CITY OF HIALEAH
EMPLOYEES' RETIREMENT SYSTEM
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

CITY OF HIALEAH
EMPLOYEES' RETIREMENT SYSTEM
TABLE OF CONTENTS
SEPTEMBER 30, 2015

	PAGES
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-8
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	9
Statement of Changes in Fiduciary Net Position	10
Notes to Financial Statements	11-22
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED	
Schedule of Changes in Net Pension Liability and Related Ratios	23
Schedule of Contributions	24
Schedule of Investment Returns	25
COMPLIANCE REPORT	
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*	26-27
Schedule of Findings and Responses	28

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
City of Hialeah Employees' Retirement System
Hialeah, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hialeah Employees' Retirement System (the "Plan") which comprise the statement of fiduciary net position as of September 30, 2015 and the related statement of changes in fiduciary net position for the fiscal 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 *Government 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.

Board of Trustees
City of Hialeah Employees' Retirement System

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of September 30, 2015, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements being presented are only for the City of Hialeah Employees' Retirement System which is also reported as a pension trust fund in the City of Hialeah's comprehensive annual financial report. Accordingly, the accompanying financial statements are not intended to present the financial position of the City of Hialeah, Florida as of September 30, 2015 or its changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and schedule of changes in employer net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns on pages 23 through 25, be presented to supplement the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is 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 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 Plan's internal control over financial reporting and compliance.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
June 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report presents the Management Discussion and Analysis (MD&A) of the City of Hialeah Employees' Retirement System (the Plan) financial performance. This analysis provides an overview of the financial activities and funding conditions for fiscal years ended September 30, 2015 and 2014. Please read it in conjunction with the Plan's financial statements, which immediately follow.

FINANCIAL HIGHLIGHTS

The Plan's net results from operations for fiscal year 2015 reflected the following financial activities:

- Total plan net position was $569,997,557 as of September 30, 2015 and was 4.7% lower than the 2014 total plan net position. This decrease was mainly due to a significant lower valuation of investments at fair market value compare to prior year.

- Total contributions were $34,839,772 as of September 30, 2015 and were 5.4% higher than the 2014 contributions due to higher contributions from the plan members and the City.

- Total additions were $37,721,259 as of September 30, 2015 and were 58.8% lower than the 2014. The decrease reflects the net effect of higher contributions and a decrease in investment income as a result of a significant reduction in the fair value of investments.

- Net investment income was $2,881,487 as of September 30, 2015 and was 95.1% lower than the 2014 investments. This was due to a net depreciation of $9,421,223 in fair market value of investments in fiscal year 2015 compared to a net appreciation of $45,619,892 in 2014.

- Total pension benefits payments and refunds were $66,047,848 as of September 30, 2015 and were 4.3% more than 2014. This reflects an increase in refunds and retirees for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, notes to the financial statements and other required supplemental information.

The financial statements provide both long-term and short-term information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The Plan's financial statements are prepared in conformity with Accounting Principles Generally Accepted in the United States of America (GAAP) as applied to governmental units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and appreciation of assets is recognized in the Statement of Changes in Plan Net position. All assets and liabilities associated with the operation of the Plan are included in the Statement of Net position.

The Statement of Net position reports net position and how they have changed. A net asset is the difference between the assets and liabilities, and it is one way to measure the financial health or current position of the Plan. The decrease in the net position during 2015 is one indicator of the volatility in the current financial markets.

Pursuant to Governmental Accounting Standards Board (GASB) requirements, the management of the City of Hialeah Employees' Retirement System herewith provides a discussion and analysis of its financial activities for the fiscal year ended September 30, 2015.

The City of Hialeah Employees' Retirement System was established January 1, 1956 to provide retirement allowances, disability and death benefits for the employees of the City, as defined in Chapter 70 of the Hialeah Code. The City of Hialeah is the administrator of this system. There is a board of trustees in whom the general administration, management and responsibility for the proper operation of the system is vested.

PLAN HIGHLIGHTS

- Employer contributions for the year were $27,382,906 were 6.3% more than the 2014 contributions. The amount of employer contribution varies from year to year and is actuarially determined.

- Plan member contributions were $6,994,989 as of September 30, 2015 and were 2.3% higher than the 2014 contributions. Annuity contributions are equal to 7%, 6%, 5%, 4%, 3%, 2%, 1% or 0 of straight payroll and member contribution to the system equals 4% of straight payroll. Contributions will vary from year to year and are dependent upon several factors such as salary levels and number of active members in the system.

STATEMENT OF PLAN NET POSITION

The following condensed comparative Statements of Plan Net positions are a point in time snapshot of account balances at fiscal year end. It reports the assets available for future payments to retirees and any current liabilities that are owed as of the financial statement date. The resulting net asset value, or assets minus liabilities, represents the value of assets held in trust for pension benefits.

The Plan continues to be soundly funded. It is important to remember that retirement system funding is based on a long-term perspective, and that temporary ups and downs in the market are to be expected.

