



**City of Coral Gables Retirement System**

**Financial Statements  
Years Ended September 30, 2014 and 2013**



**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 financial statements of the City of Coral Gables Retirement System (the "Plan"), which comprise the statements of fiduciary net position, as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Coral Gables Retirement System as of September 30, 2014 and 2013, and the related statements of changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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2400 E. Commercial Blvd.  
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## **Independent Auditors' Report (continued)**

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, in 2014, the Plan adopted Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

United States generally accepted accounting principles require that the management's discussion and analysis and 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.

#### ***Other Supplemental Information***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Plan. The accompanying other 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. The other supplemental schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Goldstein Schechter Koch, P.A.*

Hollywood, Florida  
February 12, 2015



## The City of Coral Gables

### *Retirement System*

405 BILTMORE WAY  
CORAL GABLES, FLORIDA 33134

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## **Management's Discussion and Analysis** **(Required Supplementary Information) - Unaudited** **September 30, 2014 and 2013**

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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, 2014 and 2013. 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, 2014 and 2013 by \$336,650,855 and \$311,736,097, respectively (reported as net position restricted for pensions). Net assets are held in trust to meet future benefit payments. The increases of \$24,914,758 and \$31,806,834, in fiduciary net position of the respective years have resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.

- For the fiscal year ended September 30, 2014, receivables decreased \$31,469 (or 3.28%) primarily due to a decrease in employee contribution receivable.

For the fiscal year ended September 30, 2013, receivables decreased \$931,366 (or 49.23%) primarily due to a decrease in receivable for securities sold.

- For the fiscal year ended September 30, 2014, liabilities decreased by \$4,123,988 (or 8.90%) primarily as a result of a decrease in obligations under securities lending.

For the fiscal year ended September 30, 2013, liabilities increased by \$7,088,888 (or 18.06%) primarily as a result of an increase in obligations under securities lending.

- For fiscal year ended September 30, 2014, employer contributions (City) to the Plan increased by \$2,107,838 (or 8.99%) based on the actuarial valuation. Actual City contributions were \$25,554,746 and \$23,446,908 for 2014 and 2013, respectively.

For fiscal year ended September 30, 2013, employer contributions (City) to the Plan increased by \$446,359 (or 1.94%) based on the actuarial valuation. Actual City contributions were \$23,446,908 and \$23,000,549 for 2013 and 2012, respectively.

## **Management's Discussion and Analysis**

### **(Required Supplementary Information) - Unaudited**

#### **September 30, 2014 and 2013**

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#### **Financial Highlights - continued**

- For the fiscal year ended September 30, 2014, employee contributions, including buybacks, decreased by \$606,474 (or 12.90%). The actual employee contributions, including buybacks, were \$4,095,928 and \$4,702,402 for 2014 and 2013, respectively.

For the fiscal year ended September 30, 2013, employee contributions, including buybacks, increased by \$732,669 (or 18.46%). The actual employee contributions, including buybacks, were \$4,702,402 and \$3,969,733 for 2013 and 2012, respectively.

- For the fiscal year ended September 30, 2014, net investment income decreased \$7,302,753 (or 19.36%). The actual results for 2014 and 2013 were \$26,432,873 and \$32,838,854 of net appreciation in fair market value of investments, respectively and \$5,760,418 and \$6,550,648 of income from interest, dividends and other income, for 2014 and 2013, respectively. Net income from security lending activities was \$93,311 and \$114,034 for 2014 and 2013, respectively. Investment expenses increased by \$85,819 (or 4.82%) from 2013.

For the fiscal year ended September 30, 2013, net investment income decreased \$5,555,813 (or 12.84%). The actual results for 2013 and 2012 were \$32,838,854 and \$38,338,722 of net appreciation in fair market value of investments, respectively and \$6,550,648 and \$6,632,882 of income from interest, dividends and other income, for 2013 and 2012, respectively. Net income from security lending activities was \$114,034 and \$69,269 for 2013 and 2012, respectively. Investment expenses increased by \$18,476 (or 1.05%) from 2012.

- For the fiscal year ended September 30, 2014, benefit payments and refunds of contributions increased by \$1,093,649 (or 3.23%) from 2013.

