CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

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INDEPENDENT AUDITORS' REPORT

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Plan Administrator
City of Miami Fire Fighters' and Police Officers' Retirement Trust

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the Trust), which comprise the statement of fiduciary net position as of September 30, 2019, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

MARCUMGROUP
MEMBER

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Opinion

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Trust as of September 30, 2019, and the related changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

The financial statements of the Trust as of September 30, 2018, were audited by other auditors, whose report dated March 26, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the City's net pension liability and related ratios, schedule of City contributions, schedule of investment returns and notes to required supplemental information on pages 4–9 and 37-41 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Administrative and Investment Expenses (the Schedules) are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020 on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Marcum LLP

Miami, FL
February 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Miami Fire Fighters' and Police Officers' Retirement Trust (the Trust) financial performance provides an overview of the Trust's financial activities for the fiscal years ended September 30, 2019 and 2018. Please read it in conjunction with the Trust's financial statements which follow this discussion.

FINANCIAL HIGHLIGHTS

- The Trust assets exceeded its liabilities at the close of fiscal year ended 2019 and 2018 by $1,561.2 million and $1,566.7 million, respectively. The Trust's net position is held in trust to meet future benefit payments. The Trust experienced a decrease in fiduciary net position of $5.5 million in 2019 and an increase of $15.3 million in fiduciary net position in 2018 which resulted primarily from changes in the fair value of the Trust's investments, due to volatile financial markets.

- For the fiscal year ended September 30, 2019 the Trust received contributions totaling $79 million and had a net investment income of $73.9 million.

  For the fiscal year ended September 30, 2018 the Trust received contributions totaling $71.3 million and had a net investment income of $102.3 million.

- For the fiscal year ended September 30, 2019 the Trust's deductions increased over the prior year from $158.2 million to $158.9 million or 0.5%. The increase can be mostly attributed to a larger number of active members severing employment and withdrawing their accumulated contributions, as well as the annual increase in the cost of living allowance (COLA II) given to retirees.

  For the fiscal year ended September 30, 2018 the Trust's deductions, increased over the prior year from $153.5 million to $158.2 million or 3.1%. Most of this increase is attributable to increase pension benefits paid and distributions to retirees.

- For the year ended September 30, 2019, the total return of the portfolio was 5.39%. Actual net investment income was $73.5 million in 2019 compared with $101.6 million in 2018.

- For the year ended September 30, 2018, the total return of the portfolio was 7.48%. Actual net investment income was $101.6 million in 2018 compared with $136.4 million (as restated) in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

DESCRIPTION OF THE FINANCIAL STATEMENTS

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

The Statement of Changes in Fiduciary Net Position reports how the Trust's net position changed during the fiscal year. The additions and deductions to net position are summarized in these statements. The additions include contributions to the retirement plan from the employer (City) and members and net investment income, which include interest, dividends, investment expenses, and the net appreciation or depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses.

The Notes to the Financial Statements are presented to provide the information necessary for a full understanding of the financial statements. They include additional information not readily evident in the statements themselves such as a description of the Trust, contributions, significant accounting policies, funding policy, and investment risk disclosure.

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

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

FINANCIAL ANALYSIS

- Trust's total assets as of September 30, 2019, were $1,689.2 million and were mostly comprised of cash and cash equivalents, investments and securities lending collateral. Total assets decreased $28.6 million or -1.7% as compared to 2018.

- Trust's total assets as of September 30, 2018, were $1,717.8 million and were mostly comprised of cash and cash equivalents, investments and securities lending collateral. Total assets increased $33.6 million or 2.0% as compared to 2017.

- Total liabilities as of September 30, 2019 were $128.0 million and were mostly comprised of obligations under securities lending and payables for securities purchased. Total liabilities decreased $23.1 million or 15.3% from the prior year primarily due to a decrease in obligations under securities lending.

- Total liabilities as of September 30, 2018 were $151.1 million and were mostly comprised of obligations under securities lending and payables for securities purchased. Total liabilities decreased $18.3 million or 13.8% from the prior year primarily due to a decrease in obligations under securities lending.

- Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2019 by $1,561.2 million. Total fiduciary net position restricted for pensions decreased $5.5 million or -0.3% from the previous year.

- Trust assets exceeded its liabilities at the close of fiscal year ended September 30, 2018 by $1,566.7 million. Total fiduciary net position restricted for pensions increased $15.3 million or 1.0% from the previous year.

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

	2019	2018	Increase (Decrease) Amount	Total Percentage Change
Assets				
Cash and cash equivalents	$ 43,221	$ 51,916	$ (8,695)	-16.7%
Receivables	14,790	4,446	10,344	232.7%
Investments	1,514,508	1,515,955	(1,447)	-0.1%
Security lending collateral - invested	114,569	143,721	(29,152)	-20.3%
Property and equipment, net	2,095	1,744	351	20.1%
Total Assets	1,689,183	1,717,782	(28,599)	-1.7%
Liabilities				
Payables for securities purchased	9,591	6,128	3,463	56.5%
Accounts payable and other liabilities	3,815	1,251	2,564	205.0%
Obligations under securities lending	114,569	143,721	(29,152)	-20.3%
Total Liabilities	127,975	151,100	(23,125)	-15.3%
Net Position Restricted for Pension Benefits	$ 1,561,208	$ 1,566,682	$ (5,474)	-0.3%

ADDITIONS TO FIDUCIARY NET POSITION

The reserves needed to finance retirement benefits are accumulated through the collection of contributions from members and the City and through earnings on investments. Contributions and net investment income for fiscal years 2019 and 2018 totaled $153.5 million and $173.6 million, respectively. For the fiscal year ended September 30, 2019 total additions to plan fiduciary net position decreased by $20.1 million or 11.6% from those of the prior year, due primarily to a decrease in net appreciation in fair value investments.

Actual results were:

- City contributions increased from the previous year by approximately $5.7 million or 10.0% based on the actuarial valuation.
- Member contributions increased from the previous year by approximately $2.1 million or 14.4%. This increase is primarily due to an increase in the number of active members.
- Net investment income decreased from the previous year by $28.2 million or 27.6% as the funds performed less favorable compared to prior year.

For the fiscal year ended September 30, 2018 total additions to plan fiduciary net position decreased by $29.3 million or 14.4% from those of the prior year (2017), due primarily to a decrease in net appreciation in fair value of investments.

