

**CITY OF SUNRISE, FLORIDA**  
**POLICE OFFICERS'**  
**RETIREMENT PLAN**

(a pension trust fund of the City of Sunrise)

**FILE COPY**



**COMPREHENSIVE ANNUAL**  
**FINANCIAL REPORT**  
**For the Fiscal Year Ended**  
**September 30, 2004**

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**POLICE OFFICERS'**  
**RETIREMENT PLAN**

(a pension trust fund of the City of Sunrise, Florida)

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**FINANCIAL REPORT**  
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(a pension trust fund of the City of Sunrise, Florida)

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEARS ENDED**  
September 30, 2004 and 2003

**PREPARED BY: THE PLAN ADMINISTRATOR**

## INTRODUCTORY SECTION

**CITY OF SUNRISE, FLORIDA**  
**POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)  
Years Ended September 30, 2004 and 2003

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**CITY OF SUNRISE, FLORIDA**  
**POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)  
Years Ended September 30, 2004 and 2003

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**LETTER OF TRANSMITTAL**



# City of Sunrise, Florida



## POLICE OFFICERS' RETIREMENT PLAN

13790 N.W. 4 Street, Suite 105, Sunrise, Florida 33325  
(954) 845-0298 • Fax: (954) 845-9852  
e-mail: [sunrisepolice@aol.com](mailto:sunrisepolice@aol.com)

March 1, 2005

Robert J. Dorn, Chairman  
and Police Pension Board Members  
City of Sunrise, Florida 33325

We are pleased to submit for your review the Comprehensive Annual Financial Report (CAFR) for the City of Sunrise Police Pension Fund (the Plan) for the fiscal year ended September 30, 2004. This report is a full and complete disclosure of the structure and financial status of the Plan. It has been prepared by the Board's Plan Administrator in accordance with accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The Plan Administrator is responsible for the accuracy of the data and the completeness and fairness of its presentation (including all disclosures).

This CAFR is divided into five sections. These sections are described below:

**Introductory Section** - includes this Letter of Transmittal, a description of the Plan's administrative structure, a summary of major Plan provisions, and a list of Board members (trustees and staff).

**Financial Section** - includes the independent auditor's report. Management's Discussion and Analysis (MD & A), financial statements for the Plan and certain required supplementary information related to the Plan.

**Investment Section** - includes the investment activity report, a summary of investment policies, and reports related to investment performance and various other investment related schedules.

**Actuarial Section** - contains the consulting actuary's Certification Letter as well as the results of the annual actuarial valuation report.

**Statistical Section** - includes trend information that is considered statistical and/or financial in nature.



## **Plan History and Description**

In 1972 the City Commission created the authority for the City's Pension Fund by local Ordinance. The Plan at that juncture was under one umbrella and included all three classifications of city employees (General Employees, as well as Police & Fire Employees). In 1989, the City Commission by local Ordinance created three individual pension boards, each of the foregoing classifications cited.

Chapter 185 of the Florida Statutes (F.S.) (which was initially enacted in 1963 to establish minimal requirement for local plans) in part defines standards for the organizational, operational and actuarial structure of the Plan.

There have been several amendments to the Ordinance since its passage in 1989. In recent years amendments have increased the final average compensation, by reducing the average from the best five continuous years, to the best three year average. Another amendment increased the healthcare supplement payment from \$125.00 per month to \$200.00 per month.

Currently, normal retirement can be at any age with a minimum of 20 years continuous service or age 53 with 10 continuous years of service. Retirees today receive a normal benefit of 60% (4% per year for the first ten years and 2% thereafter) of their average monthly salary (times credited service). Additionally, today's Plan provides for a 13<sup>th</sup> and 14<sup>th</sup> check for Plan members who retired after October 1, 2001. The 13<sup>th</sup> and 14<sup>th</sup> check is provided in years when there is a net actuarial gain.

## **Plan Administration**

Administration and responsibility for the Plan is vested with the Board of Trustees (the Board). The Plan is a single employer defined benefit plan covering all full-time City Police Officers. Florida Statute (F.S.) Chapter 185 requires the Board to be comprised of five trustees serving concurrent two-year terms. By majority vote, trustees elect from among themselves a chairman and secretary. Composition of the Board is specified in F.S. Chapter 185 as follows:

Two City residents, who are members of the Plan, are appointed by the City Commission;

Two Police Officers elected by a majority of the actively employed Plan participants; and,

One member chosen by a majority of the other four members, and ministerially appointed by the City Commission, which may be an active or retired member of the Plan.