For the fiscal year ended September 30, 2013, benefit payments and refunds of contributions increased by \$2,944,497 (or 9.52%) from 2012.

- For the fiscal year ended September 30, 2014, administrative expenses decreased by \$2,962 (or 0.88%) from 2013 due primarily to a decrease in professional fees and other administrative expenses.

For the fiscal year ended September 30, 2013, administrative expenses increased by \$7,676 (or 2.33%) from 2012 due primarily to an increase in professional fees and other administrative expenses.

#### **Plan Highlights**

For the fiscal year ended September 30, 2014, the relative return of the portfolio was 9.16%. Actual net returns from investments in 2014 were a net investment income of \$30,421,080 compared to a net investment income of \$37,723,833 in 2013.

For the fiscal year ended September 30, 2013, the relative return of the portfolio was 13.22%. Actual net returns from investments in 2013 were a net investment income of \$37,723,833 compared to a net investment income of \$43,279,646 in 2012.

# Management's Discussion and Analysis (Required Supplementary Information) - Unaudited September 30, 2014 and 2013

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## Overview of the Financial Statements

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

The Plan presents required supplementary schedules and other supplemental schedules as described below.

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.

The Plan implemented the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans an amendment of GASB No. 25 as approved by the Governmental Accounting Standards Board in June 2012 in the financial statements for the fiscal year ended September 30, 2014. The financial statements, notes to the financial statements, and required supplementary information reflect changes as required by this statement.

## Description of the Financial Statements

The *Statement of Fiduciary Net Position* presents information that includes all of the Plan's assets and liabilities, with the balance representing the Net Position Restricted for Pensions. 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 Fiduciary Net Position* reports how the Plan's net assets changed during the fiscal year. The additions and deductions to net position are summarized in this statement. The additions include contributions to the retirement plan from employers (City) and members (employees) 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 is also *Required Supplementary Information* included in this report as required by the Governmental Accounting Standards Board. These schedules consist of the Plan's actuarial methods and assumptions and provide data on changes in the City's net pension liability, the City's contributions, and the Plan's investment returns.

Additional information is presented as part of *Other Supplemental Schedules*. This section is not required but management has chosen to include it. It includes *Schedules of Investment Expenses and Administrative Expenses*. The *Schedule of Investment Expenses* presents the expenses incurred in managing and monitoring the investments of the 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, 2014 and 2013**

**Condensed Statements of Fiduciary Net Position**

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

	2014	2013	2012
Cash and cash equivalents	\$ 5,424,862	\$ 8,156,506	\$ 9,700,628
Receivables	928,903	960,372	1,891,738
Securities lending cash collateral - invested	41,790,165	45,133,546	35,443,530
Investments	330,723,829	303,826,565	272,145,371
Total assets	378,867,759	358,076,989	319,181,267
Liabilities	42,216,904	46,340,892	39,252,004
Net position restricted for pensions	\$ 336,650,855	\$ 311,736,097	\$ 279,929,263

**Condensed Statements of Changes in Fiduciary Net Position**

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

	2014	2013	2012
Cash and cash equivalents Additions:			
Contributions			
City	\$ 25,554,746	\$ 23,446,908	\$ 23,000,549
Share plan	145,830	145,830	145,830
Employees	4,095,928	4,702,402	3,969,733
Total	29,796,504	28,295,140	27,116,112
Net investment income	30,421,080	37,723,833	43,279,646
Net additions	60,217,584	66,018,973	70,395,758
Deductions:			
Pension benefits paid	34,523,344	33,487,568	30,693,352
Refunds of contributions	445,210	387,337	237,056
Administrative expenses	334,272	337,234	329,558
Total deductions	35,302,826	34,212,139	31,259,966
Net increase	24,914,758	31,806,834	39,135,792
Net position restricted for pensions			
at beginning of year	311,736,097	279,929,263	240,793,471
Net position restricted for pensions			
at end of year	\$ 336,650,855	\$ 311,736,097	\$ 279,929,263

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 2014 decreased from those of fiscal year ended 2013 and 2012.