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

	2019	2018	Increase (Decrease) Amount	Total Percentage Change
City contribution	$ 62,695	$ 57,000	$ 5,695	10.0%
Member contributions	16,309	14,258	2,051	14.4%
Net investment income	73,863	102,062	(28,199)	-27.6%
Other income	605	234	371	158.5%
Total Additions	$ 153,472	$ 173,554	$ (20,453)	-11.8%

DEDUCTIONS FROM FIDUCIARY NET POSITION

The primary expenses of the Trust include the payment of pension benefits to retired members and beneficiaries, cost of living allowance (COLA) payments to retired members and beneficiaries, refund of contributions to former members, and administrative expenses and depreciation. Total deductions for fiscal years ended 2019 and 2018 were $158.9 million and $158.2 million, an increase of 0.5% and 3.1%, respectively.

For the fiscal year ended September 30, 2019, the payment of pension benefits to retirees and COLA payments increased by $252 thousand or 1.3% from the previous year. The slight increase is due to COLA payments to retirees.

For the fiscal year ended September 30, 2019, the refund of contributions increased by $453 thousand or 210.7% from the previous year. This increase is mostly due to an increase in terminations during the fiscal year.

For the fiscal year ended September 30, 2019, administrative expenses and depreciation increased by approximately $19,000 or 0.9% from the previous year due mostly to an increase in building maintenance cost.

Deductions from Fiduciary Net Position
Years Ended September 30
(Dollar Amounts in Thousands)

	2019	2018	Increase (Decrease) Amount	Total Percentage Change
Pension benefits paid	$ 130,507	$ 130,598	$ (91)	-0.1%
Refund of contributions	668	215	453	210.7%
Cost of Living Allowance	25,623	25,280	343	1.4%
Administrative expenses and depreciation	2,148	2,129	19	0.9%
Total Additions	$ 158,946	$ 158,222	$ 724	0.5%

CAPITAL ASSETS

As of September 30, 2019, the Trust's investment in capital assets totaled $2.1 million (net of accumulated depreciation). This investment in capital assets includes land, building and equipment for administrative use. The appraised value of the Administration building is $3,650,000 at September 30, 2019. An appraisal is performed on an annual basis for insurance and valuation purposes.

RETIREMENT SYSTEM AS A WHOLE

Management believes, and actuarial studies concur, that the Trust's fiduciary net position is in line to meet all its current obligations.

CONTACTING THE TRUST'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2018)

	2019				2018			
	Membership and Benefit Account	Cost-of Living Adjustment I Account	Cost-of Living Adjustment II Account	Total	Membership and Benefit Account	Cost-of Living Adjustment I Account	Cost-of Living Adjustment II Account	Total
Assets								
Cash and cash equivalents	$ 31,387,017	$ 2,045,551	$ 9,788,498	$ 43,221,066	$ 37,819,941	$ 2,332,810	$ 11,763,170	$ 51,915,921
Investments, at Fair Value								
Debt securities, domestic	265,251,243	17,286,920	82,722,465	365,260,628	246,377,392	15,197,052	76,630,980	338,205,424
Debt securities, international	21,678,159	1,412,806	6,760,650	29,851,615	22,155,737	1,366,400	6,891,369	30,413,506
Equity investments, domestic	359,446,305	23,425,788	112,098,567	494,970,660	348,351,782	21,483,726	108,352,099	478,187,607
Equity investments, international	189,282,880	12,335,919	59,030,623	260,649,422	187,960,779	11,592,011	58,463,732	258,016,522
Private equity	126,378,443	8,236,320	39,412,959	174,027,722	114,254,657	7,046,370	35,538,019	156,839,046
Real estate	137,794,548	8,980,329	42,973,237	189,748,114	130,602,146	8,054,561	40,622,777	179,279,484
Absolute return	--	--	--	--	54,646,312	3,370,694	16,996,691	75,013,697
Total Investments	1,099,831,578	71,678,082	342,998,501	1,514,508,161	1,104,348,805	68,110,814	343,495,667	1,515,955,286
Securities Lending Cash Collateral Invested	83,199,351	5,422,257	25,946,928	114,568,536	104,698,329	6,457,008	32,565,597	143,720,934
Receivables								
Proceeds from securities sold	11,277,977.00	--	--	11,277,977	1,132,406	--	--	1,132,406
Accrued interest	3,511,794	--	--	3,511,794	3,313,626	--	--	3,313,626
Total Receivables	14,789,771	--	--	14,789,771	4,446,032	--	--	4,446,032
Property and Equipment, Net	1,521,755	99,176	474,581	2,095,512	1,270,155	78,346	395,057	1,743,558
Total Assets	1,230,729,472	79,245,066	379,208,508	1,689,183,046	1,252,583,262	76,978,978	388,219,491	1,717,781,731
Liabilities								
Payable for securities purchased	9,591,173	--	--	9,591,173	6,127,819	--	--	6,127,819
Accounts payable and other liabilities	3,814,775	--	--	3,814,775	1,250,602	--	--	1,250,602
Obligations under securities lending	83,199,350	5,422,257	25,946,929	114,568,536	104,698,329	6,457,008	32,565,597	143,720,934
Total Liabilities	96,605,298	5,422,257	25,946,929	127,974,484	112,076,750	6,457,008	32,565,597	151,099,355
Net Position Restricted for Pension Benefits	$ 1,134,124,174	$ 73,822,809	$ 353,261,579	$ 1,561,208,562	$ 1,140,506,512	$ 70,521,970	$ 355,653,894	$ 1,566,682,376

