
Domestic equity fund	-	1,679,802
International equity	44,449,826	48,159,630
Real estate	28,968,362	13,175,567
Alternative investments	9,596,660	-
Total investments	232,916,837	220,715,360
Total assets	289,989,835	283,039,677
Liabilities		
Accounts payable	144,964	827,910
Payable for securities purchased	747,060	886,065
Obligations under securities lending	48,304,340	44,629,163
Total liabilities	49,196,364	46,343,138
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 21)	\$ 240,793,471	\$ 236,696,539

The accompanying notes are an integral part of these financial statements

City of Coral Gables Retirement System

Statements of Changes in Plan Net Assets

For the Years Ended September 30, 2011 and 2010

	2011	2010
Additions		
City contributions	\$ 21,628,945	\$ 24,302,660
Share plan contributions	145,830	270,485
Employees:		
Employee contributions	3,297,153	2,754,747
Buybacks	169,092	81,111
Total employee contributions	3,466,245	2,835,858
Total contributions	25,241,020	27,409,003
Investment income:		
Net appreciation in fair value of investments	2,111,628	15,424,160
Interest and dividends	6,802,112	5,805,384
Other income	40,219	471,719
Total investment income	8,953,959	21,701,263
Less investment expenses	1,662,702	1,462,713
Total investment income before securities lending activity	7,291,257	20,238,550
Securities lending activities:		
Security lending income	167,398	119,821
Security lending fees and rebates	(58,534)	(41,366)
Net income from security lending activities	108,864	78,455
Total net investment income	7,400,121	20,317,005
Total additions	32,641,141	47,726,008
Deductions		
Pension benefits paid	28,043,897	29,241,730
Refunds of contributions	220,075	215,937
Administrative expenses	280,237	267,091
Total deductions	28,544,209	29,724,758
Net increase	4,096,932	18,001,250
Net assets held in trust for pension benefits:		
Beginning of year	236,696,539	218,695,289
End of year	\$ 240,793,471	\$ 236,696,539

The accompanying notes are an integral part of these financial statements

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 1 - Description of the Plan

Organization

The City of Coral Gables Retirement System (the "Plan") is a single employer defined benefit pension plan, covering substantially all regular full time general, police, and fire department employees of the City of Coral Gables, Florida (the "City") that have met the conditions of eligibility.

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.

Plan Membership

Plan membership consisted of the following as of October 1:

	2010	2009
Retirees and beneficiaries currently receiving benefits, including DROP, and terminated employees entitled to benefits, but not yet receiving them	817	768
Current employees:		
Vested	349	395
Non-vested	323	360
Total	672	755

Pension Benefits

Firefighters, police officers and participants, other than firefighters and police officers with more than 10 years of credit service at September 30, 2010 may retire and receive normal retirement benefits upon reaching the earlier of age 52 and 10 years of credited service; age 65 or when the participants age plus years of credited service equals or exceeds 70 (Rule of 70). Participants other than firefighters and police officers with less than 10 years of credited service at September 30, 2010, may retire and receive normal benefits upon reaching the earlier of age 62 and 10 years of credited service; age 65 and 6 years of service; or when the participant's age, plus years of credited service equals or exceeds 80 (Rule of 80).

Upon normal retirement, firefighters and police officers will receive a monthly pension, payable for life, equal to 3% of the highest three-year average annual earnings multiplied by years of credited service with a maximum of 75% of average annual earnings. Effective September 30, 2010, the normal retirement benefits for participants other than firefighters, police officers, and excluded employees shall be accrued benefits as of September 30, 2010, plus 2.25% of the average final compensation (highest five year average) multiplied by the total years of credited service with a maximum of 75% of average final compensation. For excluded employees normal retirement benefits are accrued benefits as of September 30, 2010, plus the following:

- (a) managerial employees: 3% multiplier for first 10 years; 2.25% thereafter
- (b) professional/supervisory employees: 2.5% multiplier for first 10 years; 2.25% thereafter
- (c) confidential employees: 2.25% multiplier
- (d) appointed officials: 3% multiplier

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 1 - Description of the Plan – continued

Pension Benefits - continued

All participants, with the exception of members of the bargaining units represented by the Fraternal Order of Police, Lodge No. 7, and the International Association of Firefighters, Local 1210, who retire after completing 40 years of service, the benefit will be calculated using 80% of the highest two year average annual earnings.