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, 2014 and 2013

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### Asset Allocation

At the end of the fiscal year ended September 30, 2014, the domestic and international equity portion comprised 37.85% (\$127,201,735) and 13.77% (\$46,298,904), respectively, of the total portfolio. The allocation to domestic and international fixed income securities was 13.03% (\$43,805,986) and 4.77% (\$16,045,556), respectively, while cash and cash equivalents comprised 1.61% (\$5,424,862). The portion of investments allocated to real estate was \$42,456,292 or 12.63% of the total portfolio. The remaining 16.34% (\$54,915,355) is allocated to alternative investments.

At the end of the fiscal year ended September 30, 2013, the domestic and international equity portion comprised 34.6% (\$107,949,902) and 18.54% (\$57,843,635), respectively, of the total portfolio. The allocation to domestic and international fixed income securities was 13.94% (\$43,496,347) and 4.84% (\$15,105,495), respectively, while cash and cash equivalents comprised 2.61% (\$8,156,506). The portion of investments allocated to real estate was \$37,656,496 or 12.07% of the total portfolio. The remaining 13.33% (\$41,774,690) is allocated to alternative investments.

The target asset allocation was as follows at September 30:

	<b>2014</b>	2013
Domestic equities	<b>40%</b>	35%
International equities	<b>20%</b>	20%
Domestic fixed income	<b>15%</b>	15%
International fixed income	<b>5%</b>	5%
Real estate	<b>10%</b>	10%
Alternatives	<b>10%</b>	5%
Special income	<b>0%</b>	10%

### 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 Fiduciary Net Position

September 30, 2014 and 2013

	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 5,424,862	\$ 8,156,506
Receivables		
Accrued interest and dividends	382,552	393,233
Employee contributions receivable	-	98,702
Buyback receivable	24,095	65,488
Share plan contributions	145,830	145,830
Receivable for securities sold	358,657	231,024
Other receivables	17,769	26,095
Total receivables	928,903	960,372
Securities lending cash collateral - invested	41,790,165	45,133,546
Investments, at fair value		
U.S. Government and agency	24,219,235	22,518,910
Global fixed income	16,045,556	15,105,495
Corporate bonds	19,586,751	20,977,437
Common stocks	127,201,736	107,949,902
International equity	46,298,904	57,843,635
Real estate	42,456,292	37,656,496
Alternative investments	54,915,355	41,774,690
Total investments	330,723,829	303,826,565
Total assets	378,867,759	358,076,989
<b>Liabilities</b>		
Accounts payable	173,463	286,538
Payable for securities purchased	253,276	920,808
Obligations under securities lending	41,790,165	45,133,546
Total liabilities	42,216,904	46,340,892
Net position restricted for pensions	\$ 336,650,855	\$ 311,736,097

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

**City of Coral Gables Retirement System**  
**Statements of Changes in Fiduciary Net Position**  
**For the Years Ended September 30, 2014 and 2013**

	2014	2013
<b>Additions</b>		
City contributions	\$ 25,554,746	\$ 23,446,908
Share plan contributions	145,830	145,830
Total City and share plan contributions	25,700,576	23,592,738
Employees:		
Employee contributions	4,095,928	4,678,505
Buybacks	-	23,897
Total employee contributions	4,095,928	4,702,402
Total contributions	29,796,504	28,295,140
Investment income:		
Net appreciation in fair value of investments	26,432,873	32,838,854
Interest and dividends	5,704,390	6,320,922
Other income	56,028	229,726
Total investment income	32,193,291	39,389,502
Less investment expenses	1,865,522	1,779,703
Total investment income before securities lending activity	30,327,769	37,609,799
Securities lending activities:		
Security lending income	137,778	175,341
Security lending fees and rebates	(44,467)	(61,307)
Net income from security lending activities	93,311	114,034
Total net investment income	30,421,080	37,723,833
<b>Total additions</b>	<b>60,217,584</b>	<b>66,018,973</b>
<b>Deductions</b>		
Pension benefits paid	34,523,344	33,487,568
Refunds of contributions	445,210	387,337
Administrative expenses	334,272	337,234
<b>Total deductions</b>	<b>35,302,826</b>	<b>34,212,139</b>
Net increase	24,914,758	31,806,834
Net position restricted for pensions:		
Beginning of year	311,736,097	279,929,263
End of year	\$ 336,650,855	\$ 311,736,097

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

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### 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 Plan’s governing board is made up of a Board of Trustees consisting of 13 members:

- One is elected by the participating police officers
- One is elected by the participating firefighters
- One is elected by the participating employees other than police officers and firefighters
- One is elected by all current fulltime participating employees
- Five are legal residents of the City who are not participants and are appointed by the City Commission
- The City Finance Director
- The City Human Resources Director
- Two are recommended by the City Manager and approved by the City Commission

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:

	2013	2012
Retirees and beneficiaries currently receiving benefits, including DROP, and terminated employees entitled to benefits, but not yet receiving them	920	889
Current employees:		
Vested	275	303
Non-vested	290	292
Total	565	595

#### *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). For police officers with less than 10 years of credited service at September 30, 2012, normal retirement shall be the earliest of (a) age 55 and 10 years of credited service or (b) 25 years of credited service.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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

#### *Pension Benefits - continued*

Effective September 30, 2013, the normal retirement date for firefighters with less than ten years of credited service on September 30, 2013, and firefighters hired on or after that date means the first day of the month coincident with or next following the date on which the participant attains 51 years of age with 25 years of credited service, or "Rule of 76" (age plus years of credited service equal 76); provided, any such member whose normal retirement date under the "Rule of 76" would be after age 59 and who is within 12 months of completing ten years of credited service on October 15, 2013 shall retain the "Rule of 70" normal retirement date.

Upon normal retirement, police officers eligible for normal retirement at September 30, 2012 and firefighters eligible for normal retirement at September 30, 2013 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. For police officers not eligible for normal retirement at September 30, 2012 the normal retirement benefits shall be 3% for the first 10 years of credited service and 2.5% thereafter (however, credited service prior to September 30, 2012 will accrue at 3%), multiplied by average final compensation, with a maximum of 75% of average final compensation. For firefighters, effective September 30, 2013, the monthly amount of normal retirement income payable to firefighter hired on or after that date shall equal 3% of average final compensation multiplied by the first 10 years of credited service, and 2.5% of average final compensation multiplied by the total years of credited service in excess of the first 10 years of credited service, with the combined normal retirement income not to exceed 75 percent of average final compensation. For employees other than firefighters and police officers who are not included in any bargaining unit for collective bargaining purposes, 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.

Notwithstanding the foregoing, the normal retirement income payable to participants, other than police officers and firefighters, who as of September 30, 2010 attained the normal retirement date in effect on September 29, 2010, shall be based on the highest three-year average.

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, 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

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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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

#### *Pension Benefits - continued*

Early retirement, disability, death and other benefits are also provided. For police officers not eligible for normal retirement at September 30, 2012, early retirement is eliminated. Firefighters who are employed on September 30, 2013 and have not attained early retirement eligibility as of that date, and firefighters hired on or after October 1, 2013, shall not be eligible for early retirement.

#### *Deferred Retirement Option Plan*

Members who continue employment with the City pass their 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, 2014 and 2013 was \$37,787,436 and \$30,656,516, respectively.

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

	<b>2014</b>	2013
Beginning balance	<b>\$ 30,656,516</b>	\$ 25,240,420
Additions	<b>10,444,263</b>	9,976,922
Distributions	<b>(5,856,374)</b>	(6,420,273)
Interest	<b>2,543,031</b>	1,859,447
<b>Ending balance</b>	<b>\$ 37,787,436</b>	\$ 30,656,516

#### *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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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

#### *Member Contribution*

All police officers and firefighters (prior to September 30, 2013) participants are required to contribute 5% of their total earnings to the Plan. Effective September 30, 2013, firefighters are required to contribute 8% of pensionable 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 14.27% and management employees 13.79%. Effective October 1, 2013, the contribution rate for management and union employees were 15.00% and 17.00%, respectively, of compensation. Effective October 1, 2014, excluded employees shall contribute in accordance with the cost-sharing provisions with the City.

#### *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 to 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 October 1, 2011):

- 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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### 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*

Investments are recorded at fair value in the Statement of Fiduciary Net Position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The diversity of the investment types in which the Plan 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, 2014 and 2013. 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, 2014 and 2013. 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, 2014 and 2013

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

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

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

#### *Recently Adopted Accounting Pronouncements*

The Plan adopted Governmental Accounting Standards Board (“GASB”) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB Statement No. 67). GASB Statement No. 67 applies to pension plans that administer pension benefits for governments through a trust or equivalent arrangement that meets certain specified criteria. GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the net pension liability of employers for benefits provided through the pension plan. The adoption changed various reporting terminology, footnote disclosures, and required supplementary information to be disclosed.