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

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019				2018			
	Membership and Benefit Account	Cost-of Living Adjustment I Account	Cost-of Living Adjustment II Account	Total	Membership and Benefit Account	Cost-of Living Adjustment I Account	Cost-of Living Adjustment II Account	Total
Additions								
Contributions:								
City	$ 56,030,260	$ --	$ 6,664,591	$ 62,694,851	$ 50,591,605	$ --	$ 6,408,261	$ 56,999,866
Members	16,309,563	--	--	16,309,563	14,258,763	--	--	14,258,763
Total Contributions	72,339,823	--	6,664,591	79,004,414	64,850,368	--	6,408,261	71,258,629
Investment Income								
Net appreciation in fair value of investments	37,523,258	2,342,295	11,237,490	51,103,043	62,628,032	3,252,999	16,810,944	82,691,975
Interest	12,744,076	791,173	3,900,381	17,435,630	12,669,865	647,483	3,368,136	16,685,484
Dividends	7,669,494	476,164	2,349,204	10,494,862	7,276,134	372,642	1,935,952	9,584,728
	57,936,828	3,609,632	17,487,075	79,033,535	82,574,031	4,273,124	22,115,032	108,962,187
Less: investment expenses	(4,058,525)	(250,735)	(1,240,171)	(5,549,431)	(5,597,556)	(288,411)	(1,499,152)	(7,385,119)
Net Investment Income from Investing Activities	53,878,303	3,358,897	16,246,904	73,484,104	76,976,475	3,984,713	20,615,880	101,577,068
Securities Lending Activities								
Securities lending income	369,617	22,852	113,025	505,494	490,847	25,108	130,512	646,467
Securities lending fees	(92,331)	(5,708)	(28,234)	(126,273)	(122,629)	(6,273)	(32,606)	(161,508)
Net Income from Securities Lending Activities	277,286	17,144	84,791	379,221	368,218	18,835	97,906	484,959
Total Net Investment Income	54,155,589	3,376,041	16,331,695	73,863,325	77,344,693	4,003,548	20,713,786	102,062,027
Other	440,591	27,960	136,082	604,633	177,749	9,082	47,149	233,980
Total Additions	126,936,003	3,404,001	23,132,368	153,472,372	142,372,810	4,012,630	27,169,196	173,554,636
Deductions								
Pension benefits paid	130,508,175	--	--	130,508,175	130,598,647	--	--	130,598,647
Refund of contributions	667,508	--	--	667,508	214,654	--	--	214,654
COLA distributions to retirees	--	102,247	25,520,278	25,622,525	--	119,866	25,160,119	25,279,985
Depreciation expense	14,189	915	4,405	19,509	32,333	1,712	8,681	42,726
Administrative expenses	2,128,469	--	--	2,128,469	2,086,709	--	--	2,086,709
Total Deductions	133,318,341	103,162	25,524,683	158,946,186	132,932,343	121,578	25,168,800	158,222,721
Change in Net Position	(6,382,338)	3,300,839	(2,392,315)	(5,473,814)	9,440,467	3,891,052	2,000,396	15,331,915
Net Position Restricted for Pension Benefits								
Beginning of year	1,140,506,512	70,521,970	355,653,894	1,566,682,376	1,131,066,045	66,630,918	353,653,498	1,551,350,461
End of year	$ 1,134,124,174	$ 73,822,809	$ 353,261,579	$ 1,561,208,562	$ 1,140,506,512	$ 70,521,970	$ 355,653,894	$ 1,566,682,376

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE PLAN

ORGANIZATION

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

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

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

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

MEMBERSHIP

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

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

	2019	2018
Inactive plan members and beneficiaries currently receiving benefits	2,195	2,203
Inactive plan members entitled but not yet receiving benefits	23	15
Active plan members - vested	900	897
Active plan members - non-vested	1,103	1,101
Total Members	4,221	4,216

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

MEMBER CONTRIBUTION

Members contribute a percentage of their base salaries on a bi-weekly basis. Prior to the agreement dated January 9, 1994, a 2% contribution was designated to the Cost-of-Living Adjustment I Account (COLA I account). Effective January 9, 1994, the Gates Agreement was resettled whereby this contribution percentage was decreased to 0% and a new Cost-of-Living Adjustment II Account (COLA II account) was created and funded by an actuarially determined percentage of the excess investment return (from other than COLA I account assets).

As of September 30, 2014, the member contribution for police officers hired prior to October 1, 2012 shall be 7% of earnable compensation. The member contribution for police officers hired on or after October 1, 2012 shall be 10% of earnable compensation.

As of September 30, 2014, the member contribution for fire fighters shall be 10% of earnable compensation.

During the years ended September 30, 2019 and 2018, approximately $267,000 and $475,000, respectively, is included as member contributions for the purchase of additional service years by members as provided for by the Trust.

FUNDING REQUIREMENTS

The City is to contribute such amounts as are necessary to maintain the actuarial soundness of the Trust and to provide the Trust with assets sufficient to meet the benefits to be paid to the participants. Contributions to the Trust are authorized pursuant to City of Miami Code Section 40.196 (a) and (b). Contributions to the COLA accounts are authorized pursuant to Section 40.204 of the City of Miami Code. The City's contributions to the Trust provide for non-investment expenses and normal costs of the Trust. The yield (interest, dividends, and net unrealized and realized gains and losses) on investments of the Trust serves to reduce/increase future contributions that would otherwise be required to provide for the defined level of benefits under the Trust.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

PENSION BENEFITS

Members may elect to retire after 10 or more years of creditable service upon attainment of normal retirement age. Normal retirement pursuant to Section 40-203 of the City code shall be determined as follows:

Plan A

"For members employed on September 30, 2010, who as of that date have attained age 50 with ten or more years of creditable service or eligibility for Rule of 64 retirement for police officer members, or eligibility for rule of 68 retirement for firefighter members, the normal retirement age shall be 50 years of age with ten or more years of creditable service, or Rule of 64 retirement for police officer members, or Rule of 68 for firefighter members."

Plan B

"For members employed on September 30, 2010, who as of that date have not attained age 50 with ten or more years of creditable service, or Rule of 64 retirement for police officer members, or Rule of 68 retirement for firefighter members, and member hired on or after October 1, 2010 shall be rule of 70 retirement with a minimum age of 50 and ten or more years of creditable service."

Rule of 64, 68 and 70 shall mean a computation consisting of the sum of a member's age and length of creditable service, which sum shall permit normal service retirement upon the member's combined age and creditable service equaling at least 64, 68 and 70, respectively.

Members who were vested as of September 27, 2010, may elect to retire after 10 or more years of creditable service upon attainment of normal retirement age. A member entitled to a normal retirement shall receive a retirement allowance equal to 3% of the member's average final compensation multiplied by years of creditable service for the first 15 years of such creditable service, and 3½% of the member's average final compensation multiplied by years of creditable service exceeding 15 years. This benefit paid in monthly installments.

Members who were not vested as of September 27, 2010, may elect to retire upon reaching Rule of 70 with a minimum age of 50.

Effective September 30, 2010, for members who retire under normal service retirement or Rule of 70 retirement the retirement allowance shall not exceed the lesser of 100% of the member's average final compensation or an annual retirement allowance of $100,000 as of retirement or DROP entry based on the normal form of benefit in effect on the date of retirement.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

PENSION BENEFITS (CONTINUED)

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

INVESTMENT POLICY

The Trust's investment policy is determined by the Board of Trustees and is implemented by investment managers. In addition, the Trust utilizes an investment advisor who monitors the investing activities. The investment policy of the Trust stipulates that the trustees shall, in acquiring, investing, reinvesting, exchanging, retaining, selling and maintaining property for the benefit of the Trust, exercise the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. The trustees are authorized to acquire and retain various kinds of property, real, personal or mixed, and various types of investments specifically including, but not by way of limitation, bonds, debentures and other corporate obligations, and stocks, preferred or common, which persons of prudence, discretion and intelligence acquire or retain for their own account. The investment of funds shall be in a manner that is consistent with the applicable sections of the City Code as well as State and Federal laws within the allocation percentages established in the Trust's investment policy guidelines.