Two individuals serve the Board in staff positions. Included in these positions are the Pension Administrator and the Recording Secretary. Funding of these positions are paid for by the Plan and are reimbursed Actuarially by the City, which is responsible for all of the administrative costs.

The Board has a fiduciary responsibility to the Plan and its participants and, as such, must exercise prudent judgment in its oversight and administration of the Trust Fund. The Board and staff regularly participate in educational conferences to keep themselves abreast of pension industry directional changes, technical concepts and approaches to plan management, plan structure and asset management.

The Board meets at least quarterly with the Performance Measurement Consultant (the “Consultant”) to review the performance of each manager, asset class and the fund investments in aggregate. When appropriate, the Board terminates existing money managers and hires replacement or additional managers. When necessary, the Board directs the Consultant to conduct an asset allocation study (typically every three to five years) and reallocations of assets are implemented, if deemed appropriate.

The Board also evaluates disability retirement applications and conducts public hearings to determine if a permanent disability exists, if the disability is a line of duty or non-line of duty disability and whether the disability prohibits the participant from performing the necessary duties of the position within certain parameters and conditions of the Plan.

Additionally, the Board employs an enrolled Actuarial Consultant (the “Actuary”) to perform an annual actuarial valuation of the plan to determine the funded status, funding requirements and to monitor trends related to assumptions, expectations and actual results.

Generally, the Consultant and Actuary services are reviewed periodically and requests for proposals issued at least every five years.

Beyond providing staff support for all administrative needs and serving as the liaison with all investment managers and consultants, the Plan Administrator also provides the following services on behalf of the Board:

- Pre-retirement **counseling**;
- Timely processing of **benefit claims**;
- Monthly processing and distribution of **benefit checks**; and
- Accounting and financial reporting.**

## **BOARD ACTION**

During the past year, the Pension Board closely monitored the portfolio performance and target to actual allocations. All of the investment managers were also monitored to determine if they were under performing. A manager search is currently underway for a new bond manager due to these measures.

## **FINANCIAL INFORMATION**

### **Controls**

In developing and evaluating the Plan's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the following:

Safeguarding of assets against loss from unauthorized use or disposition;  
and  
Reliability and adequacy of accounting records.

The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived. Reasonable assurance also recognizes that valuation of costs and benefits require estimates and judgments by management.

All internal control evaluations occur within the above framework. The Plan's internal accounting controls adequately safeguard assets and provide assurance that financial transactions are properly recorded. Key controls are continually tested and evaluated by the Plan Administrator.

Financial controls are maintained in the account group level within program or project appropriations. Trustee related costs are also closely monitored in an effort to be reasonable and prudent. Benefits and refunds are not budgeted as they are considered participant rights. Primarily, Trustee costs represent investment-related costs. Money manager and Master Custodian (the "Custodian") fees are asset and activity based and considered investment costs. Consultant fees are also considered investment costs. Contributions to the Plan are estimated annually as they represent expenditures/expenses of other funds.

Assets, liabilities, revenues and expenses are recorded using the accrual basis of accounting. Revenues and expenses are recorded when earned or incurred, regardless of collection or disbursement. The Plan is actuarially evaluated using the frozen entry age method.

### **Revenues and Expenses**

Revenues essential to the sound funding of the Plan are from contributions and net investment earnings. Contributions are made to the Plan from the following:

**Budgeted City Funds** - based on the actuarially determined rates in accordance with F.S. Chapter 112;

**Allocated Property Insurance Premium Taxes** - received from the State pursuant to F.S. Chapter 185; and

**Active Plan Participants** - based on collective bargaining agreement, members contribute 7.15% of their pay. If the City's cost exceeds 10% of covered payroll, the Plan members and the City share the overage 50/50. For fiscal year October 1, 2003, the City's cost was set at 15.26%. As such, the member's contribution was increased to 9.78% and the City's cost reduced to 12.63%.

