

**City of Coral Gables Retirement System**

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



**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, 2012 and 2011 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the 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, 2012 and 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information for the years ended September 30, 2007 through 2008 was reported by other auditors, 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 supplemental schedules of investment expenses and administrative expenses (other supplemental schedules) as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida  
March 7, 2013



## The City of Coral Gables

### *Retirement System*

405 BALTIMORE WAY  
CORAL GABLES, FLORIDA 33134

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

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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, 2012 and 2011. 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, 2012 and 2011 by \$279,929,263 and 240,793,471 (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The increases of \$39,135,792 and \$4,096,932, 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 57.0% as of the October 1, 2009 actuarial valuation to 57.5% as of the October 1, 2010 valuation to 53.0% as of the October 1, 2011 valuation.
- For the fiscal year ended September 30, 2012, receivables decreased \$1,827,887 (or 49.14%) primarily due to a decrease in receivable for securities sold.

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, 2012, liabilities decreased by \$9,944,360 (or 20.21%) primarily as a result of a decrease in obligations under securities lending.

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 fiscal year ended September 30, 2012, employer contributions (City) to the Plan increased by \$1,371,604 (or 6.34%) based on the actuarial valuation. Actual City contributions were \$23,000,549 and \$21,628,945 for 2012 and 2011, respectively.

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.

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

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### **Financial Highlights - continued**

- For the fiscal year ended September 30, 2012, employee contributions, including buybacks, increased by \$503,488 (or 14.53%). The actual employee contributions, including buybacks, were \$3,969,733 and \$3,466,245 for 2012 and 2011, respectively.

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, 2012, net investment income increased \$35,879,525 (or 492.63%). The actual results for 2012 and 2011 were \$38,338,722 and \$2,111,628 of net appreciation in fair market value of investments, respectively and \$6,632,882 and \$6,842,331 of income from interest, dividends and other income, for 2012 and 2011, respectively. Net income from security lending activities was \$69,269 and \$108,864 for 2012 and 2011, respectively. Investment expenses increased by \$98,525 (or 5.93%) from 2011.

For the fiscal year ended September 30, 2011, net investment income decreased \$12,916,884 (or 63.59%). 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 income, 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, 2012, benefit payments and refunds of contributions increased by \$2,666,436 (or 9.43%) from 2011.

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, 2012, administrative expenses increased by \$49,321 from 2011 (or 17.60%) due primarily to an increase in professional fees and other administrative expenses.

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.

### **Plan Highlights**

For the fiscal year ended September 30, 2012, the relative return of the portfolio was 17.36%. Actual net returns from investments in 2012 were a net return of \$43,279,646 compared to a net return of \$7,400,121 in 2011.

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.

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

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## 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, 2012 and 2011**

**Statements of Plan Net Assets**

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

	2012	2011	2010
Cash and cash equivalents	\$ 9,700,628	\$ 5,049,033	\$ 11,343,571
Receivables	1,891,738	3,719,625	6,351,583
Securities lending cash collateral - invested	35,443,530	48,304,340	44,629,163
Investments	272,145,371	232,916,837	220,715,360
Total assets	319,181,267	289,989,835	283,039,667
Liabilities	39,252,004	49,196,364	46,343,138
Net assets held in trust for pension benefits	\$ 279,929,263	\$ 240,793,471	\$ 236,696,539

**Statements of Changes in Plan Net Assets**

The following condensed comparative summary of the Statements of Changes in Net Assets reflects the activities of the Plan for the fiscal years ended September 30:

	2012	2011	2010
Additions:			
Contributions			
City	\$ 23,000,549	\$ 21,628,945	\$ 24,302,660
Share plan	145,830	145,830	270,485
Employees	3,969,733	3,466,245	2,835,858
Total	27,116,112	25,241,020	27,409,003
Net investment income	43,279,646	7,400,121	20,317,005
Net additions	70,395,758	32,641,141	47,726,008
Deductions:			
Pension benefits paid	30,693,352	28,043,897	29,241,730
Refunds of contributions	237,056	220,075	215,937
Administrative expenses	329,558	280,237	267,091
Total deductions	31,259,966	28,544,209	29,724,758
Net increase	39,135,792	4,096,932	18,001,250
Net assets held in trust for pension benefits at beginning of year	240,793,471	236,696,539	218,695,289
Net assets held in trust for pension benefits at end of year	\$ 279,929,263	\$ 240,793,471	\$ 236,696,539

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 2012 increased from those of fiscal year ended 2011 and 2010.