#### *Subsequent Events*

Management has evaluated subsequent events through February 12, 2015, 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, 2014 and 2013

### Note 3 - Funding Requirements and Contributions

#### *Actual Contributions*

The actual City contributions, for active employees and the Share Plan contributions for the years ended September 30, 2014 and 2013 amounted to \$25,700,576 and \$23,592,738, respectively and were determined by the October 1, 2012 and 2011 actuarial valuation, respectively. For the fiscal years ended September 30, 2014 and 2013, the actual amounts of covered payroll were approximately \$36,297,000 and \$50,284,000, respectively.

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

2014		
	Amount	Percent of Actual Annual Covered Member Payroll
City	\$ 25,554,746	70.40%
Share plan	145,830	0.40
Employee	4,095,928	11.28
<b>Total</b>	<b>\$ 29,796,504</b>	<b>82.08%</b>

  

2013		
	Amount	Percent of Actual Annual Covered Member Payroll
City	\$ 23,446,908	46.63%
Share plan	145,830	0.29
Employee	4,702,402	9.35
<b>Total</b>	<b>\$ 28,295,140</b>	<b>56.27%</b>

#### *Actuarially Determined Contributions*

The contributions required from the City of Coral Gables and the State for the fiscal years ended September 30, 2014 and 2013, were actuarially determined by the October 1, 2012 and 2011 valuation reports (updated) to be \$25,678,422 and \$24,752,442, respectively. The actuarially computed annual covered payroll amounted to approximately \$39,652,000 and \$40,864,000, 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").

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 years ended September 30, 2014 and 2013, the Plan determined to use the "fixed dollar contribution amount".

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 3 - Funding Requirements and Contributions - continued

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

2014		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost plus interest	\$ 3,855,969	9.93%
<u>Amortization of unfunded liability</u>	<u>21,676,623</u>	<u>55.80</u>
<u>Total required from City</u>	<u>\$ 25,532,592</u>	<u>65.73%</u>

  

2013		
	Amount	Percent of Actuarially Computed Annual Covered Payroll
Normal cost plus interest	\$ 3,933,988	9.63%
<u>Amortization of unfunded liability</u>	<u>20,672,824</u>	<u>50.59</u>
<u>Total required from City</u>	<u>\$ 24,606,812</u>	<u>60.22%</u>

### Note 4 - 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 fiduciary net position. 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:

	2014	2013
Deposits – managed overdraft	\$ 3,105,109	\$ 3,575,629
Short-term investment	<u>2,319,753</u>	<u>4,580,877</u>
<u>Total</u>	<u>\$ 5,424,862</u>	<u>\$ 8,156,506</u>

#### *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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 4 - Deposits and Investment Risk Disclosures - continued

#### *Investment Authorization - continued*

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.

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.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 4 - Deposits and Investment Risk Disclosures - continued

#### *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	10	20
International fixed income	0	10
Real estate	5	15
Alternative	0	15

#### *Rate of Return*

For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was 9.16%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### *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, 2014 and 2013:

<b>2014</b>					
<b>Investment Maturities</b>					
<b>(in years)</b>					
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>
U.S. government and agency	\$ 24,219,235	\$ 100,132	\$ 7,935,050	\$ 6,205,628	\$ 9,978,525
Corporate bonds	19,586,751	2,460,212	9,458,909	5,419,137	2,248,493
Global fixed income	16,045,556	-	8,068,590	-	7,976,966
	<b>\$ 59,851,542</b>	<b>\$ 2,560,244</b>	<b>\$ 25,462,549</b>	<b>\$ 11,624,765</b>	<b>\$ 20,203,984</b>

<b>2013</b>					
<b>Investment Maturities</b>					
<b>(in years)</b>					
<b>Investment Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1 to 5</b>	<b>6 to 10</b>	<b>More than 10</b>
U.S. government and agency	\$ 22,518,910	\$ -	\$ 7,872,115	\$ 4,267,263	\$ 10,379,532
Corporate bonds	20,977,437	2,896,269	7,954,823	7,966,990	2,159,355
Global fixed income	15,105,495	-	7,586,505	7,518,990	-
	<b>\$ 58,601,842</b>	<b>\$ 2,896,269</b>	<b>\$ 23,413,443</b>	<b>\$ 19,753,243</b>	<b>\$ 12,538,887</b>