The actual return of (15.5)% for the current year was substantially above the actuarial average interest rate assumption of 8.5%. Additional information about investment activity is addressed in the MD&A (see pages 8 - 9) and in the Investment Section of the CAFR. Plan expenses include recurring benefit payments and administrative costs.

### **Market Smoothing**

In 1989, the Board adopted a market smoothing approach for actuarial asset valuation purposes. This approach spreads cyclical market variations over a rolling four-year forward period as discussed on page 52.

Variations in investment income on an actuarial basis from year to year reflect realized gains and losses and the effects of market smoothing. Therefore, annual fluctuations in investment income, as used in the Actuary's annual funding calculations, are not necessarily indicative of good or poor investment results for the current period.

## **OTHER INFORMATION**

### **Independent Audit**

Florida Statutes require an annual independent audit of the Plan's financial statements. The opinion of Davidson, Jamieson & Cristini, P.L. related to the accompanying statements has been included in this report.

In 1999, the Governmental Accounting Standards Board (GASB) adopted Statement 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments. The standard requires that a "Management Discussion and Analysis" be included along with annual audited basic financial statements. For Management's Discussion and Analysis for the year ended December 31, 2004, please refer to the financial section in this report.

### **Professional Services**

Professional consultants are appointed by the Board to perform professional services considered essential to the effective and efficient operation of the Plan. Letters from Actuary and Consultant are included in this report. The type of consultants appointed by the Board and their respective expenses are listed on page 46 of this CAFR.

## **Reporting Achievement**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunrise Police Pension Plan for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2003.

It is understood that in order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

It is further understood that a Certificate of Achievement is valid for a period of one year only. It is believed our current report conforms to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

## **Awards & Acknowledgments**

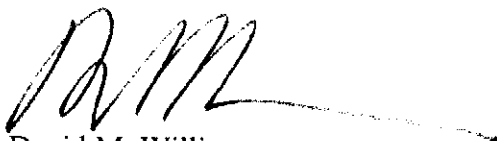
The Board of Trustees are proud of the fact the plan was recognized by the Public Pension Coordinating Council, which is a confederation of the National Association of State Retirement Administrators (NASRA), National Conference on Public Employee Retirement Systems (NCPERS), National Council on Teacher Retirement (NCTR), in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

This report reflects the combined efforts of the Board of Trustees, and Board Staff, Plan advisors and consultants. It is intended to provide complete and reliable information regarding stewardship for the assets of the Plan. Additionally, the report provides a basis for making management decisions. The information can also be used as a means of determining compliance with legal provisions.

On behalf of the Board of Trustees, we would like to take this opportunity to express our gratitude to the personnel involved in the compilation of this report.

We hope that this year's report will be of interest to you. It has been designed to help the reader understand and evaluate the operations and financial status of the Plan.

Respectfully submitted,



David M. Williams  
Plan Administrator

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
City of Sunrise,  
Florida Police Officers'  
Retirement Plan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2003

A Certificate of Achievement for Excellence in Financial  
Reporting is presented by the Government Finance Officers  
Association of the United States and Canada to  
government units and public employee retirement  
systems whose comprehensive annual financial  
reports (CAFRs) achieve the highest  
standards in government accounting  
and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director



**Public Pension Coordinating Council  
Public Pension Standards  
2004 Award**

Presented to

**City of Sunrise Police Officers' Retirement Plan**

In recognition of meeting professional standards for  
plan design and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script, reading 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator

**CITY OF SUNRISE, FLORIDA  
POLICE OFFICERS' RETIREMENT PLAN  
September 30, 2004**

**BOARD OF TRUSTEES**

<b><u>Trustees' Name</u></b>	<b><u>Board Position</u></b>	<b><u>Method of Selection (1)</u></b>	<b><u>City Position</u></b>
Robert Dorn	Chairman	Elected	Lieutenant
Gerald Eddy	Secretary	Elected	Lieutenant
Charles Vitale	Trustee	Appointed	Lieutenant
Miles Robison	Trustee	Appointed	Detective
Robert Misiti	Trustee	5 <sup>th</sup> Member	Captain

**STAFF**

<b><u>Staff Name</u></b>	<b><u>Position</u></b>
David M. Williams	Plan Administrator
Eve Litner	Recording Secretary

**CONSULTANTS**

Attorney	Christensen & Dehner, P.A.
Actuary	Gabriel, Roeder, Smith & Company
Performance Monitor	Gabriel, Roeder, Smith & Company
Custodian	Fiduciary Trust Company International
Investment Manager	Budkhead Capital Management, L.L.C.
Investment Manager	Davis, Hamilton, Jackson & Associates
Investment Manager	Invesco Capital Management, Inc.