Employees' Retirement System
Net position

	2015 Activities	2014 Activities	Percent Change	
Cash and short term investments	$46,725,292	$40,333,382	15.8	%
Securities lending cash collateral	98,811,261	65,126,062	51.7	%
Receivables	18,943,654	21,584,425	-12.2	%
Investments at fair value	537,650,026	568,288,001	-5.3	%
Loans to members	10,606,075	10,130,193	4.7	%
Total assets	712,736,308	705,462,063	1.0	%
Total liabilities	142,738,751	107,137,917	33.2	%
Total net position	$569,997,557	$598,324,146	-4.7	%

Total net position at September 30, 2015 was $569,997,557 a 4.7% decrease over total net position at September 30, 2014. Total assets were $712,736,308 an increase of 1% over 2014 and total liabilities were $142,738,751 an increase of 33.2% from 2014.

STATEMENT OF CHANGES IN PLAN NET POSITION

The Statement of Changes in Plan Net position, present the effect of pension fund transactions that occurred during the fiscal year, where additions minus deductions equal net increase (or decrease) in net position.

The following table shows a condensed comparative summary of the changes in net position and reflects the activities of the Plan. The funding objective is to meet long-term obligations, and fund all pension benefits.

Employees' Retirement System
Statement of Changes In Plan Net position

	Fiscal Year 2015	Fiscal Year 2014	Percent Change
Total contributions	$ 34,839,772	$ 33,064,620	5.4 %
Net investment gains	2,881,487	58,425,589	-95.1 %
Total increase (decrease)	37,721,259	91,490,209	-58.8 %
Total deductions	66,047,848	63,299,504	4.3 %
Net increase (decrease)	(28,326,589)	28,190,705	-200.5 %
Net position, beginning	598,324,146	557,074,570	4.9 %
Prior period adjustment	-	13,058,871	-100 %
Net position, ending	$569,997,557	$598,324,146	-4.7 %

Revenues (additions to the plan net position) for the Plan were $37.7 million, which includes member, State and employer contributions of $34.8 million and net investment gains from investment activities of $2.8 million. Revenues decreased significantly due to the depreciation in fair value of investments during 2015 compare to an appreciation in fair value of investments during 2014. Expenses (deductions to the plan net position) increased from $63.2 million during 2014 to $66 million in 2015 or about 4.3%. Most of the increase is due to refunds and increase in retirees.

ASSET ALLOCATION

The table below indicates the Plan's investment policy target asset allocation for September 30, 2015.

City of Hialeah Employees' Retirement System

Summary of Asset Allocation

	Policy Guidelines	Actual Allocation September 30, 2015
US Interm Agg Fixed Inc - Boyd	17.50%	17.90%
US Interm Agg Fixed Inc - Taplin	22.50%	22.84%
Domestic Large Cap Core - RhumbLine	15.00%	15.56%
Domestic Large Cap Growth - GAMCO	5.00%	4.98%
Domestic Large Cap Value – Diamond	5.00%	5.02%
Russell Midcap Value - Fisher	6.00%	5.90%
Russell Midcap Core – RhumbLine	5.00%	5.15%
Russell Midcap Growth - RhumbLine	5.00%	4.98%
Small Cap Core – RhumbLine	5.00%	5.04%
Small Cap Value - Fisher	2.00%	2.02%
Small Cap Growth - Franklin	2.00%	1.95%
International Equity - Franklin	5.00%	4.66%
Alternatives- Entrust DIV, RICI PAM, Entrust SP Opp, BlackRock	5.00%	3.99%
Total	100.00%	100.00%

ASSET ALLOCATION (Continued)

The table below indicates the Plan's investment policy target asset allocation for September 30, 2015:

	Policy Guidelines	Actual Allocation September 30, 2015
Domestic Equity	50.00%	49.64%
International Equity	5.00%	4.57%
US Fixed Income	40.00%	42.41%
Alternatives	5.00%	3.38%
Total	100.00%	100.00%

Under policy guidelines: 5% cash maximum allowed in equities (small capitalization managers may, from time to time hold more than 5% cash or money markets, but never in excess of 10%) / 10% cash maximum allowed in fixed accounts.

The investment guidelines provide for the appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over-concentration of a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. The Board recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets.

The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's strong financial condition enables the Board to adopt a long-term investment perspective. Asset allocation for fiscal year ended September 30, 2015 was within the limits defined by the investment policy guidelines.

INVESTMENT ACTIVITIES

Investment income is vital to the Plan for current and future financial stability. Therefore, the Trustees have a fiduciary responsibility to act prudently and discretely when making plan investment decisions. To assist the Board of Trustees in this area, the Board employs the services of an investment consultant to periodically review and update the investment policy. There were no changes to the Investment Policy Statement and Asset Allocation during the fiscal year.

The Board and its investment consultant review portfolio performance quarterly. Performance is evaluated both individually by money manager style and collectively by investment type, and for the aggregate portfolio.