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, 2012 and 2011**

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**Asset Allocation**

At the end of the fiscal year ended September 30, 2012, the domestic and international equity portion comprised 33.41% (\$94,165,925) and 17.71% (\$49,927,749), respectively, of the total portfolio. The allocation to domestic and international fixed income securities was 20.16% (\$56,826,794) and 4.77% (\$13,437,702), respectively, while cash and cash equivalents comprised 3.44% (\$9,700,628). The portion of investments allocated to real estate was \$32,791,885 or 11.64% of the total portfolio. The remaining 8.87% (\$24,995,316) is allocated to alternative investments.

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.

The target asset allocation ranges as of September 30, 2012 and 2011 were as follows:

	<b>2012</b>	2011
Domestic equities	<b>35%</b>	40%
International equities	<b>20%</b>	20%
Domestic fixed income	<b>20%</b>	20%
International fixed income	<b>5%</b>	5%
Real estate	<b>10%</b>	10%
Alternatives	<b>5%</b>	5%
Special income	<b>5%</b>	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, 2012 and 2011

	2012	2011
<b>Assets</b>		
Cash and cash equivalents	\$ 9,700,628	\$ 5,049,033
Receivables		
Accrued interest and dividends	474,812	571,755
Buyback receivable	95,323	71,158
Share plan contributions	93,559	145,830
Receivable for securities sold	1,215,247	2,921,250
Other receivables	12,797	9,632
Total receivables	1,891,738	3,719,625
Securities lending cash collateral - invested	35,443,530	48,304,340
Investments, at fair value		
U.S. Government and agency	21,039,557	18,545,710
Domestic fixed income fund	13,188,577	12,785,728
Global fixed income	13,437,702	11,708,592
Corporate bonds	22,598,660	22,127,384
Common stocks	94,165,925	84,734,575
International equity	49,927,749	44,449,826
Real estate	32,791,885	28,968,362
Alternative investments	24,995,316	9,596,660
Total investments	272,145,371	232,916,837
Total assets	319,181,267	289,989,835
<b>Liabilities</b>		
Accounts payable	145,901	144,964
Payable for securities purchased	3,662,573	747,060
Obligations under securities lending	35,443,530	48,304,340
Total liabilities	39,252,004	49,196,364
Net assets held in trust for pension benefits (a schedule of funding progress is presented on page 24)	\$ 279,929,263	\$ 240,793,471

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, 2012 and 2011

	2012	2011
<b>Additions</b>		
City contributions	\$ 23,000,549	\$ 21,628,945
Share plan contributions	145,830	145,830
Total City and share plan contributions	23,146,379	21,774,775
Employees:		
Employee contributions	3,782,365	3,297,153
Buybacks	187,368	169,092
Total employee contributions	3,969,733	3,466,245
Total contributions	27,116,112	25,241,020
Investment income:		
Net appreciation in fair value of investments	38,338,722	2,111,628
Interest and dividends	6,621,097	6,802,112
Other income	11,785	40,219
Total investment income	44,971,604	8,953,959
Less investment expenses	1,761,227	1,662,702
Total investment income before securities lending activity	43,210,377	7,291,257
Securities lending activities:		
Security lending income	106,473	167,398
Security lending fees and rebates	(37,204)	(58,534)
Net income from security lending activities	69,269	108,864
Total net investment income	43,279,646	7,400,121
<b>Total additions</b>	<b>70,395,758</b>	<b>32,641,141</b>
<b>Deductions</b>		
Pension benefits paid	30,693,352	28,043,897
Refunds of contributions	237,056	220,075
Administrative expenses	329,558	280,237
<b>Total deductions</b>	<b>31,259,966</b>	<b>28,544,209</b>
Net increase	39,135,792	4,096,932
Net assets held in trust for pension benefits:		
Beginning of year	240,793,471	236,696,539
End of year	\$ 279,929,263	\$ 240,793,471

The accompanying notes are an integral part of these financial statements

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

### 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:

	2011	2010
Retirees and beneficiaries currently receiving benefits, including DROP, and terminated employees entitled to benefits, but not yet receiving them	853	817
Current employees:		
Vested	326	349
Non-vested	288	323
Total	614	672