- (1) Members are elected /appointed for two-year terms ending March 15 every other year.



## FINANCIAL SECTION

**Davidson, Jamieson & Cristini, P.L.**

**Certified Public Accountants**

1956 Bayshore Boulevard  
Dunedin, Florida 34698-2503  
(727)734-5437 or 736-0771  
FAX (727) 733-3487

*Members of the Firm*

John N. Davidson, CPA\*, CVA  
Harry B. Jamieson, CPA\*  
Richard A. Cristini, CPA\*, CPPT, CGFM

Member  
American Institute of  
Certified Public Accountants  
Florida Institute of  
Certified Public Accountants

\_\_\_\_\_  
\*Regulated by the  
State of Florida

The Board of Trustees  
City of Sunrise, Florida Police Officers' Retirement Plan  
(a pension trust fund of the City of Sunrise)  
Sunrise, Florida

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statements of plan net assets of the City of Sunrise, Florida Police Officers' Retirement Plan (Plan) (a pension trust fund of the City of Sunrise) as of September 30, 2004 and 2003, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Sunrise, Florida Police Officers' Retirement Plan as of September 30, 2004 and 2003, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Board of Trustees  
City of Sunrise, Florida Police Officers' Retirement Plan  
(a pension trust fund of the City of Sunrise)

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying management's discussion and analysis on pages 3 through 9 and the required supplementary information on pages 26 through 28 of the City of Sunrise Police Officers' Retirement Plan is required by the Governmental Accounting Standards Board Statements No. 34 and 25, respectively, and is not a required part of the basic financial statements. The additional information on page 29 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such required and additional information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory, investment, actuarial, and statistical sections listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

*Davidson, Jamieson & Cristini, P.L.*

November 12, 2004

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Required Supplementary Information)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of the Sunrise Police Pension Fund's financial performance provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2004. Please review it in conjunction with the transmittal letter (see page iii - viii) and the Financial Statements, which begin on page 10.

### **FINANCIAL HIGHLIGHTS**

The Plan's net assets increased by \$3.18 million (or 8.5%) as a result of the fiscal year's activities.

The required contributions from the City, the Florida State excise tax rebate (excluding the excess frozen amount) and employee sources, in total, increased by \$643 thousand (or 30.3%).

Net investment income decreased by \$1.82 million (or 40.1%) resulting from a \$1.8 million reduction in unrealized appreciation in fiscal year 2003-2004 from fiscal year 2002-2003.

Benefit payments increased by 36 thousand (or 1.6%) over the prior year.

### **PLAN HIGHLIGHTS**

The decline in the equity markets in fiscal year 2003-2004 resulted in reduced investment results for the Police Plan. Despite the fact that the portfolio's actual allocation was slightly under committed to equities (as compared to the asset allocation), the relative return of 7.95% fell short of its benchmark target of 10.73% by 2.78% (for more information see page 39).

The actuarially smoothed investment return takes the difference between actual return and the anticipated 8.5% return (for this year a \$1.61 million loss) and allocates one fifth to the current year and to each of the next four years. The impact of the negative returns for fiscal years 2002 and 2001 were dampened by the actuarially smoothed positive returns from the 2004 and 2003 years.

Although the plans funding level declined from 96.4% in 2001 to 89.2% in 2002, to 85.9% in 2003, nonetheless, that level indicates the fund remains in a reasonable well-funded financial condition (see page 7).

## USING THE ANNUAL REPORT

The financial statements, which reflect the activities of the Police Officers' Retirement Plan are reported in the Statements of Plan Net Assets (see page 10) and the Statements of Changes in Plan Net Assets (see page 11). These statements are presented on a full accrual basis and reflect all trust activities as incurred.

A discussion of the actual components of this annual report, including the financial statements, is presented in the transmittal letter on page iii.