The investments are considered held by the Membership and Benefit Account and a share of the value of this account is allocated to each account based on a weighted average calculation performed each month to reflect each account's membership and benefit, COLA I and COLA II activity.

COLA ACCOUNTS

Effective January 9, 1994, the Trust entered into an agreement with the City of Miami with regards to the funding methods, member benefits, member contributions and retiree COLA. As of January 9, 1994, members no longer contribute to the original COLA account (COLA I), and a new COLA account (COLA II) was established.

The agreement included the following provisions:

- The funding method was changed to an aggregate method.
- Combining all accounts for investment purposes (membership and benefit, COLA I and COLA II).
- Retirees receive additional COLA benefits.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

COLA ACCOUNTS (CONTINUED)

- Active members no longer contribute 2% of pretax earnings to fund the original retiree COLA account (COLA I account).

The COLA II account is funded annually by a percentage of the excess investment returns from other than COLA I account assets. The excess earnings contributed to the COLA II account will be used to fund a minimum annual payment of $2,500,000, increasing by 4% compounded annually. To the extent necessary, the City will fund the portion of the minimum annual payment not funded by annual excess earnings no later than January 1 of the following year. During the years ended September 30, 2019 and 2018, approximately $6,665,000 and $6,408,000, respectively, was funded by the City. Benefits payable from the COLA accounts are computed in accordance with an actuarially based formula as defined in Section 40.204 of the City of Miami Code.

DEFERRED RETIREMENT OPTION PROGRAM (DROP)

Members who are eligible for service retirement or Rule of 64 or Rule of 68 after September 1998 may elect to enter the Deferred Retirement Option Program (DROP). Maximum participation in the DROP for firefighters shall be 54 full months and for police officers shall be 84 full months. A member's creditable service, accrued benefit and compensation calculation shall be frozen.

Upon commencement of participation in the DROP, the participant's contribution and the City's contribution to the Trust for that participant cease as the participant will not earn further creditable service for pension purposes.

Effective July 24, 2008, firefighter DROP participants may continue City employment for up to a maximum of 54 full months and police officers who elect DROP on May 8, 2008, or thereafter, may continue City employment for up to a maximum of 84 full months. No payment is made to or for the benefit of a DROP participant beyond that period. For persons electing participation in the DROP, an individual DROP account shall be created. Payment shall be made by the Trust into the member's DROP account in an amount equal to the regular monthly retirement benefit which the participant would have received had the participant separated from service and commenced receipt of pension benefits. Payments received by the participant in the DROP account are tax deferred. A series of investment vehicles which are established by the Board of Trustees are made available to DROP participants to choose from. Any losses, charges, or expenses incurred by the participant in their DROP account are not made up by the City or the Trust but shall be borne by the participant.

NOTE 1 – DESCRIPTION OF THE PLAN (CONTINUED)

DEFERRED RETIREMENT OPTION PROGRAM (DROP) (CONTINUED)

The DROP assets are held by an independent third party and therefore not a part of the Trust's Financial Statements. The DROP balance was $145,476,800 and $154,440,850, respectively, as of September 30, 2019 and 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Trust's financial statements are prepared using the accrual basis of accounting. Member contributions are recognized as revenues in the period in which contributions are due. City contributions are due when there is a formal commitment to provide amounts determined by an actuarial valuation. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Interest and other income are recorded as earned and dividend income is recorded as of the ex-dividend date.

CASH EQUIVALENTS

The Trust considers all highly liquid investments with short-term maturities, typically less than three months, to be cash equivalents.

INVESTMENTS

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

Unrealized and realized gains and losses are presented as net appreciation in fair value of investments on the statement of changes in fiduciary net position. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS (CONTINUED)

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 statement of fiduciary net position.

USE OF ESTIMATES

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

PROPERTY AND EQUIPMENT, NET

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

INCOME TAX STATUS

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

RISK AND UNCERTAINTIES

Contributions to the Trust and the actuarial information included in the required supplementary information (RSI) are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in settling assumptions, that the effect of such changes could be material to the financial statements.

RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES

CASH AND CASH EQUIVALENTS

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

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

	2019
(Managed overdraft) deposits	$ (150,816)
Invested cash and foreign currency	23,967,893
Short-term investments	19,403,989
Total	$ 43,221,066

INVESTMENT AUTHORIZATION

The Board of Trustees holds the fiduciary responsibility for the Trust, and has adopted a policy to invest in several institutionally acceptable asset classes. Thus, the Trustees have set a reasonably diversified asset allocation in accordance with state statutes (including minimum and maximum allocations), which is expected to appropriately fund the Trust's liabilities and meet its basic investment objectives. The basis for such a target asset allocation is a study of the Trust's pension liabilities and reasonable, alternative investment portfolios.

These asset classes are domestic equity (large, mid and small capitalization), international equity (developed and emerging markets), domestic real estate (institutional quality properties either individually or in open-ended commingled funds, or in real estate investment trust securities portfolios), private equity funds, domestic fixed income, and short-term investments. Other asset classes may be added by the Trustees to its investment policy.

Investment in domestic equity securities shall be limited to those listed on a major U.S. stock exchange and limited to no more than 25.9% (at market value) of the Trust's total asset value, in accordance with the Trust's investment policy. Investments in stocks of foreign companies shall be limited to 16.8% of the value of the Trust's portfolio.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT AUTHORIZATION (CONTINUED)

Investments in core domestic fixed income securities shall be limited to 29.2% (at maturity) of the Trusts' total portfolio. The domestic fixed income portfolio shall be comprised of securities rated "BBB" or higher by nationally recognized rating agencies, preferably by Moodys' or Standard & Poors rating services. Investment in bank loans has also been authorized by the Trust. The goal of the bank loan allocation is to generate reasonable returns, while providing diversification relative to core and high yield fixed income managers. Proper portfolio diversification of bank loan portfolios is required, such that reasonable risk/reward expectations are maintained. Performance attribution is required, as is the case of domestic core and high yield fixed income managers. Additionally, investment in absolute return has been authorized by the Trust. The goal of the absolute return allocation is to protect against volatility. Proper diversification of absolute return portfolios is required, such that reasonable risk/reward expectations are maintained. Performance attribution is required, as is the case of domestic fixed income and equity managers. Derivative investments with allocation limits, may not represent more than 5% of the individual portfolio manager's assets managed for the Trust. Derivative investments with allocation limits in the aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets.

The Trust invests in various funds and investment vehicles which employ specific strategies and co-investments often outside the traditional asset classes. The most common investment categories for these funds include domestic and international real estate and private equity funds. The structure of these investments is generally a limited partnership or limited liability company and tend to be long-term and illiquid in nature. Global real estate investments and private equity allocation range is limited to 11.1% and 4%, respectively.