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

Deferred Retirement Option Plan

Members who continue employment with the City and pass normal retirement date may freeze their accrued benefit and enter the Deferred Retirement Option Plan (the "DROP"). Maximum participation in the DROP shall be 5 years for general and police members and 8 years for firefighter members.

For members electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Plan 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.

DROP payments contributed to a member's DROP account earn interest at a rate equal to actual rate of return on the Plan's portfolio from a minimum of 3% to a maximum of the assumed rate of return.

Upon termination of employment, the balance in the member's DROP account, including interest, is payable to them and they also begin to receive their monthly retirement benefit. The value of the DROP accounts at September 30, 2011 and 2010 was \$20,405,200 and \$14,774,841, respectively.

Cost of Living Adjustment

Effective January 1 of each year, participants who were receiving benefits for the full preceding year will receive a cost of living increase based on a formula as defined in the ordinance, if the market value rate of return is greater than or equal to 10%. Cost of living adjustments may be granted only if the Plan remains in a net positive experience position, determined on a cumulative basis from October 1, 2007.

Termination

If a member terminates employment before retirement, their contributions are returned to them. The Plan also provides a special provision for vested benefits for employees who terminate after 10 years of service.

Member Contribution

All police officers and firefighters participants are required to contribute 5% of their total earnings to the Plan. Members other than firefighter or police officer, who are not included in any bargaining unit for collective bargaining purposes, are required to contribute 10% of total earnings to the Plan. Effective October 1, 2010, all participants in the Teamsters Local Union 769 Bargaining Unit are required to contribute 10% (5% prior to October 1, 2010) of total earnings to the Plan.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 1 - Description of the Plan – continued

Funding Requirements

Pursuant to Florida Statutes, Chapters 175 and 185, contributions from the State of Florida Department of Insurance consist of an excise tax imposed by the City upon certain casualty insurance companies on the gross amount of receipts of premiums from policy holders on all premiums collected on casualty insurance policies covering property within the City. The allowable portion of the State (Share Plan) contribution is used to reduce the City's contribution when received.

The City is required to pay into the Plan such amount 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.

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 investments owned are held by a custodian in the name of the Plan. The Plan provides for investment in U.S. Government securities, money market funds, bonds, notes, common stock and international equity securities.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Plan's 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 revenue when due pursuant to the actuarial valuation. Share Plan contributions are recognized as revenue 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 and other income are recorded as earned and dividend income is recorded as of the ex-dividend date.

Cash and cash equivalents

The Plan considers all highly liquid investments with an original maturity of one year or less when purchased to be cash equivalents.

Investments

Plan investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value of quoted investments is 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. The fair value of real estate investment securities is based on appraisals plus fiscal year-to-date capital expenditures.

City of Coral Gables Retirement System
Notes to Financial Statements
September 30, 2011 and 2010

Note 2 - Summary of Significant Accounting Policies - continued

Investments - continued

Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Such valuations generally reflect discounts for liquidity and consider variables such as financial performance of investments, discounted cash flow analysis, recent sales prices of comparable investments, and other pertinent information.

Unrealized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments. Purchases and sales of 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 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.

Subsequent Events

Management has evaluated subsequent events through February 23, 2012, the date which the financial statements were available for issue.

Income Tax Status

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

Risks 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 member compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

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 (dollar amounts in thousands):

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
10/1/10	\$265,081	\$460,732	\$195,651	57.5%	\$46,950	417.1%

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.

Additional information as of the latest actuarial valuation follows:

Valuation date	10/01/10
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level payment, closed
Remaining amortization period	30 years
Asset valuation method	Expected value based on cash flow and the Investment Return assumption, applied to beginning Market Value, adjusted by 20% of the difference between expected and actual asset values for each of the previous five years, and reduced by the value of the DROP accounts. The result cannot be greater than 120% of market value or less than 80% of market value (5-year roll forward method) DROP account balances are added to the final value.