*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, 2011, the normal retirement benefits for participants other than firefighters, police officers, and excluded employees shall be accrued benefits as of September 30, 2011, 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 employees other than firefighters and police officers who are not included in any bargaining unit for collective bargaining purposes (excluded employees) normal retirement benefits are accrued benefits as of September 30, 2011, 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, 2012 and 2011

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### 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, 2012 and 2011 was \$25,240,420 and \$20,405,020, 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% of total earnings to the Plan. Effective October 1, 2011 general employees who were members of Local Union 769 and management employees shall have their contribution percentage increased based on increases in City contribution requirements since the October 1, 2009 actuarial provisions. For the fiscal year ended September 30, 2012, Union 769 employees' contribution was determined to be 14.30% and management employees 12.00%

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

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### Note 1 - Description of the Plan – continued

#### *Funding Requirements*

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. The City's contribution is reduced by the following:

(a) For police officers and firefighters:

- 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.

(b) For general employees who are members of Local Union 769 and excluded employees (effective 10/1/11):

- Member contribution percentages for each fiscal year beginning October 1, 2011 and subsequent fiscal years shall be increased based on the increases in City contribution requirements since the October 1, 2009 Actuarial Valuation.
- City contribution percentages shall be decreased by the amount of the members' contribution increases
- The City's October 1, 2009 contribution requirements, as adjusted for the September 27, 2010 Actuarial Impact Statement, will be further adjusted for the impacts of any changes in Actuarial Assumptions and/or methods subsequent to October 1, 2009.

#### *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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

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### Note 2 - Summary of Significant Accounting Policies - continued

#### *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*

Investments are recorded at fair value in the Statement of Plan Net Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Trust has entered into requires a range of techniques to determine fair value. The overall valuation processes and information sources by major investment classification are as follows:

- **Debt securities:** Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporate bonds, and global and domestic bond funds. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.
- **Equity securities:** These include common stocks and international equity funds. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2012 and 2011. Securities which are not traded on a national security exchange are valued by the respective fund manager or other third parties based on yields currently available on comparable securities of issuers with similar credit ratings.
- **Alternative investments:** These investments include private equity, private debt, venture capital and equity real estate investments where no readily ascertainable market value exists. To value these investments, management, in consultation with the general partner and investment advisors, determines the fair values for the individual investments based upon the partnership's or limited liability company's most recent available financial information adjusted for cash flow activities through September 30, 2012 and 2011. The estimated fair value of these investments may differ from values that would have been used had a ready market existed.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

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### Note 2 - Summary of Significant Accounting Policies - continued

#### *Investments - continued*

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

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

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 March 7, 2013, 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, 2012 and 2011

### Note 3 - Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2011, 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
10/1/2011	\$264,628	\$499,648	\$235,020	53.0%	\$40,864	574.6%

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	10/01/2011
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% due to inflation beginning 10/1/10, 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, 2012 and 2011 amounted to \$23,146,379 and \$21,774,775, respectively and were determined by the October 1, 2010 and 2009 actuarial valuation, respectively. For the fiscal years ended September 30, 2012 and 2011, the actual amounts of covered payroll were approximately \$52,304,000 and \$52,240,000, respectively.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

### Note 4 - Funding Requirements and Contributions - continued

#### *Actual Contributions - continued*

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

	2012	
	Amount	Percent of Actual Annual Covered Member Payroll
City	\$ 23,000,549	43.97%
Share plan	145,830	0.28
Employee	3,969,733	7.59
<b>Total</b>	<b>\$ 27,116,112</b>	<b>51.84%</b>

  

	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
<b>Total</b>	<b>\$ 25,241,020</b>	<b>48.32%</b>

#### *Actuarially Determined Contributions*

The contributions required from the City of Coral Gables for the fiscal years ended September 30, 2012 and 2011, were actuarially determined by the October 1, 2010 and 2009 valuation reports (updated) to be \$23,000,549 and \$22,405,410, respectively. The actuarially computed annual covered payroll amounted to approximately \$46,950,000 and \$52,693,000, respectively.