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 4 - Deposits and Investment Risk Disclosures - continued

#### *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, 2014 and 2013, as applicable:

	<b>2014</b>	
	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
<b>U.S. government guaranteed*</b>	<b>\$ 24,219,235</b>	<b>40.47%</b>
<b>Quality rating of credit risk debt securities</b>		
AAA	1,767,893	2.95
AA+	446,290	0.75
AA	667,066	1.87
AA-	762,857	1.27
A+	1,457,514	2.44
A	3,891,825	6.50
A-	4,385,744	7.33
BBB+	3,087,279	5.16
BBB	2,033,602	3.40
BBB-	694,854	1.16
Not rated	16,437,383	27.46
<b>Total credit risk debt securities</b>	<b>35,632,307</b>	<b>59.53</b>
<b>Total fixed income securities</b>	<b>\$ 59,851,542</b>	<b>100%</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, 2014 and 2013

### Note 4 - Deposits and Investment Risk Disclosures - continued

#### *Credit Risk - continued*

	2013	
	Fair Value	Percentage of Portfolio
U.S. government guaranteed*	\$ 22,518,910	38.43%
Quality rating of credit risk debt securities		
AAA	6,860,181	11.71
AA+	2,954,418	5.04
AA	600,457	1.03
AA-	869,540	1.48
A+	1,149,915	1.96
A	3,545,335	6.05
A-	5,606,971	9.57
BBB+	2,468,986	4.21
BBB	2,314,905	3.95
BBB-	1,142,729	1.95
Not rated	8,569,495	14.62
Total credit risk debt securities	36,082,932	61.57
Total fixed income securities	\$ 58,601,842	100.0%

\*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.

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, 2014 and 2013

### Note 4 - 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 Plan 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-nine 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 Plan 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, 2014, the pool has a weighted average term to maturity of forty-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 Plan 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:

<b>2014</b>		
<b>Securities Lent:</b>	<b>Market Value of Securities on Loan for Cash</b>	<b>Fair Value of Cash Collateral Invested</b>
U.S. government and agency obligations	\$ 8,256,042	\$ 8,454,981
Domestic corporate stocks	26,571,025	27,357,615
Domestic corporate bonds	5,816,980	5,977,569
<b>Total securities lent</b>	<b>\$ 40,644,047</b>	<b>\$ 41,790,165</b>

  

<b>2013</b>		
<b>Securities Lent:</b>	<b>Market Value of Securities on Loan for Cash</b>	<b>Fair Value of Cash Collateral Invested</b>
U.S. government and agency obligations	\$ 9,383,336	\$ 9,597,528
Domestic corporate stocks	30,830,452	31,635,702
Domestic corporate bonds	3,800,112	3,900,316
<b>Total securities lent</b>	<b>\$ 44,013,900</b>	<b>\$ 45,133,546</b>

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 4 - 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 5 – Net Pension Liability of the City

The components of the net pension liability of the City at September 30, 2014 and 2013 were as follows:

	<b>2014</b>
<b>Total pension liability</b>	<b>\$ 543,667,082</b>
<b>Plan fiduciary net position</b>	<b>(336,650,855)</b>
<b>City net pension liability</b>	<b>\$ 207,016,227</b>

Plan fiduciary net position as a percentage of total pension liability 61.92%

#### *Actuarial Assumptions*

The total pension liability at September 30, 2014 was determined using an actuarial valuation as of October 1, 2013, with update procedures used to roll forward the total pension liability to September 30, 2014. These actuarial valuations used the following actuarial assumptions:

Inflation	3.75%
Remaining amortization period	22 years
Projected salary increases	Service based table, rates ranging from 4.25% - 5.75%, depending on age, including inflation.
Investment rate of return	7.75% compounded annually, net of pension plan investment expense, including inflation.

Mortality rates calculated with the RP-2000 mortality table for males and females with mortality improvement projected to 2012 using scale AA.