Actuarial assumptions:

Investment rate of return*	7.75%, compounded annually
Projected salary increases*	3.75% plus seniority and merit scale
* Includes inflation	3.75%

Note 4 - Funding Requirements and Contributions

Actual Contributions

The actual City contributions, for active employees and the Share Plan contributions for the years ended September 30, 2011 and 2010 amounted to \$21,774,775 and \$24,573,145, respectively and were determined by the October 1, 2010 and 2009 actuarial valuation, respectively. For the fiscal years ended September 30, 2011 and 2010, the actual amounts of covered payroll were approximately \$52,240,000 and \$56,514,000, respectively.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 4 - Funding Requirements and Contributions – continued

City, Share Plan and Employee contributions consisted of the following:

2011		
	Amount	Percent of Actual Annual Covered Member Payroll
City	\$ 21,628,945	41.40%
Share plan	145,830	0.28
Employee	3,466,245	6.64
Total	\$ 25,241,020	48.32%

2010		
	Amount	Percent of Actual Annual Covered Member Payroll
City	\$ 24,302,660	43.00%
Share plan	270,485	0.48
Employee	2,835,858	5.02
Total	\$ 27,409,003	48.50%

Actuarially Determined Contributions

The contributions required from the City of Coral Gables for the fiscal years ended September 30, 2011 and 2010, were actuarially determined by the October 1, 2009 and 2008 valuation reports (updated) to be \$22,405,410 and \$24,302,660, respectively. The actuarially computed annual covered payroll amounted to approximately \$52,693,000 and \$53,452,000, respectively. However, recent changes enacted by the State of Florida required the Plan Actuary to calculate the required City contributions for September 30, 2011, based on the contribution percentage rate (40.98%) stated in the October 1, 2009 (updated), valuation applied to actual pensionable wages, as opposed to a specific dollar amount based on actuarially computed projected payroll. As a result of this change, the calculated required City contribution based on the actual pensionable wages of \$52,240,271 amounted to \$21,408,063.

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

2011		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost plus interest	\$ 4,211,874	7.99%
Amortization of unfunded liability	17,196,189	32.63
Total required from City	\$ 21,408,063	40.62%

2010		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost plus interest	\$ 9,694,828	18.14%
Amortization of unfunded liability	14,607,832	27.33
Total required from City	\$ 24,302,660	45.47%

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

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 conduct the operations of the Plan in a manner so that the assets will provide for the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return.

The Trustees are authorized to acquire and retain every kind of property, real, personal or mixed, and every kind of investment specifically including, but not by way of limitation, bonds, debentures, and other corporate obligations, and stocks, preferred or common.

Investments in all equity securities shall be limited to fully and easily negotiable equity securities and shall not exceed 70% of the market value of the total fund assets. No more than 5% (at cost) of the portfolio may be invested in the shares of a single corporate issuer. Investments in securities (equity or fixed income) issued by foreign corporations are limited to no more than 25% of fund assets. Investments in shares of public companies that have been publicly traded for less than a year are limited to no more than 15% of the market value of the total equity portfolio. Convertible securities are not to exceed 10% of the market value of the total equity portfolio. Equity funds may be managed through the purchase of open-ended, no-load mutual funds or commingled funds. The Board implicitly accepts the policy of a mutual fund or commingled fund when it makes a direct investment.

The fixed income portfolio shall comply with the following: the average credit quality of the bond portfolio shall be "A" or higher. The duration of the fixed income portfolio should be less than 135% of the duration of the market index. Investments in all corporate fixed income securities shall be limited to securities issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia. Yankee bonds and non U.S. dollar denominated bonds may not exceed 10% of the entire fixed income portfolio. No more than 10% at cost of an investment managers total fixed income portfolio shall be invested in the securities of any single corporate issuer. Securities rated below "BBB" shall not exceed 15% of the entire fixed income portfolio.

Investments in Collateralized Mortgage Obligations (CMOS) shall be limited to 25% of the market value of the investment managers' total portfolio and shall be restricted to issues backed by the full faith of the U.S. Government, an agency thereof, or are rated AAA by a major rating service and PAC (Planned amortization class), NAC (non-accelerated securities) or VADM (very accurately defined maturity) securities.