Overall performance results for the Plan can be viewed in the table below:

City of Hialeah Employees' Retirement System
Asset Allocation Summary
September 30, 2015

	Market Value (Thousands)	Quarter	Trailing 1 Year	Trailing 3 Year	Inception
Intermediate Aggregate	**117,523,923**	**0.87%**	**2.66%**	**1.75%**	**5.74%**
Barclays Interm Agg		1.08%	2.95%	1.64	5.61
Intermediate Aggregate	**89,430,803**	**1.22%**	**2.98%**	**1.66%**	**4.90%**
Barclays Interm Agg		1.08%	2.95%	1.64%	5.01%
Large Cap Core	**84,897,404**	**-6.38%**	**-0.52%**	**12.38%**	**9.23%**
S&P 500		-6.44%	-0.61%	12.40%	8.91%
Large Cap Value	**27,111,571**	**-8.24%**	**-0.66%**	**13.02%**	**6.46%**
Russell 1000V		-8.39%	-4.42%	11.59%	5.79%
Large Cap Growth	**27,252,280**	**5.90%**	**0.99%**	**13.17%**	**15.07%**
Russell 1000G		5.29%	3.17%	13.61%	16.52%
Midcap Core	**26,967,366**	**-8.45%**	**1.55%**	**13.02**	**9.28%**
S&P 400		-8.50%	1.40%	13.12	9.20%
Midcap Value	**32,020,774**	**-8.72%**	**-0.98%**	**NA**	**5.61%**
Russell Midcap Value		-8.04%	-2.07%	NA	6.94%
Midcap Growth	**26,923,428**	**-7.92%**	**1.52%**	**13.64**	**8.58%**
Russell Midcap Growth		-7.99%	1.45%	13.98%	8.71%
Small Cap Core	**27,409,254**	**-9.10%**	**4.15%**	**13.09**	**9.45%**
S&P 600		-9.27%	3.81%	13.02	9.34%
Small Cap Value	**10,391,134**	**-11.08%**	**1.46%**	**11.34%**	**10.44%**
Russell 2000 Value		-10.73%	-1.60%	9.18%	6.88%
Small Cap Growth	**10,346,638**	**-16.71%**	**-2.25%**	**13.90%**	**8.62%**
Russell 2000 Growth		-13.06%	4.04%	12.85%	7.31%
International Equity	**25,164,531**	**-11.79%**	**-10.70%**	**5.63**	**0.64%**
MSCI EAFE		-10.23%	-8.66%	5.63	-0.06%
Short Fixed Income	**13,551,838**	**0.32%**	**1.12%**	**NA**	**0.90%**
BC 1-3 yr Gov/Cr		0.29%	1.19%	NA	0.88%
Short Fixed Income	**13,009,811**	**0.25%**	**0.93%**	**0.77**	**0.96%**
BC 1-3yr Gov/Cr		0.29%	1.19%	0.86%	0.94%
Alternatives	**2,175,347**	**1.12%**	**NA**	**NA**	**2.90%**
HFRI FOF: Diversified Index		-2.96%			-2.56%

Alternatives	**7,115,850**	**-6.80%**	**-6.75%**	**NA**	**-3.64%**
HFRI FOF: Diversified Index		-2.96%	0.42%	NA	2.12%
Alternatives	**4,866,935**	**-6.98%**	**NA**	**NA**	**-6.79%**
60%MSCI World /40% Barclays Global Agg Bond		-4.70%	NA	NA	-4.94%
Alternatives	**4,442,085**	**-16.27%**	**-31.06%**	**NA**	**-21.11%**
Bloomberg Commodity Index TR		-14.47%	-25.99%	NA	-16.87%
Total	**$550,600,971**	**-4.63%**	**0.21%**	**7.81%**	**7.56%**
Policy Benchmark		-4.36%	0.47%	7.64%	7.91%

Please note that the schedule on the previous page reflects trailing one-year and three-year including returns since inception. Please also note that the above rates of returns are time weighted, net of fees and based on market rate of return in accordance with AIMR's performance presentation standards.

FINANCIAL ANALYSIS SUMMARY

The investment activities, for the fiscal year ended September 30, 2015, are a function of the underlying market, money managers' performance, and the investment policy's asset allocation model. The Plan had a positive absolute return of 0.21% for the trailing one year. The fund continues to maintain a consistent, high quality, conservative approach and has had an annualized return, net of investment management fees, of 7.81% over the last three fiscal years.

CONTACTING THE PLAN'S FINANCIAL MANAGEMENT

This financial analysis is designed to provide the Board of Trustees, plan participants and the marketplace credit analysts with an overview of the Plan's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or you need additional financial information, please contact the City of Hialeah Retirement Office Grisell Aedo, Retirement Director, at 501 Palm Avenue, Hialeah, Florida 33010 or (305) 883-5872.

FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

ASSETS

Cash and short-term investments	$ 46,725,292
Securities lending cash collateral	98,811,261
Receivables:	
Accrued interest	1,093,289
Accrued dividends	325,101
Contributions	17,044,471
Investments sold	422,236
Other receivables	58,557
Total receivables	18,943,654
Investments, at fair value:	
U.S. Treasury bonds and notes	51,326,858
U.S. Government securities	6,496,289
Asset backed securities	4,665,173
Mortgage backed securities	74,886,840
Real estate investment trust	11,338,769
Corporate bonds and notes	84,683,542
Municipal bonds	1,001,915
Limited partnership	7,559,208
Mutual funds	12,083,412
Common stocks	283,608,020
Total investments	537,650,026
Loans to members	10,606,075
Total assets	712,736,308

LIABILITIES AND NET POSITION

Obligations under securities lending	98,811,261
Due to retired participants	43,471,943
Investments purchased	441,712
Accounts payable and accrued liabilities	13,835
Total liabilities	142,738,751
Net position restricted for pensions	$ 569,997,557

See notes to financial statements.

CITY OF HIALEAH, FLORIDA

EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

ADDITIONS		
Contributions:		
Employer	$	27,382,906
Plan members		2,132,259
Plan members buyback		975,579
Plan members annuity saving		3,887,151
State		461,877
Total contributions		34,839,772
Investment income:		
Investment earnings		13,637,019
Net depreciation in fair value of investments		(9,421,223)
		4,215,796
Less investment expenses		(1,334,309)
Net investment income		2,881,487
Total additions		37,721,259
DEDUCTIONS		
Pension benefits		51,621,289
DROP benefits		3,703,292
Refunds		10,723,267
Total deductions		66,047,848
Net decrease		(28,326,589)
Net Position restricted for pensions:		
Beginning of year		598,324,146
End of year	$	569,997,557

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the City of Hialeah Employees' Retirement System (the "Plan") are prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when contractually due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar investments. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation/depreciation in fair value includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

Loans to Members

The Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (3.90% as of September 30, 2015). Such loans are limited to and are fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

Administrative Expenses

Administrative expenses incurred by the Plan are absorbed by the City of Hialeah.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

Plan Administration

The City of Hialeah (the "City") is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and defined contribution pension plan, for substantially all of the employees of the City and its Department of Water and Sewers. The PERS is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund.

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Plan Administration (Continued)

The plan is administered by a Board of Trustees in whom is vested the general administration, management and responsibility for the proper operation of the retirement system. The Board of Trustees shall consist of seven trustees appointed and elected in the following manner: (1) One trustee shall be appointed by the mayor. This trustee shall be an elector of the city.(2) One trustee shall be appointed by the City council. This trustee shall be an elector of the city.(3) Four trustees shall be appointed, one from each group; management, AFSCME Local, IAFF Local, and PBA. The appointee must be an active member of the retirement system or of the deferred retirement option program (DROP). Term of office for each trustee so elected shall be for a two-year period, and the trustee shall be voted into office and elected as determined by each group. (4) The seventh trustee shall be elected from the membership by majority vote by the trustees appointed pursuant to previous sections (1) through (3) as soon as practicable after their appointment. This appointee shall be an elector of the city. The trustee so appointed shall serve for two years.

All classified employees of the City of Hialeah, Florida participate in the plan, including: (1) all full-time employees (expect as provided by law), and (2) those part-time employees working 22 ½ hours or more per week who elect to participate after one year of continuous employment. Membership does not include any person whose services are compensated on a fee or contractual basis, the Board of Trustees' medical committee, elected or appointed officials who are not in classified services, and persons employed on a temporary or provisional basis for less than nine months.

Plan Membership

On May 22, 2012, the City passed Ordinance No. 2012-27, retroactively to April 1, 2012, closing membership to the Plan for all general employees hired after April 1, 2012. New employees will instead participate in a new defined contribution plan.

Membership in the Plan as of October 1, 2014 consisted of the following:

Inactive Plan members	
Beneficiaries currently receiving benefits	1,401
Entitled to benefits but not yet receiving them	103
Active Plan members	1,091
Total	2,595

Pension Benefits

For Police Officers hired on or after March 14, 2014, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for these Members is payable at age 59 ½. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.

For Firefighters hired on or after November 15, 2013, the Basic Pension is eliminated and the Service Pension minimum Age plus Service is changed from 70 points to 76 points to receive the Normal (full) Retirement Benefit and DROP eligibility. Additionally, the Vested or Deferred Benefits payable for these Members is payable at age 59 ½. Lastly, the automatic Cost of Living Adjustments for these Members is reduced from 2.0% per year to 1.0% per year.

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Pension Benefits (Continued)

The Service and age requirements are (1) for employees hired prior to January 27, 1970, 10 years of service, at age 50, or any age upon retirement after 20 years of service, (2) for employees hired after January 27, 1970 but prior to January 1, 1974, 15 years of service, at age 55, or any age upon retirement after 20 years of service, and (3) for all other members, any age with age plus service equal to 70 and with at least 20 years of service.