No single security can represent more than 5% of the market value of a portfolio at the time of purchase, and no single industry (based on Global Industry Classification System codes) can represent more than 15% of the market value of the account. These single security and single industry restrictions do not apply to U.S. Government and Agency bond holdings.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

TYPES OF INVESTMENTS

Florida Statutes and the Trust's investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocation of these investments at market, per the performance analysis report, is as follows as of September 30:

	2019	
Authorized Investments	Target % of Portfolio	Actual % of Portfolio
Cash and cash equivalents	0.00%	2.77%
Domestic equities	25.90%	31.78%
Core domestic fixed income	29.20%	25.36%
International equities	16.80%	16.73%
Global real estate	11.10%	12.18%
Absolute return	13.00%	0.00%
Private equity	4.00%	11.17%
Total Authorized Investments	100.00%	100.00%

RATE OF RETURN

For the years ended September 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.39% and 7.48%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENTS

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

	2019
Debt Securities, Domestic	
U.S. treasuries	$ 45,452,102
U.S. agencies	115,178
Corporate bonds	127,234,292
Asset backed securities	6,658,617
Mortgage backed securities	91,435,855
High yield bond	94,364,584
Total Debt Securities, Domestic	365,260,628
Debt Securities, International	
International government bonds	2,701,130
Corporate bonds	27,150,485
Total Debt Securities, International	29,851,615
Equity securities, domestic	494,970,660
Equity securities, international	260,649,422
Private equity	174,027,722
Real estate equity	189,748,114
Total Investments	$ 1,514,508,161

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Trust diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INTEREST RATE RISK (CONTINUED)

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

	2019				
		Investment Maturities (In Years)			
Investment Type	Fair Value	Less Than 1	1-5 Years	6-10 Years	More Than 10 Years
U.S. treasuries	$ 45,452,102	$ --	$ 20,257,350	$ 21,316,844	$ 3,877,908
U.S. agencies	115,178	--	36,036	79,142	--
Corporate bonds	127,234,292	6,092,685	65,059,874	40,832,024	15,249,709
Asset backed securities	6,658,617	--	699,245	42,995	5,916,377
Mortgage backed securities	91,435,855	154	414,354	4,487,481	86,533,866
High yield bond	94,364,584	--	--	94,364,584	--
International fixed income	29,851,615	314,559	18,739,754	6,747,125	4,050,177
Total Fixed Income Securities	$ 395,112,243	$ 6,407,398	$ 105,206,613	$ 167,870,195	$ 115,628,037
% of Fixed Income Portfolio	100.00%	1.62%	26.63%	42.49%	29.26%

CREDIT RISK

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Trust's investment policy utilizes portfolio diversification in order to control this risk.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

CREDIT RISK (CONTINUED)

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

Investment	2019 Fair Value	2019 Percentage of Portfolio
U.S. Government Guaranteed*	$ 45,567,280	11.53%
Credit Risk Debt Securities		
AAA	93,422,650	23.64%
AA+	7,753,115	1.96%
AA	2,215,178	0.56%
AA-	5,330,170	1.35%
A+	10,950,041	2.77%
A	12,784,680	3.24%
A-	30,341,106	7.68%
BBB+	45,283,026	11.46%
BBB	38,072,769	9.64%
BBB-	7,695,686	1.95%
BB+	690,188	0.17%
Not rated	95,006,354	24.05%
Total Credit Risk Debt Securities	349,544,963	88.47%
Total Fixed Income Investments	$ 395,112,243	100.00%

*Obligations are backed by the full faith and credit of the U.S. Government.

CONCENTRATION OF CREDIT RISK

The investment policy of the Trust contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were 3 individual investments that represent 5% or more of the fair value of the Trust's net position at September 30, 2019.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

CUSTODIAL CREDIT RISK

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

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

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

The Trust participates in securities lending transactions, as lender, and the securities loaned in those circumstances are exposed to some degree of custodial credit risk. The Trust does require that its custodian maintain insurance to help protect against losses due to negligence, theft, and certain other events.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The Trust may have exposure to foreign currency risk to the extent its investments contain non-U.S. dollar denominated holdings in foreign countries. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although the manager uses them in many cases.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

FOREIGN CURRENCY RISK (CONTINUED)

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

	2019				
Currency	Cash and Cash Equivalents	Equity	Fixed Income	Private Equity	Total
Australian Dollar	$ --	$ 2,225,694	$ --	$ --	$ 2,225,694
Brazilian Real	3,327	587,762	--	--	591,089
British Pound Sterling	4	22,830,954	--	--	22,830,958
Canadian Dollar	--	8,496,106	--	--	8,496,106
Danish Krone	--	3,806,143	--	--	3,806,143
Euro	20,732	55,277,484	--	7,023,033	62,321,249
Hong Kong Dollar	--	17,536,683	--	--	17,536,683
Indonesian Rupiah	--	1,342,816	237,474	--	1,580,290
Japanese Yen	--	38,593,676	--	--	38,593,676
Malaysan ringgit	--	--	289,583	--	289,583
Mexican Peso	--	245,495	--	--	245,495
Norwegian Krone	--	1,055,055	--	--	1,055,055
Polish zloty	--	--	454,842	--	454,842
Singapore Dollar	--	3,955,467	932,048	--	4,887,515
South Korean Won	--	7,763,811	--	--	7,763,811
Swedish Krona	--	2,759,816	--	--	2,759,816
Swiss Franc	11,222	22,080,260	--	--	22,091,482
Taiwan Dollar	--	7,563,808	--	--	7,563,808
Other	--	2,688,617	36,750	--	2,725,367
Total	$ 35,285	$ 198,809,647	$ 1,950,697	$ 7,023,033	$ 207,818,662

SECURITIES LENDING TRANSACTIONS

A retirement system is authorized by state statutes and board of trustees' policies to lend its investment securities. The lending is managed by the Trust's custodial bank. All loans can be terminated on demand by either the Trust or the borrowers, although the average term of loans is approximately 51 days, as of September 30, 2019. The custodial bank and its affiliates are prohibited from borrowing the Trust's securities.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

SECURITIES LENDING TRANSACTIONS (CONTINUED)

The agent lends the Trust's U.S. government and agency securities and domestic corporate fixed income and equity securities for securities or cash collateral at least 102 percent of the market value of the securities plus any accrued interest and international securities at least 105 percent of the market value of the securities plus any accrued interest. The securities lending contracts do not allow the Trust to pledge or sell any collateral securities unless the borrower defaults. Cash collateral is invested in the agent's collateral investment pool, whose share values are based on the amortized cost of the pool's investments. Investments are restricted to issuers with a credit rating A3 or A- or higher by Moody's or Standard & Poor's. At September 30, 2019, the pool had a weighted average term to maturity of 32 days.