The actuarial assumptions used in the October 1, 2013 valuation were based on the result of an actuarial experience study for the period October 1, 2000 through September 30, 2006. Since this study was performed the investment return assumption has been lowered to reflect the lower capital market forecast of investment consultants.

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

### Note 5 – Net Pension Liability of the City - continued

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*.

ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of the valuation date of October 1, 2012 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return*	2014
Domestic equities		7.5%
International equities		8.5%
Domestic bonds		2.5%
International bonds		3.5%
Real Estate		4.5%

- Real rate of return adjusted for 3.75% annual inflation rate.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long term expected rate of return on pension plan investments (6.33%) was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the City calculated using the discount rate of percent of 7.75%, as well as what the employer net pension liability would if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Employer Net Pension Liability		
	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
September 30, 2014	\$ 256,957,586	\$ 207,016,227	\$ 164,615,367

# City of Coral Gables Retirement System

## Notes to Financial Statements

September 30, 2014 and 2013

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### Note 6 - Subsequent Events

According to Ordinance 2014-19, the following provisions become effective subsequent to the fiscal year end for firefighters and police officers:

- a) Effective September 30, 2014, firefighters shall contribute ten percent of their pensionable earnings to the system.
- b) Effective September 30, 2014 sworn police personnel shall contribute ten percent of their pensionable earnings to the system.
- c) Effective 30, 2014 there shall be no reduction in the maximum DROP period applicable to any police officer who defers entry into the DROP for more than six months following the earliest applicable DROP eligibility date.

## **Required Supplementary Information**

**City of Coral Gables Retirement System**  
**Required Supplementary Information**  
**Schedule of Changes in the City's Net Pension Liability (Unaudited)**  
**Last Fiscal Year**

<b>Total pension liability</b>		
Service cost	\$	6,066,834
Interest		40,360,719
Benefit changes		7,175
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments, including refunds of member contributions		(34,523,344)
Refunds		(445,210)
Net change in total pension liability		11,466,174
Total pension liability- beginning		532,200,908
Total pension liability- ending		543,667,082
<b>Plan fiduciary net position</b>		
Contributions - City		25,554,746
Contributions - Share Plan		145,830
Contributions -employer		4,095,928
Net investment income		30,421,080
Benefit payments, including refunds of member contributions		(34,968,554)
Administrative expenses		(334,272)
Net change in plan fiduciary net position		24,914,758
Plan fiduciary net position – beginning		311,736,097
Plan fiduciary net position - ending	\$	336,650,855
City's net pension liability	\$	207,016,227
Plan fiduciary net position as a percentage of the total pension liability		61.92%
Covered Employee Payroll	\$	36,080,732
Net Pension liability as a percentage of covered employee payroll		573.76%

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

*See accompanying independent auditors' report and notes to required supplementary information.*

# City of Coral Gables Retirement System

## Required Supplementary Information

### Schedule of Changes in the City's Net Pension Liability (Unaudited) - continued

#### Last Fiscal Year

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	<b>2014</b>
Total pension liability	\$ 543,667,082
Plan fiduciary net position	(336,650,855)
City's net pension liability	\$ 207,016,227

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Plan fiduciary net position as a percentage of the  
total pension liability 61.92%

Covered – employee payroll \$ 36,080,732

City's net pension liability as a percentage of  
covered employee payroll 573.76%

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

**City of Coral Gables Retirement System**  
**Required Supplementary Information**  
**Schedule of Contributions by Employer (Unaudited)**  
**Last Fiscal Year**

FY Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Estimated Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 25,678,422	\$ 25,678,422	\$ -	\$ 37,158,283	69.11%

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

**City of Coral Gables Retirement System**  
**Required Supplementary Information**  
**Schedule of Investment Returns (Unaudited)**  
**For the Year Ended September 30, 2014**

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	<b>2014</b>
Annual money-weighted rate of return, net of investment expense.	9.16%

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

**City of Coral Gables Retirement System**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information (Unaudited)**  
**Last Fiscal Year**

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Method and assumptions used in calculations of the Plan's actuarially determined contributions. The actuarially determined contribution rates in the schedule of the Plan's contributions are calculated as of October 1, 2013. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the City's contributions.