Employees who have attained the mandatory years of service and age requirements are entitled to the following pension benefits:

1. An annuity which shall be the actuarial equivalent of the member's accumulated contributions standing to the member's credit in the Annuity Savings Fund at the time of retirement;

2. The Basic annual pension, which is equal to $1,800 (for those participants who have attained their normal retirement age) or $2,800 (for all other members); and

3. A Service pension, which is equal to three percent (3%) of final average compensation multiplied by service up to twenty five (25) years (for those participants who have at least twenty (20) years of service and whose age plus service equals at least seventy (70) or two percent (2%) of final average compensation multiplied by service up to thirty (30) years (for all other members).

4. An additional benefit equal to 1.5% of Average Final Compensation for each year of Credited Service that exceeds 25 years, up to a maximum additional benefit of 4.5% of Average Final Compensation. It is assumed that this benefit applies only to Normal Retirees (full benefits) and not to Vested or Deferred Retirees who get the 2.0% benefit accrual rate up to 30 years of service.

Pre-Retirement Termination

Employees terminated before qualifying for retirement receive a lump sum payment representing their annuity contributions and any interest credited to their annuity savings account.

Early Retirement Pension Benefit

Employees who have at least 10 years of credited service upon reaching age 55 are eligible for their annuity plus the Basic and Service pensions multiplied by the participant's vested interest.

Death and Disability Payments

In the case of the death of a general employee Member prior to retirement, their beneficiary will receive a five-year certain and life annuity. In lieu of this five-year certain annuity, the beneficiary of the general employee may elect to receive 1/2 of the same amount payable over a ten-year period. For firefighters and police officers, the Member's vested accrued benefit deferred to early (reduced) or normal retirement and payable for a minimum of 10 years.

Upon retirement for total and permanent disability, the member shall receive pension benefits whether or not the member has attained eligible retirement age.

NOTE 2 - PLAN DESCRIPTION AND CONTRIBUTION INFORMATION (Continued)

Funding Requirements

City Contribution
On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll. The new provisions also indicate that the floor is subject to Section 70-168(b) which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112 of the Florida Statutes. Provisions under Chapter 112 of the Florida Statutes will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the 28% of member payroll.

The City contributes at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. Effective May 30, 2012, the Division of Retirement mandated that local governments confer with the Plan's actuary to select and maintain contribution method (percentage of payroll or fixed dollar contributions) that best fits the funding requirements of the Plan. The Plan determined to use the "percentage of payroll contribution" method for the fiscal year ended September 30, 2015.

The actual contribution from the City for active members were actuarially determined using the actuarial valuation as of October 1, 2013 for the year ended September 30, 2015. The contributions consisted of the following at September 30, 2015:

	Actual Contribution	Percentage of Covered Payroll
City	$ 27,382,906	40.29%
State of Florida	461,877	0.68%
Total contribution from City and State of Florida	27,844,783	40.97%
Members	$ 2,132,259	N/A

DROP Plan

The City established a deferred retirement option plan (DROP) for General Employees on February 19, 2008, and for Police and Firefighters on March 1, 2007. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more.

Upon entry into the DROP, a member's monthly retirement benefits (basic plus service pension), based on final average earnings and service upon entering the DROP, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. At the end of each fiscal year, interest will be credited to the DROP account at the same rate credited to the annuity savings account. Member contributions cease upon entering the

DROP and the member shall be ineligible for disability benefits provided by the Plan. Upon termination of employment or death, the DROP account balance will be paid in a cash lump sum. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months and members cannot buy service in order to be eligible for the DROP.

General employees who are members of the retirement system are prohibited from entering the DROP on or after April 2, 2012. As of September 30, 2015, there were thirty five (35) DROP participants and their fair value of DROP investment was $2,222,076 which is included in the Plan's net position.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Deposit Insurance Corporation, all deposits, which include cash on hand, are held in qualified public depositories pursuant to State of Florida Statutes Chapter 280, Florida Security for Public Deposits Act. Under the Act, all qualified public depositories are required to pledge eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Therefore, all deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

The Board of Trustees has developed certain investment policies and has retained investment managers. The investment managers are expected to maximize the return on the investment portfolio and may make transactions consistent with that expectation within the Board's policies. The investment managers are compensated based on a percentage of their portfolio's market value.

The Plan's investment policy is determined by the Board who is responsible for directing the investment of the assets of the Plan to ensure that there will be adequate monies for future benefits. The policy has been identified by the Board to conduct the operations of the Plan in a manner so that the assets will provide the pension and other benefits provided under applicable laws, including City ordinances, preserving principal while maximizing the rate of return.

Investment in all equity securities shall be limited to those listed on a major U.S stock exchange or traded over-the-counter. The equity position in any one company shall not exceed 5% of the total cost of equity investments. Investments in stocks of foreign companies shall be limited to 10% of the manager's portfolio.

Fixed income securities must be rated "BBB" or higher by a major rating agency. The average quality rating of the fixed income portfolio shall be "A" or better by a major rating agency.