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

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

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

	2019		
Currency	Market Value of Securities on Loan for Cash	Fair Value Cash Collateral Invested	Fair Value of Liabilities to Borrowers
Securities Lent			
Global equities	$ 2,628,998	$ 2,774,986	$ 2,774,986
U.S. government and agency obligations	18,137,598	18,546,575	18,546,575
Domestic corporate stocks	71,166,460	72,843,374	72,843,374
Domestic corporate bonds	19,866,495	20,403,601	20,403,601
Total Securities Lent	$ 111,799,551	$ 114,568,536	$ 114,568,536

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

SECURITIES LENDING TRANSACTIONS (CONTINUED)

The contract with the Trust's custodian requires the custodian to indemnify the Trust if the borrower fails to return the securities, due to the insolvency of a borrower, and the custodian has failed to live up to its contractual responsibilities relating to the lending of those securities. At year end, the Trust has no credit risk exposure to borrowers because the amounts of collateral held by the Trust exceed the amounts the borrowers owe the Trust.

There are no significant violations of legal or contractual provisions, no borrowers or lending agent default losses, and no recoveries of prior period losses during the year. There are no income distributions owing on securities lent.

INVESTMENT VALUATION

GASB Statement No. 72 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the specific characteristics of the investment. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments with readily available actively traded quoted prices or for which fair value can be measured from actively traded quoted prices generally will have a higher degree of market price observability and lesser degree of judgment used in measuring fair value.

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

Level 1 - Investments traded in an active market with available quoted prices for identical assets as of the reporting date.

Level 2 -Investments not traded on an active market but for which observable market inputs are available for an asset, either directly or indirectly, as of the reporting date.

Level 3 -Investments not traded in an active market and for which no significant observable market inputs are available as of the reporting date.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

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

Debt securities: Debt securities consist primarily of negotiable obligations of the U.S. government and U.S. government-sponsored agencies, corporations, securitized offerings backed by residential and commercial mortgages and foreign debt securities. These securities can typically be valued using the close or last traded price on a specific date (quoted prices in active markets). When quoted prices are not available, fair value is determined based on valuation models that use inputs that include market observable inputs. These inputs included recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the investment's type.

Equity securities: These include domestic and international equities. Domestic securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Securities traded in the over-the counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price. International equities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at September 30, 2019. 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.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

Alternative investments: These investments pertain to private equity 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, 2019. The estimated fair value of these investments may differ from values that would have been used had a ready market existed. The Trust also has investments which are measured at net asset value (NAV) based on their proportionate share of the value of the investments as determined by the fund manager and are valued according to methodologies which include pricing models, property valuations (appraisals), discounted cash flow models, and similar techniques. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the investments' reported NAV as a matter of convenience.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

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

Investment by Fair Value Level	September 30, 2019	Identical Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Debt Securities				
U.S. treasuries	$ 45,452,102	$ --	$ 45,452,102	$ --
U.S. agencies	115,178	--	115,178	--
Corporate bonds	154,384,776	--	154,384,776	--
Asset backed securities	6,658,617	--	6,658,617	--
Mortgage backed securities	91,435,855	--	91,435,855	--
International fixed income	2,701,130	--	2,701,130	--
Total Debt Securities	300,747,658	--	300,747,658	--
Equity Securities				
Domestic equities	316,428,602	316,428,602	--	--
International equities	234,280,865	234,280,865	--	--
Total Equity Securities	550,709,467	550,709,467	--	--
Alternative Investments				
Private equity	7,023,033	--	--	7,023,033
Total Alternative Investments	7,023,033	--	--	7,023,033
Total Investments by Fair Value Level	858,480,158	$ 550,709,467	$ 300,747,658	$ 7,023,033
Investments Measured at Net Asset Value (NAV)				
Commingled domestic fixed income funds	94,364,584			
Commingled international equity funds	26,368,557			
Commingled domestic equity funds	178,542,059			
Real estate investment funds	189,748,114			
Venture capital private equity funds	167,004,689			
Total Investments Measured at NAV	656,028,003			
Total Investments	$ 1,514,508,161			

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

The following tables summarize investments as of September 30, 2019 for which fair value is measuring using the net asset value per share, including their related unfunded commitments and redemption restrictions.

	Investments Measured at NAV			
Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled domestic fixed income funds (1)	$ 94,364,584	$ --	Daily	Same Day
Commingled international equity funds (2)	26,368,557	--	Daily	Same Day
Commingled domestic equity funds (3)	178,542,059	--	Daily	Same Day
Real estate investment funds (4)	189,748,114	--	Quarterly	45 days
Venture capital private equity funds (5)	167,004,689	66,232,030	N/A	N/A
Total Investments Measured at NAV	$ 656,028,003	$ 66,232,030		

1. Commingled domestic fixed income funds with established investment objectives to seek high income and capital growth by investing in U.S. high yield debt securities over a long-term period. These funds aim at hedging the foreign exchange risk resulting from the divergence between the reference currency of subfunds and the currency of share classes by using derivatives instruments.

2. Commingled international equity funds with globally diversified private equity programs that invest and seeks to measure the stocks representing the lowest 15% of float-adjusted market cap in key developed countries, excluding the U.S.

3. Commingled domestic equity funds which aim to pursue varying strategies in order to diversify risks and reduce volatility. These funds have a diversified portfolio of relative value and event driven hedge funds with a focus on U.S. holdings.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (CONTINUED)

INVESTMENT VALUATION (CONTINUED)

4. Real estate investment funds are established for the purpose to acquire, own, hold for investment and ultimately dispose of investments in real estate. These funds strive to keep a diversified portfolio of income producing institutional properties throughout the US.

5. Venture capital private equity funds whose investment objective is investing primarily in private equity investments, including primary and secondary investments in private equity, infrastructure, and other private asset funds and co-investments in portfolio companies, although the allocation among those types of investments may vary from time to time.

NOTE 4 – OFF-BALANCE-SHEET COMMITMENTS

The Trust, in the normal course of business, enters into commitments with off-balance-sheet risk. The Trust adheres to the same credit policies, financial and administrative controls, and risk limiting and monitoring procedures for commitments as for on-balance-sheet investments. The majority of these future financial commitments are reported as part of the unfunded commitments for investments measured at NAV which are disclosed in Note 3 of the financial statements.

In addition to the unfunded commitments disclosed in Note 3, the Trust has future investment commitments outstanding for domestic and foreign private equity investments at September 30, 2019 of approximately $15,000,000 and €1,580,000 (euros), respectively.