**Valuation Date:** October 1, 2013  
**Measurement Date:** September 30, 2014  
**Notes:** Actuarially determined contribution rates are calculated as of October 1, which is two year(s) prior to the end of the fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	5-year smoothed market
Inflation	3.75%
Salary Increases	4.25% to 5.15% depending on age, including inflation
Investment Rate of Return	7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to 2012 using Scale AA
Other Instructions	See discussion of valuation results on Page 1 of the October 1, 2013 Actuarial Valuation Report dated June 5, 2014.

**City of Coral Gables Retirement System**  
**Required Supplementary Information**  
**Notes to Required Supplementary Information (Unaudited) - Continued**  
**Last Ten Fiscal Years**

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

<u>Group</u>	<u>Points</u>	<u>% Retiring Within Next Year</u>
General with 10+Years (9/30/10)	70-84	30%
	85+	100%
General with < 10 Years (9/30/10)	80-84	20%
	85+	100%
Fire with 10+Years {9/30/13}	70-74	40%
	0.75	100%
Fire < 10 Years	76+	40%
	65-74	40%
	75+	100%

A 100% decrement applies at age 65 regardless of points or service.

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment.

**% of Active Members Separating Within Next Year**

<u>Sample Ages</u>	<u>General</u>		<u>Police</u>		<u>Fire</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	16.0%	24.0%	9.0%	12.0%	4.0%	6.0%
25	14.0%	19.0%	7.0%	10.0%	3.4%	5.0%
30	10.0%	<u>14.0%</u>	<u>4.0%</u>	6.0%	2.4%	3.0%
35	7.0%	10.0%	3.0%	4.0%	1.7%	2.0%
40	5.0%	7.0%	2.0%	3.0%	1.2%	1.0%
45	3.0%	5.0%	1.0%	2.0%	1.0%	1.0%
50	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
55	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Rates of disability among active members (75% of disabilities are assumed to be service-connected).

**% Becoming Disabled Within Next Year**

<u>Sample Ages</u>	<u>Male</u>	<u>Female</u>
20	0.033%	0.015%
30	0.054%	0.040%
40	0.132%	0.106%
50	0.403%	0.267%
60	1.413%	0.580%

This assumption is used to measure the probabilities of each benefit payment being made after retirement. For active members, the probabilities of dying before retirement were based upon the same mortality table as members dying after retirement (75% of deaths are assumed to be service-connected).

For disabled retirees, the RP-2000 Disabled Mortality Tables for males and females projected to 2012 using Scale AA is used.

## **Other Supplemental Schedules**

**City of Coral Gables Retirement System**  
**Other Supplementary Schedules of Investment Expenses and Administrative Expenses**  
**For the Years Ended September 30, 2014 and 2013**

	2014	2013
<b>Schedule "1"</b>		
<b>Schedule of Investment Expenses</b>		
Financial management expenses		
Aletheia Research	\$ 171	\$ 5
Delaware Capital	-	102,403
Eagle Capital	263,037	214,520
Global Equity	127,566	117,087
JK Milne	63,008	64,863
JP Morgan	483,479	424,006
MD SASS Securities	193,435	173,445
Richmond Capital	92,413	107,734
Richmond Capital Tips	560	7,778
Wells Capital	203,141	165,940
Winslow Capital	201,982	164,513
Total financial management expenses	<b>1,628,792</b>	1,542,294
Investment consultant fees		
The Bogdahn Group	145,000	145,000
Investment custodial fees		
Northern Trust	91,730	92,409
Total investment expenses	<b>\$ 1,865,522</b>	\$ 1,779,703
<b>Schedule "2"</b>		
<b>Schedule of Administrative Expenses</b>		
Personnel Services		
Fringe benefits	\$ 38,314	\$ 32,501
Salaries and payroll taxes	87,621	82,439
Total personnel services	<b>125,935</b>	114,940
Professional services		
Actuarial	97,161	109,610
Audit	25,500	24,012
Legal	36,000	36,275
Total professional services	<b>158,661</b>	169,897
Other		
Dues and subscriptions	7,262	1,705
Insurance	4,338	4,446
Printing and office expense	9,223	8,638
Rental	5,041	4,971
Staff travel and member education expense	23,812	32,637
Total other	<b>49,676</b>	52,397
Total administrative expenses	<b>\$ 334,272</b>	\$ 337,234



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