Types of Investments

Florida statutes and Plan investment policy authorize the Board to invest funds in various investments. The current target allocation of these investments at fair value is as follows:

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	5%
Domestic Bonds	40%
Alternatives	5%

Rate of Return

For the year ended September 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.46%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Inputs to the internal rate of return calculations are determined on a monthly basis.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Rate of Return (Continued)

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following tables that show the distribution of the Plan's investments by maturity at September 30 2015:

City of Hialeah Employees' Retirement System		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasuries Bonds and Notes	$ 51,326,858	$ -	$ 28,400,180	$ 22,926,678	$ -
U.S. Agencies/Instrumentalities	6,496,289	-	6,496,289	-	-
Corporate Bonds and Notes	84,683,542	11,401,576	47,828,904	24,118,829	1,334,233
Municipal Bonds	1,001,915	-	502,325	499,590	-
Mortgage Backed Securities	74,886,840	-	770,412	1,624,257	72,492,171
Asset Backed Securities	4,665,173	-	4,665,173	-	-
Sub-total	223,060,617	$ 11,401,576	$ 88,663,283	$ 49,169,354	$ 73,826,404
Real estate investment trusts	11,338,769				
Limited Partnership	7,559,208				
Mutual Funds	12,083,412				
Common stocks	$ 283,608,020				
Total Fair Value	$ 537,650,026				

Interest Rate Risk

Interest rate risk exits when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the Plan places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Plan's investment policy limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSPO) – (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Fixed income investments must be direct issues of the United States Treasury, United States Government Agencies, or Instrumentalities including Mortgage Backed Securities and their derivative products. Mortgage and Asset backed securities not issued by an agency of the Federal Government must be rated "A" or better by a NRSPO. Other than securities of the U.S. Government or its agencies the fixed income portfolio shall not exceed 5% of any one issuer. Any idle cash not invested by the investment manager shall be invested daily through an automatic, interest bearing, sweep vehicle managed by the custodian.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (Continued)

As of September 30, 2015, the Plan's fixed income investments with credit ratings consisted of the following:

Investment Type	Fair Value	Credit Rating
U.S. Treasury bonds and notes	$ 42,023,423	Aaa
U.S. Treasury bonds and notes	9,303,435	NR
U.S. Government securities	6,496,289	Aaa
Asset backed securities	3,580,333	Aaa
Asset backed securities	1,084,840	NR
Mortgage backed securities	2,077,909	Aaa
Mortgage backed securities	1,041,943	Aa3
Mortgage backed securities	71,766,988	NR
Municipals	502,325	Aa2
Municipals	499,590	A2
Corporate bonds and notes	12,964,797	A1
Corporate bonds and notes	14,009,026	A2
Corporate bonds and notes	16,080,943	A3
Corporate bonds and notes	2,656,623	Aa1
Corporate bonds and notes	2,126,853	Aa2
Corporate bonds and notes	534,685	Aa3
Corporate bonds and notes	472,315	Ba1
Corporate bonds and notes	633,641	Ba2
Corporate bonds and notes	12,696,059	Baa1
Corporate bonds and notes	14,157,619	Baa2
Corporate bonds and notes	7,750,879	Baa3
Corporate bonds and notes	600,102	NR
Total	$ 223,060,617	

Concentration Credit Risk

GASB Statement No. 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the Plan's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

The Plan did not hold investments in any one organization that represent 5 % or more of the Pension Plan's fiduciary net position.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name.

Foreign Currency Risk

Foreign currency is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The Plan has exposure to foreign currency fluctuations as follows:

Holdings Valued in U.S. Dollars

Currency	International Equities
CANADIAN DOLLAR	$ 341,160
DANISH KRONE	322,907
EURO CURRENCY	9,177,892
HONG KONG DOLLAR	2,008,638
JAPANESE YEN	2,229,709
NORWEGIAN KRONE	458,528
POUND STERLING	5,040,536
SINGAPORE DOLLAR	794,609
SWEDISH KRONA	182,910
SWISS FRANC	1,738,615
	$ 22,295,504

Risks and Uncertainties

The Plan has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statements of plan fiduciary net position and the statements of changes in plan fiduciary net position. The Plan, through its investment advisors, monitors the Plan's investments and the risks associated therewith on a regular basis, which the Plan believes minimizes these risks.

Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

NOTE 4 - DUE TO RETIRED PARTICIPANTS

As part of the City of Hialeah Employees' Retirement System's provisions, Plan participants are required to contribute 7% of their annual compensation into an annuity fund. The amounts recorded within the Due To Retirement Participants account represent monies held for retired participants which have not cashed out their annuity and amounts held for terminated employees or employees which have voluntarily left the City and have not cashed out their annuity balance.

In accordance with Section 70-166 of the City of Hialeah Code, Participants receiving a pension, which maintain monies within this account, have the discretion to leave the funds with the City and continue accruing interest, or cash out their balance until age 70 at which time he/she is required to withdraw the balance in a lump sum. Upon retirement of a member, either the employee's accumulated contributions shall be transferred from the annuity savings fund to the annuity reserve fund or the employee may elect to withdraw the employee's annuity in a lump sum. At the expiration of a period of four years from the date an employee ceases to be a member, any balance of accumulated contributions standing to his credit in the annuity savings fund, unclaimed by such member, shall be transferred to the pension reserve fund unless such member has at least ten years of credited service and indicates to the board in writing, at time of separation, his intent to defer pension benefits as provided in section 70-239.