### PLAN NET ASSETS

The table below shows a comparative summary of Plan Net Assets that demonstrates that the pension trust is primarily focused on the cash and investments and the restricted net assets.

**TABLE 1**  
**PLAN NET ASSETS**

	As of September 30,		
	<u>2003</u>	<u>2003</u>	<u>2002</u>
Investments	\$ 40,313,057	\$ 36,837,815	\$ 32,675,176
Receivables	280,449	331,536	611,805
Equipment	9,138	9,280	12,321
<b>Total Plan Assets</b>	<b>40,602,644</b>	<b>37,178,631</b>	<b>33,299,302</b>
Liabilities	299,230	61,047	531,513
<b>Total Liabilities</b>	<b>299,230</b>	<b>61,047</b>	<b>531,513</b>
<b>Plan Net Assets</b>	<b><u>\$ 40,303,414</u></b>	<b><u>\$ 37,117,584</u></b>	<b><u>\$ 32,767,789</u></b>

The net increase of \$3.18 million (or 8.5%) reflects a net change in trust activities.

## CHANGES IN PLAN NET ASSETS

The following comparative summary of the changes in net assets reflects the activities of the trust.

**TABLE 2**  
**CHANGES IN PLAN NET ASSETS**

	<b>For the Years Ended September 30,</b>		
	<u><b>2003</b></u>	<u><b>2003</b></u>	<u><b>2002</b></u>
<b>Additions:</b>			
Contributions	\$ 2,268,902	\$ 1,748,768	\$ 1,338,876
State Excise Tax Rebate	497,445	374,160	323,404
Investment income (loss) (net)	2,717,722	4,541,902	(2,655,811)
<b>Plan Additions (Reductions)</b>	5,484,069	6,664,830	(993,531)
<b>Deductions:</b>			
Pension Benefits	2,051,356	2,094,413	1,977,312
Other	246,883	220,622	224,364
<b>Total Deductions</b>	2,298,239	2,315,035	2,201,676
<b>Net Change</b>	<u>\$ 3,185,830</u>	<u>\$ 4,349,795</u>	<u>\$ (3,195,207)</u>

Contribution rates are established for participants and the City and are impacted by excise tax rebates from the state. The state excise tax collected and remitted is controlled by statute.

The Plan's investment activity, measured as of the end of any quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. There was opportunity for positive returns on investment of a diversified portfolio for this fiscal year as can be seen in the schedule on page 39. The actual returns remained the same at a positive 7.95% return for 2003-2004.

The benefit payments are a function of changing payments to retirees, their beneficiaries (if the retiree is deceased) and new retirements during the period.

## PLAN MEMBERSHIP

The following table reflects the Plan membership as of the beginning and ending of the year.

**TABLE 3**  
**CHANGES IN PLAN MEMBERSHIP**

	<u>September 30,</u>			<u>2003-2004</u> <u>Change</u>	<u>2002-2003</u> <u>Change</u>
	<u>2004</u>	<u>2003</u>	<u>2002</u>		
<b>Active Participants:</b>					
Vested	57	55	54	2	1
Non-vested	105	107	108	(2)	(1)
Retirees & Beneficiaries	73	69	67	4	2
Terminated Vested	-	1	6	(1)	(5)

While the table above reflects changes in active participants, the number of sworn police officers on the City payroll, the following table demonstrates the changes in retirees and beneficiaries.

**TABLE 4**  
**CHANGES IN RETIREES & BENEFICIARIES**

Beginning (10/01/2003)	69
Retirements & Beneficiaries	4
Death (Expiration) of Retirees & Beneficiaries	-
Ending (09/30/2003)	<u>73</u>