There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof. Fixed income funds may be managed through the purchase of open-ended, no-load mutual funds or commingled funds. Fixed income funds purchased by investment advisors are expected to adhere to the guidelines herein. The board implicitly accepts the policy of a mutual fund or commingled fund when it makes a direct investment.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 5 - Deposits and Investment Risk Disclosures - continued

Investment Authorization - continued

Investments in real estate shall not exceed 15% at market valuation of the total fund assets. All real estate investments shall be made through participation in diversified commingled funds of real properties. These funds shall be broadly diversified as to property type and location. Experienced and professional real property investment managers shall manage all real estate investments.

The Plan may invest up to 10% of the total market value of the portfolio in limited partnerships and/or private equity structures in order to diversity the Plan's portfolio and/or to enhance the Plan's return opportunities. It is understood that these types of investments may have limited liquidity and/or "lock-up" periods with no liquidity. It is also recognized that these types of investments may have higher fees and demonstrate highly variable returns over short periods of time. The Board shall consider special criteria including, but not limited to, the following in evaluation of any investments in this category: tenure, expertise and track record of management team; diversification potential of the alternative investment relative to other Plan investments; risk control provisions of the alternative investment; liquidity provisions of the alternative investment; use of leverage or other means of return enhancement by the alternative investment; fees and potential conflicts of interest associated with the alternative investment.

Types of Investments

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target asset allocation range of these investments at market is as follows:

Authorized investments	Minimum	Maximum
Domestic equities	35%	45%
International equities	15	25
Domestic fixed income	0	20
International fixed income	0	10
Real estate	5	15
Alternative	0	10

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.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 5 - Deposits and Investment Risk Disclosures - 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 and 2010:

2011					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government and agency	18,545,710	1,243,819	838,998	3,007,080	13,455,813
Corporate bonds	22,127,384	1,207,276	7,980,191	9,195,809	3,744,108
Domestic fixed income fund	12,785,728	-	7,046,493	5,739,235	-
Global fixed income	11,708,592	-	5,773,834	-	5,934,758
	<u>65,167,414</u>	<u>2,451,095</u>	<u>21,639,516</u>	<u>17,942,124</u>	<u>23,134,679</u>

2010					
Investment Maturities (in years)					
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government and agency	12,904,972	-	2,779,461	2,371,930	7,753,581
Corporate bonds	19,066,581	-	10,201,973	5,949,646	2,914,962
Domestic fixed income fund	11,365,999	-	7,270,893	4,095,106	-
Global fixed income	11,806,419	-	5,897,735	5,908,684	-
	<u>55,143,971</u>	<u>-</u>	<u>26,150,062</u>	<u>18,325,366</u>	<u>10,668,543</u>

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.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 5 - Deposits and Investment Risk Disclosures - continued

The following table discloses credit ratings by investment type, at September 30, 2011 and 2010, as applicable:

	2011	
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 18,545,710	28.46%
Quality rating of credit risk debt securities		
AAA	17,057,894	26.17
AA+	970,527	1.49
AA	1,409,821	2.16
AA-	627,287	0.96
A+	1,000,512	1.53
A	8,450,808	12.97
A-	4,128,536	6.34
BBB+	1,934,425	2.97
BBB	6,418,689	9.85
BBB-	995,907	1.53
BB	2,176,758	3.34
B and lower	1,100,259	1.69
Not rated	350,281	0.54
Total credit risk debt securities	46,621,704	71.54
Total fixed income securities	\$ 65,167,414	100%

*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 Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 5 - Deposits and Investment Risk Disclosures – continued

Credit Risk - continued

	2010	
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 12,904,972	23.40%
Quality rating of credit risk debt securities		
AAA	15,223,667	27.61
AA+	994,396	1.80
AA	1,318,665	2.39
AA-	544,686	0.99
A+	466,831	0.85
A	7,132,000	12.93
A-	3,038,283	5.51
BBB+	1,563,127	2.84
BBB	7,275,148	13.19
BBB-	836,479	1.52
BB	2,251,130	4.08
B	1,097,332	1.99
Not rated	497,255	0.90
Total credit risk debt securities	42,238,999	76.60
Total fixed income securities	\$ 55,143,971	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.

Concentration of Credit Risk

The investment policy of the Plan limits investments in equities and fixed income securities to no more than 5% and 10% of an investment manager's portfolio, respectively, in any one issue.