As of September 30, 2015 the amounts held in the annuity savings fund due to retired participants totaled $43,471,943 (including $789,278 due to non-active, non-retired members).

NOTE 5 - ANNUITY RESERVE

The annuity reserve includes the Participants' accumulated contributions with interest at the annual rates established by the Board of Trustees. As of September 30, 2015 accumulated member contributions totaled $112,985,864. Of these amounts, accumulated active member contributions totaled $69,513,921 and accumulated retiree contributions (including accumulated contributions for non-active, non-retired members) totaled $43,471,943 as of September 30, 2015. Interest at 10.65% was credited for fiscal year ended September 30, 2015.

The fiduciary net position restricted for pension benefits of $569,997,557 as of September 30, 2015 include the accumulated active member contributions which totaled $69,513,921 as of September 30, 2015. The accumulated retiree contributions (including accumulated contributions for non-active, non-retired members) totaled $43,471,943 as of September 30, 2015 and are reported as Due To Retired Participants (See NOTE 4).

NOTE 6 - SECURITIES LENDING TRANSACTIONS

State statutes do not prohibit the Plan from participating in securities lending transactions. The City of Hialeah Employees' Retirement System (the "Plan"), pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company ("State Street") to act as the Plan's agent in lending the Plan's securities to approved borrowers. State Street, as agent enters into Securities Loan Agreements with borrowers. Cash collateral received in respect to the Plan's securities lent to approve borrowers was invested at the direction of the Plan, in the Quality D Duration and Quality Investment Fund D (the "Fund") which are comprised of liquidity pools and duration pools. Please note the following:

a) Method for Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.

b) Policy for Utilizing Amortized Cost Method. As the Fund is not a mutual fund and does not otherwise meet the requirements of the Investment Company Act of 1940 pursuant to which amortized cost accounting may be permissible, State Street has valued the Fund's investments at fair value for reporting purposes.

NOTE 6 - SECURITIES LENDING TRANSACTIONS (Continued)

c) Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street and the investment vehicles it sponsors (including the Fund) are subject to oversight by the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Plan's position in the Fund is equal to the value of the Fund shares.

d) Involuntary Participation. There was no involuntary participation in an external investment pool by the Plan for the Fiscal Year.

e) Necessary Information. Not Applicable.

f) Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

During the fiscal year, State Street lent, on behalf of the Plan, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the Plan in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration and notice of Default of the Borrower.

During the fiscal year, the Plan and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2015, such investment pool had an average duration of 3 days and an average weighted final maturity of 182 days for USD collateral. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral.

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them. On September 30, 2015, the Plan had no credit risk exposure to borrowers. The market values of collateral held and the market value (USD) of securities on loan for the Plan as of September 30, 2015 was $98,811,261. The $98,811,261 was cash and securities collateral and has been reported in the statement of fiduciary net position as an asset of the Plan along with the liability of $98,811,261 for obligations under security lending.

NOTE 7 - NET PENSION LIABILITY

Total pension liability	$ 806,816,777
Plan fiduciary net position	569,997,557
Net pension liability	$ 236,819,220
Plan fiduciary net position as a percentage of total pension liability	70.65%

NOTE 7 - NET PENSION LIABILITY (Continued)

Significant Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015, using the following actuarial assumptions:

Interest rates:	
Single discount rate	8.0%
Inflation	3.0%
Salary Increases	3.0-9.0%
Long-term expected rate of return	8.0%
Pre-Retirement Mortality:	RP-2000 Combined Mortality Table with a blue collar adjustment projected 15 years from valuation date.
Post-Retirement Healthy Mortality:	RP-2000 Combined Mortality Table with a blue collar adjustment projected 7 years from valuation date.
Post-Retirement Disabled Mortality:	RP-2000 Disabled Mortality Table.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension 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 expenses 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 pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Asset Group	Long-Term Expected Real Rate of Return
Domestic Equity	7.31%
International Equity	7.40%
Domestic Bonds	2.10%
Other	6.40%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 %. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension 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 was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 7 - NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net pension liability, calculated using a discount rate of 8.0%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 7.0%	Current Discount Rate Assumption 8.0%	1% Increase 9.0%
$ 312,988,806	$ 236,819,220	$ 172,156,670

NOTE 8 - ACTUARIAL ASSUMPTIONS AND METHOD CHANGES

Effective October 1, 2014,

a) A portion of the assets in the Trust Fund are reserved for the Annuity Savings Benefits that are due to Members who had previously terminated employment and left their Annuity Savings in the Fund to be withdrawn at a future date (Annuity Savings Reserve). In the prior report, the assets shown were the full assets in the Trust Fund and the Annuity Savings Reserve was added to the liabilities. This year, in order for the valuation report to match the audited financial statements, this Annuity Savings Reserve was subtracted from the assets of the Plan, and therefore not included as a liability. This change of categorization has no impact on the funding requirements.