Funding requirements based on valuations prior to October 1, 2009, disclosed a specific dollar amount for the minimum required employer contribution which was based on the actuarially projected payroll. For the year ended September 30, 2011, at the request of the Division of Retirement, the City was required to contribute an amount based on the actuarially determined percentage of actual pensionable payroll ("percentage of payroll method"). The actuarially determined percentage was 40.98% for the fiscal year ended September 30, 2011. As a result, the City contribution based on the actual pensionable wages of \$52,240,271 amounted to \$21,408,063.

Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain a contribution method (percentage of payroll or fixed dollar contributions) that best fits the funding requirements of the Plan. For the year ended September 30, 2012, the Plan determined to use the "fixed dollar contribution amount".

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

### Note 4 - Funding Requirements and Contributions

#### *Actuarially Determined Contributions - continued*

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

2012		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost plus interest	\$ 5,468,917	11.65%
Amortization of unfunded liability	17,531,632	37.34
<b>Total required from City</b>	<b>\$ 23,000,549</b>	<b>48.99%</b>

  

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
<b>Total required from City</b>	<b>\$ 21,408,063</b>	<b>40.62%</b>

### Note 5 - Deposits and Investment Risk Disclosures

#### *Cash and Cash Equivalents*

Deposits are carried at cost and are included in cash and cash equivalents in the statement of plan net assets. Cash and cash equivalents include demand accounts and short-term investment funds (STIF). The allowable STIF investments are the custodial short-term (money market) commingled fund, commercial paper and U.S. governmental obligations. Cash and cash equivalents at September 30 consists of the following:

	2012	2011
Deposits – managed overdraft	\$ 2,910,862	\$ 542,962
Short-term investment	6,789,766	4,506,071
<b>Total</b>	<b>\$ 9,700,628</b>	<b>\$ 5,049,033</b>

#### *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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

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### Note 5 - Deposits and Investment Risk Disclosures - continued

#### *Investment Authorization - continued*

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.

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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

### Note 5 - Deposits and Investment Risk Disclosures - continued

#### *Investment Authorization - continued*

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 diversify 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:

<b>Authorized investments</b>	<b>Minimum</b>	<b>Maximum</b>
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.

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, 2012 and 2011:

2012					
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	\$ 21,039,557	\$ -	\$ 3,443,070	\$ 2,000,212	\$ 15,596,275
Corporate bonds	22,598,660	3,445,475	7,291,172	8,906,891	2,955,122
Domestic fixed income fund	13,188,577	-	6,589,571	6,599,006	-
Global fixed income	13,437,702	-	6,538,620	6,899,082	-
	<b>\$ 70,264,496</b>	<b>\$ 3,445,475</b>	<b>\$23,862,433</b>	<b>\$24,405,191</b>	<b>\$ 18,551,397</b>

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

### Note 5 - Deposits and Investment Risk Disclosures - continued

#### Interest Rate Risk - continued

		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
	\$	65,167,414	\$ 2,451,095	\$21,639,516	\$ 17,942,124	\$23,134,679

#### 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.

The following table discloses credit ratings by investment type, at September 30, 2012 and 2011, as applicable:

		2012	
	Fair Value	Percentage of Portfolio	
<b>U.S. government guaranteed*</b>	<b>\$ 21,039,557</b>	<b>29.94%</b>	
<b>Quality rating of credit risk debt securities</b>			
AAA	15,698,468	22.35	
AA+	1,383,792	1.97	
AA	1,525,385	2.17	
AA-	749,273	1.07	
A+	1,501,024	2.14	
A	5,788,785	8.24	
A-	5,951,512	8.47	
BBB+	2,709,444	3.86	
BBB	8,780,328	12.49	
BBB-	933,757	1.33	
BB+	56,568	0.08	
BB	1,787,810	2.54	
B and lower	1,443,861	2.05	
Not rated	914,932	1.30	
<b>Total credit risk debt securities</b>	<b>49,224,939</b>	<b>70.06</b>	
<b>Total fixed income securities</b>	<b>\$ 70,264,496</b>	<b>100.00%</b>	

\*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, 2012 and 2011

### Note 5 - Deposits and Investment Risk Disclosures – continued

#### *Credit Risk - continued*

	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	100.00%

\*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*

Deposits are exposed to custodial risk if they are uninsured and uncollateralized. Custodial risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Plan's deposits are covered by depository insurance or are collateralized by securities held with a financial institution in the Plan's name. The Plan is only exposed to custodial credit risk for uncollateralized cash and cash equivalents that are not covered by federal depository insurance.

Custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Plan, and are held either by the counterparty or the counterparty's trust department or agent but not in the Plan's name.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

### Note 6 - Deposits and Investment Risk Disclosures - (continued)

#### *Custodial Credit Risk - continued*

Consistent with the Plan's investment policy, the investments are held by Plan's custodial banks 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.

#### *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.

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 September 30, 2012, the pool has a weighted average term to maturity of fifty-six 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:

	2012	
	Market Value of Securities on Loan for Cash	Fair Value of Cash Collateral Invested
<b>Securities Lent:</b>		
U.S. government and agency obligations	\$ 450,519	\$ 462,802
Domestic corporate stocks	29,620,496	30,470,137
Domestic corporate bonds	4,396,237	4,510,591
<b>Total securities lent</b>	<b>\$ 34,467,252</b>	<b>\$ 35,443,530</b>
	2011	
	Market Value of Securities on Loan for Cash	Fair Value of Cash Collateral Invested
<b>Securities Lent:</b>		
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
<b>Total securities lent</b>	<b>\$ 46,442,085</b>	<b>\$ 48,304,340</b>

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2012 and 2011

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### **Note 6 - Deposits and Investment Risk Disclosures - (continued)**

#### *Securities Lending Transactions - continued*

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.

### **Note 7 - Subsequent Events**

On February 14, 2013, the Board of Trustees approved the updated calculation of the required contribution rate for Union 769 (non-excludable) employees and management (excludable) employees. For the fiscal years ended September 30, 2012 and 2013, the rates were updated by the actuary based on revised asset allocation data adjustments. The effect of the calculation for the fiscal year ended September 30, 2012 was to increase the rate of contribution for management (excludable) employees from 12.00% to 13.79% and reduce the rate of contribution for Union (non-excludable) employees from 14.30% to 14.27%. The net effect of the adjustments will be corrected by the City within their payroll system during the fiscal year ended September 30, 2013. Effective October 1, 2012, the new contribution rate for management and Union employees will be 19.04% and 20.26%, respectively.

On March 5, 2013 the Plan received a net settlement from Merrill Lynch for \$210,408. The proceeds represent the Plan's pro rata share of the net settlement from a class action litigation claim to which the Plan was a party.

## **Required Supplementary Information**

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**City of Coral Gables Retirement System**  
**Required Supplementary Information**  
**Schedule of Funding Progress and Schedule of Contributions by Employer - Unaudited**  
**September 30, 2012**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a % of Annual Covered Payroll</b>
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
10/1/11	264,628	499,648	235,020	53.0	40,864	574.6

**Schedule "2"**  
**Schedule of Contributions by Employer**

<b>Year Ended September 30,</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
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
2012	23,000,549	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, 2012 and 2011

	2012	2011
<b>Schedule "1"</b>		
<b>Schedule of Investment Expenses</b>		
Financial management expenses		
Aletheia Research	\$ 66	\$ 94,735
Delaware Capital	126,951	131,684
Eagle Capital	194,371	199,396
Global Equity	150,750	155,893
JK Milne	63,232	63,357
JP Morgan	395,853	268,124
MD SASS Securities	148,716	162,566
Richmond Capital	102,393	91,129
Richmond Capital Tips	6,963	6,782
Wells Capital	213,573	4,703
Winslow Capital	157,823	165,364
Total financial management expenses	1,560,691	1,343,733
Investment consultant fees		
The Bogdahn Group	145,000	138,333
Investment custodial fees		
Northern Trust	55,536	180,636
Total investment expenses	\$ 1,761,227	\$ 1,662,702
<b>Schedule "2"</b>		
<b>Schedule of Administrative Expenses</b>		
Personnel Services		
Fringe benefits	\$ 34,127	\$ 33,647
Salaries and payroll taxes	81,901	85,530
Total personnel services	116,028	119,177
Professional services		
Actuarial	99,047	85,338
Audit	31,773	23,000
Legal	36,000	12,915
Total professional services	166,820	121,253
Other		
Dues and subscriptions	600	600
Insurance	4,074	4,021
Printing and office expense	9,999	8,987
Rental	4,796	4,895
Staff travel and member education expense	27,241	21,304
Total other	46,710	39,807
Total administrative expenses	\$ 329,558	\$ 280,237





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