NOTE 5 – NET PENSION LIABILITY OF THE CITY

The components of the net pension liability of the City at September 30, 2019 were as follows:

Total Pension Liability	$ 2,229,656,108
Less: Plan fiduciary net position	(1,561,208,562)
Net Pension Liability	$ 668,447,546
Plan Fiduciary Net Position as a % of the Total Pension Liability	70.02%

NOTE 5 – NET PENSION LIABILITY OF THE CITY (CONTINUED)

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The total pension liability at September 30, 2019 was determined using an actuarial valuation as of October 1, 2018. The actuarial valuation used the following actuarial assumptions:

Inflation	3.25%
Projected salary increases	1.5% for promotions plus salary merit scale
Projected COLAs	Amount varies annually with the adjustment on January 1st
Investment rate of return	7.34% compounded annually, net of pension plan investment expense, including inflation.

Mortality rates are calculated with the Florida Retirement System projected using scale BB for all healthy retirees. Disabled Mortality rates are not projected.

LONG-TERM EXPECT RATE OF RETURN

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Trust's target asset allocation as of September 30, 2019 (see the discussion of the Trust's investment policy) are summarized in the following table:

Asset Class	*Long-term Expected Real Rates of Return
Domestic Fixed Income	2.40%
Foreign Fixed Income	0.00%
Domestic Equities	5.40%
International Equities	5.80%
Real Estate	4.30%
Private Equity	7.00%
Cash	0.00%

* Real rates of return are net of the long-term inflation assumption of 3.25% for 2019.

NOTE 5 – NET PENSION LIABILITY OF THE CITY (CONTINUED)

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.34%, for 2019. The projection of cash flows used to determine the discount rate assumed that Trust member contributions will be made at the current contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Trust's fiduciary net position was projected to be available to make all projected future benefit payments of current Trust members. Therefore, the long term expected rate of return on pension Trust investments was applied to all periods of projected benefit payments to determine the total pension liability.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability of the City using the discount rate of 7.34% for 2019, as well as what the employer net pension liability would if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.34%)	Current Discount Rate (7.34%)	1% Increase (8.34%)
City's Net Pension Liability	$ 907,554,996	$ 668,447,546	$ 466,936,209

NOTE 6 – PROPERTY AND EQUIPMENT

The property and equipment consist of:

	2019	Estimated Useful Lives
Land	$ 760,865	N/A
Building	1,666,306	39 years
Less: accumulated depreciation	(331,659)	
Property and Equipment, Net	$ 2,095,512	

The depreciation expense for year ended September 30, 2019 was $19,509.

NOTE 7 – ADMINISTRATIVE EXPENSES REIMBURSEMENT

For the fiscal year ended September 30, 2019 administrative costs of the Trust in the amount of $2,128,469 are funded by the City of Miami and are accounted for as a part of the actuarially determined minimum required contributions from the City and are reflected in contributions from the City in the accompanying statement of changes in fiduciary net position.

NOTE 8 – RETIREMENT PLAN FOR STAFF

The employees of the Trust participate in a separate plan sponsored by the City of Miami Fire Fighters' and Police Officers' Retirement Trust, which is a single-employer defined benefit pension plan. The employees' contribution is 7% of earnable compensation. Employee retirement contributions for the fiscal year ended September 30, 2019, totaled $24,769.

The Trust, as employer, is to contribute such amounts as necessary to provide the Staff Plan with assets sufficient to meet the benefits to be paid to the participants. The employer contributions to the Plan for fiscal year ended September 30, 2019 were $49,957.

NOTE 9 – LEGAL MATTERS

A suit was brought against the Trust in 2013 by a group of retirees claiming additional benefits. During the course of the litigation, all but one count was dismissed on sovereign immunity grounds. In September 2019, a final order of dismissal on the one remaining count was ordered by the Third District Court of Appeal, also on sovereign immunity grounds. A final judgment is pending entry by the trial court. The Trust is pursuing attorneys' fees and costs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED)

September 30,	2019	2018	2017 (Restated)*		2016	2015	2014
Total Pension Liability							
Service cost	$ 30,947,329	$ 27,965,925	$ 26,279,333		$ 21,625,163	$ 19,203,823	$ 17,233,272
Interest	152,192,907	149,244,425	146,548,443		156,265,650	156,479,438	155,338,970
Changes in benefit terms	55,386,337	--	122,641,436	(1)	--	9,453,429	--
Differences between expected and actual experience	32,027,954	21,728,074	15,553,948		12,725,721	(16,970,540)	(6,638,755)
Changes of assumptions	(5,024,797)	16,618,357	--		30,651,781	14,895,466	--
Benefit payments, including refunds of member contributions	(156,798,207)	(156,093,286)	(151,375,376)		(166,203,470)	(165,535,327)	(139,860,276)
Net Change in Total Pension Liability	108,731,523	59,463,495	159,647,784		55,064,845	17,526,289	26,073,211
Total Pension Liability - Beginning	2,120,924,585	2,184,102,526	2,222,547,481		2,167,482,636	2,149,956,347	2,123,883,136
Changes in benefit terms (1)	--	(122,641,436)	--		--	--	--
Restatement (2)	--	--	(198,092,739)		--	--	--
Total Pension Liability - Ending	$ 2,229,656,108	$ 2,120,924,585	$ 2,184,102,526		$ 2,222,547,481	$ 2,167,482,636	$ 2,149,956,347
Plan Fiduciary Net Position							
Contributions - employer	$ 62,694,851	$ 56,999,866	$ 53,264,009		$ 48,672,615	$ 48,616,677	$ 47,535,499
Contributions - member	16,309,563	14,258,763	13,206,378		12,082,805	9,317,231	9,462,569
Net investment income	73,863,324	102,296,007	136,351,212		132,946,827	35,844,550	132,696,604
Benefit payments, including refunds of member contributions	(156,798,207)	(156,093,286)	(151,375,376)		(166,203,470)	(165,537,888)	(139,860,276)
Administrative expense	(2,128,469)	(2,086,709)	(2,058,797)		(2,029,168)	(2,222,561)	(2,086,240)
Other	585,124	(42,726)	(42,726)		(42,726)	(42,726)	989,372
Net Change in Plan Fiduciary Net Position	(5,473,814)	15,331,915	49,344,700		25,426,883	(74,024,717)	48,737,528
Plan Fiduciary Net Position - Beginning	1,566,682,376	1,551,350,461	1,700,098,500		1,674,671,617	1,748,696,334	1,699,958,806
Restatement	--	--	(198,092,739)		--	--	--
Plan Fiduciary Net Position - Ending	$ 1,561,208,562	$ 1,566,682,376	$ 1,551,350,461		$ 1,700,098,500	$ 1,674,671,617	$ 1,748,696,334
Net Pension Liability - Ending	$ 668,447,546	$ 554,242,209	$ 632,752,065		$ 522,448,981	$ 492,811,019	$ 401,260,013

*Total pension liability and plan net fiduciary position restated for removal of DROP assets as of October 1, 2016.