Custodial Credit Risk

This 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 that are in the possession of an outside party. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

Securities Lending Transactions

The Plan is authorized by state statutes and board of trustees' policies to lend its investment securities. The lending is managed by the Plan's custodial bank. The Plan lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the System continues to receive dividends and interest as the owner of the loaned securities. All loans can be terminated on demand by either the Plan or the borrowers, although the average term of loans is approximately eighty-five days. The custodial bank and its affiliates are prohibited from borrowing the system's securities.

City of Coral Gables Retirement System

Notes to Financial Statements

September 30, 2011 and 2010

Note 5 - Deposits and Investment Risk Disclosures - continued

Securities Lending Transactions

The agent lends the Plan's U.S. government and agency securities and domestic corporate fixed-income and equity securities for securities or cash collateral of at least 102 percent and international securities of at least 105 percent 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. At year end, the pool has a weighted average term to maturity of fifty-one days.

The relationship between the maturities of the investment pool and the Plan'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 limits the amount of securities that can be lent at one time or to one borrower.

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

	2011	
	Market Value of Securities on Loan for Cash	Fair Value of Cash Collateral Invested
Securities Lent:		
U.S. government and agency obligations	\$ 7,741,117	\$ 7,937,004
Domestic corporate stocks	33,987,518	35,494,850
Domestic corporate bonds	4,713,450	4,872,486
Total securities lent	\$ 46,442,085	\$ 48,304,340

	2010	
	Market Value of Securities on Loan for Cash	Fair Value of Cash Collateral Invested
Securities Lent:		
U.S. government and agency obligations	\$ 7,549,758	\$ 7,722,124
Domestic corporate stocks	31,611,485	32,425,221
Domestic corporate bonds	4,373,802	4,481,818
Total securities lent	\$ 43,535,045	\$ 44,629,163

The contract with the Plan's custodian requires the custodian to indemnify the Plan 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 Plan has no credit risk exposure to borrowers because the amounts of collateral held by the Plan exceed the amounts the borrowers owe the Plan. 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 are no income distributions owing on securities lent.

Required Supplementary Information

City of Coral Gables Retirement System
Required Supplementary Information
Schedule of Funding Progress and Schedule of Contributions by Employer - Unaudited
September 30, 2011

Schedule "1"
Schedule of Funding Progress
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
10/1/05	\$206,805	\$364,243	\$157,438	57.3%	\$48,012	327.9%
10/1/06	237,826	398,844	161,018	59.6	51,044	315.4
10/1/07	258,489	403,073	144,584	64.1	46,126	313.5
10/1/08	265,381	433,904	168,523	61.2	53,452	315.3
10/1/09	262,434	460,409	197,975	57.0	52,693	375.7
10/1/10	265,081	460,732	195,651	57.5	46,950	417.1

Schedule "2"
Schedule of Contributions by Employer

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2006	\$20,595,219	100%
2007	22,367,077	100
2008	23,403,648	100
2009	21,569,793	100
2010	24,302,660	100
2011	21,408,063	100

Other Supplementary Schedules

City of Coral Gables Retirement System
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		
Aletheia Research	\$ 94,735	\$ 162,248
Delaware Capital	131,684	121,502
Eagle Capital	199,396	178,650
Global Equity	155,893	159,256
JK Milne	63,357	72,384
JP Morgan	268,124	171,257
MD SASS Securities	162,566	143,182
Richmond Capital	91,129	112,002
Richmond Capital Tips	6,782	5,269
Wells Capital	4,703	-
Winslow Capital	165,364	142,775
Total financial management expenses	1,343,733	1,268,525
Investment consultant fees		
The Bogdahn Group	138,333	135,000
Investment custodial fees		
Northern Trust	180,636	59,188
Total investment expenses	\$ 1,662,702	\$ 1,462,713
Schedule "2"		
Schedule of Administrative Expenses		
Personnel Services		
Fringe benefits	\$ 33,647	\$ 36,330
Salaries and payroll taxes	85,530	85,770
Total personnel services	119,177	122,100
Professional services		
Actuarial	85,338	60,478
Audit	23,000	33,131
Legal	12,915	19,938
Total professional services	121,253	113,547
Other		
Dues and subscriptions	600	1,550
Insurance	4,021	4,021
Printing and office expense	8,987	11,097
Rental	4,895	5,179
Staff travel and member education expense	21,304	9,597
Total other	39,807	31,444
Total administrative expenses	\$ 280,237	\$ 267,091