b) Additionally, the mortality assumption was amended because each year it is assumed that mortality improves. This assumption change increased the funding requirement by 0.10% of payroll

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIALEAH, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Fiscal year ending September 30,	2015	2014
Total Pension Liability		
Service Cost	$ 9,104,164	$ 8,982,779
Interest	61,082,848	60,285,831
Change in Annuity Savings Fund	3,887,151	4,064,028
Difference between expected & actual experience	10,359,527	-
Contributions - Buy Back	975,579	1,182,367
Benefit Payments, Including Refunds of Employee Contributions	(66,047,848)	(63,299,504)
Net Change in Total Pension Liability	19,361,421	11,215,501
Total Pension Liability - Beginning	787,455,356	776,239,855
Total Pension Liability - Ending (a)	$ 806,816,777	$ 787,455,356
Plan Fiduciary Net Position		
Contributions - Employer	$ 27,382,906	$ 25,769,253
Contributions - State	461,877	461,877
Contributions - Member	2,132,259	1,587,095
Contributions - Buy Back	975,579	1,182,367
Contributions - Annuity Savings Fund	3,887,151	4,064,028
Net Investment Income	2,881,487	58,702,102
Benefit Payments, Including Refunds of Employee Contributions	(66,047,848)	(63,299,504)
Net Change in Plan Fiduciary Net Position	(28,326,589)	28,467,218
Plan Fiduciary Net Position - Beginning	598,324,146	569,856,928
Plan Fiduciary Net Position - Ending (b)	$ 569,997,557	$ 598,324,146
Net Pension Liability - Ending (a) - (b)	$ 236,819,220	$ 189,131,210
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.65%	75.98%
Covered Employee Payroll	$ 67,967,862	$ 22,672,786
Net Pension Liability as a Percentage of Covered Employee Payroll	348.43%	834.18%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

CITY OF HIALEAH, FLORIDA

EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contribution as a % of Covered Payroll
2014	$ 26,231,130	$ 26,231,130	-	N/A	N/A
2015	$ 26,210,070	$ 27,844,783	(1,634,713)	$ 67,967,862	40.97%

* Total covered payroll for fiscal year ending September 30.

Notes to the Schedule of Contributions

Valuation Date	10/1/2013 (AIS 02/23/2015)
Notes	Actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	The entry age normal cost method was used to determine all liabilities, except that the liability associated with member contributions has been assumed to be equal to those contributions.
Amortization Method	Beginning October 1, 2011, the method of amortizing all outstanding unfunded liability bases was changed to an increasing amortization based on a level percent of payroll where the aggregate payroll is assumed to increase at 3.5% per year.
Remaining Amortization Period	30 years (as of 10/01/2013)
Actuarial Value of Assets	The actuarial value of assets (AVA) is equal to the market value of assets adjusted to reflect a five year phase-in of the difference between the expected versus actual return on the AVA. The AVA is limited to an 80%-120% corridor of the market value of assets.
Inflation	3.5% per year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

CITY OF HIALEAH, FLORIDA
EMPLOYEES' RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS

	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	0.46%	10.22%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

COMPLIANCE REPORT

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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*

Board of Trustees
City of Hialeah Employees' Retirement System
Hialeah, Florida

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 Hialeah Employees' Retirement System (the "Plan"), as of and for the fiscal year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-01 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

Board of Trustees
City of Hialeah Employees' Retirement System

Plan's Response to Finding

The Plan's response to the finding identified in our audit are described in the accompanying schedule of findings and responses. The Plan's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Plan'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.

Alberni Caballero & Fierman, LLP

Alberni Caballero & Fierman, LLP
Coral Gables, Florida
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CITY OF HIALEAH
EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2015

CURRENT YEAR FINDINGS AND RESPONSES

SIGNIFICANT DEFICIENCY

2015-01 Internal Control over Financial Reporting

Criteria
Timeliness of closing procedures is crucial to proving accurate accounting data and financial information including interim and year-end financial statements.

Condition
During the course of our audit procedures there were material auditor adjusting entries proposed to correct errors from the start of the fieldwork which necessitated additional procedures and delayed the completion of the audit.

Cause
Controls over transaction recording in certain areas need improvement. This includes monthly or quarterly reconciliations between the accounting data for the plan and the custodian statements.

Effect
Certain account balances were not properly stated which increases the risk of material misstatement.

Recommendation
We recommend a detailed general ledger account analysis be performed on a monthly or quarterly basis in a timely manner including reconciling the accounting data with the custodian statements. In addition, we recommend the performance of an analytical review of account balances with the prior year balances to determine if there are any needed adjustments.

View of responsible officials and planned corrective actions
In order to avoid this matter in the future, the Plan will make either monthly or quarterly journal entries instead of a yearly entry on the custodian account. The custodian bank is working on providing and expanding their capabilities for the Plan to have easy access to their information, which will be beneficial when tracking balances. Such changes will assist in addressing any differences in the subsidiary ledgers and it will make it easier to perform future reconciliations.