(1) See "*Total Pension Liability Adjustment*" description in notes to required supplementary information.
(2) Restated for elimination of DROP assets and related activity. There was no effect on the City's net pension liability.
(3) Covered payroll is as of September 30, of the prior fiscal year.
(4) Covered payroll amounts were adjusted to reflect updated pay rates for members which were not finalized during the preparation of the GASB 67 report as of September 30, 2018.

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

(Continued)

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS (UNAUDITED) (CONTINUED)

September 30,	2019	2018	2017 (Restated)*	2016	2015	2014
Total Pension Liability	$ 2,229,656,108	$ 2,120,924,585	$ 2,184,102,526	$ 2,222,547,481	$ 2,167,482,636	$ 2,149,956,347
Plan Fiduciary Net Position	(1,561,208,562)	(1,566,682,376)	(1,551,350,461)	(1,700,098,500)	(1,674,671,617)	(1,748,696,334)
City's Net Pension Liability	$ 668,447,546	$ 554,242,209	$ 632,752,065	$ 522,448,981	$ 492,811,019	$ 401,260,013
Plan Fiduciary Net Position as a Percentage of the Covered Payroll	70.02%	73.87%	71.03%	76.49%	77.26%	81.34%
Covered Payroll (3)	$ 166,670,939(4)	$ 141,497,840	$ 133,083,231	$ 106,278,376	$ 93,705,765	$ 85,222,842
City's Net Pension Liability as a Percentage of Covered Payroll	401.06%	391.70%	475.46%	491.59%	525.91%	470.84%
Total Payroll Including DROP Participants	$ 176,975,203	$ 159,787,486	$ 153,785,532	$ 133,966,173	$ 127,786,644	$ 124,563,050

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS (UNAUDITED)

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 62,694,851	$ 56,999,866	$ 53,264,009	$ 48,672,615	$ 48,616,677
Contributions in relation to the actuarially determined contribution	62,694,851	56,999,866	53,264,009	48,672,615	48,616,677
Contribution Deficiency (Excess)	$ --	$ --	$ --	$ --	$ --
Covered Payroll (1)	$ 168,059,448	$ 166,670,939	$ 141,497,840	$ 133,083,231	$ 106,278,378
Contributions as a Percentage of Covered Payroll	37.31%	34.20%	37.64%	36.57%	45.74%

	2014	2013	2012	2011	2010
Actuarially Determined Contribution	$ 47,305,679	$ 45,412,248	$ 47,418,316	$ 47,156,797	$ 59,025,379
Contributions in relation to the actuarially determined contribution	47,305,679	45,412,248	47,418,316	47,156,797	59,025,379
Contribution Deficiency (Excess)	$ --	$ --	$ --	$ --	$ --
Covered Payroll (1)	$ 93,705,765	$ 85,222,842	$ 82,205,838	$ 82,164,617	$ 80,152,355
Contributions as a Percentage of Covered Payroll	50.48%	53.29%	57.68%	57.39%	73.64%

(1) Covered payroll is as of September 30, the fiscal year end date.

Total Pension Liability Adjustment. For the fiscal year 2017, the GASB Statement No. 67 and No. 68 report, the actuary included the impact of the full restoration of benefits under Supreme Court Ruling which increased both the total pension liability and pension expense by $122.6 million. Since the restoration of benefits was under negotiation, the Board decided not to include the impact of the restoration of benefits in the October 1, 2017 funding valuation. As a result of this determination, in the September 30, 2018 GASB Statement No. 67 and No. 68 report, the actuary reduced the beginning pension liability by $122.6 million. The pension liability reported by the actuary as of September 30, 2018 does not include any impact from this Supreme Court ruling. This matter was resolved.

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

Valuation Date	October 1, 2017
Actuarial cost method	Aggregate Cost Method
Asset valuation method	20% Write-Up Method: Expected actuarial value and actual market value (net of pending transfers to the COLA fund)
Interest Rates	7.34% net of investment expenses
Inflation	3.25%
Projected salary increases	1.5% for promotions plus salary merit scale
Mortality Rates:	
Healthy	Florida Retirement System special risk mortality projected generationally with scale BB
Disabled	100% of the assumed deaths are expected to be ordinary deaths

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURNS

September 30,	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	5.39%	7.48%*	9.22%	9.70%	1.84%	8.60%

* Restated

This schedule is presented as required by accounting principles generally accepted in the United States of America, however, until a full 10-year trend is compiled, information is presented for those years available.

SUPPLEMENTARY INFORMATION

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019	2018
Equities:		
Barrow Hanley	$ 377,484	$ 447,525
BGI/Black Rock	15,097	7,356
Boston Partners	228,223	376,913
Champlain Investments	466,305	518,947
Copper Rock	210,400	266,775
Jackson Square Partners	--	75,120
Eagle Asset Management	106,078	362,512
First Eagle	896,417	1,136,768
Center Square Partners	411,041	432,035
Total Equities	2,711,045	3,623,951
Fixed Income		
AXA U.S. High Yield	258,258	264,313
Barrow Hanley	281,498	345,756
Dodge & Cox	225,465	275,817
Munder Capital	175,919	139,655
Wellington International	797,036	1,013,976
Total Fixed Income	1,738,176	2,039,517
Real Estate		
Proxy Voting	8,000	10,000
J.P. Morgan	1,086,957	1,705,836
Total Real Estate	1,094,957	1,715,836
Other	5,253	5,815
Total Investment Expenses	$ 5,549,431	$ 7,385,119

CITY OF MIAMI FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST

SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2018)

	2019	2018
Personnel Services		
Salaries and payroll taxes	$ 502,317	$ 488,142
Fringe benefits	89,558	99,495
Total Personnel Services	591,875	587,637
Professional Services		
Actuarial	124,261	177,405
Audit	47,614	46,672
Consultant and custodial	654,315	494,265
Medical	200	6,253
Legal	71,238	188,171
Total Professional Services	897,628	912,766
Other		
Education and travel	68,761	31,023
Insurance	130,169	126,705
Office expense	178,241	179,257
Repair and maintenance	186,525	169,073
Retirement contribution	49,957	58,542
Utilities	25,313	21,706
Total Other	638,966	586,306
Total Administrative Expense	$ 2,128,469	$ 2,086,709

REPORTING SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees and Plan Administrator
City of Miami Fire Fighters' and Police Officers' Retirement Trust

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Miami Fire Fighters' and Police Officers' Retirement Trust (the Trust), which collectively comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

MARCUMGROUP
MEMBER

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Miami, FL
February 19, 2020