## FUNDING STATUS

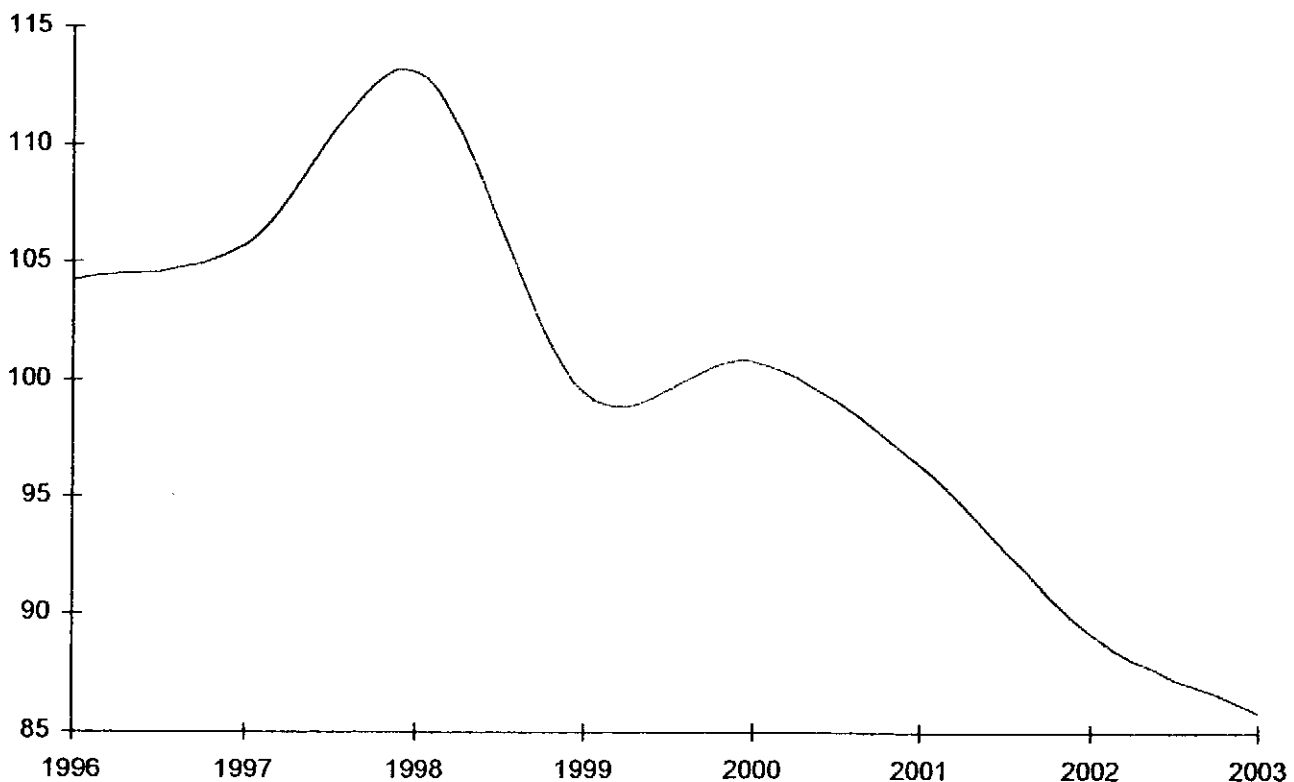
Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. The City has traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary. Therefore, a net pension obligation (NPO) has never existed for the Plan. This is due in large part to implementation of conservative business practices and to the funding requirements established in Florida law.



In 1968, Florida became the first state to constitutionally require local governments to fund pension obligations in a reasonable and systematic manner. Additionally, F.S. Chapter 112 requires local pension plans to be funded based upon actuarial valuations prepared in conformance to industry standards and by enrolled actuaries. To endure this, the State has an actuary on staff. Each actuarial report must be submitted to and accepted by the State. State acceptance must be obtained before the actuarial report and its proposed contribution rate is authorized for use.

An indicator of funding status is the ratio of the actuarial value of the assets to the actuarial accrued liability (AAL). An increase in this percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the AAL. Performance in the stock and bond markets can have a material impact on the actuarial value of assets.

**TABLE 5**  
**SCHEDULE OF FUNDING PROGRESS**  
**FUNDED RATIO**  
**As of October 1, 2003)**



The actuary uses a five-year forward fair value smoothing method (see pages 26 - 28) to establish the actuarial value of the assets (used to determine the funded ratio). As of September 30, 2003, the Actuarial Value of the Assets by \$122 thousand as a result of the smoothing methodology (see page 26).

## ASSET ALLOCATION

The following table indicates the policy target asset allocation for September 30, 2004, 2003 and 2002.

**TABLE 6**  
**ASSET ALLOCATION POLICY**  
**(by %)**

		September 30,			
		<u>2004</u>	<u>2003</u>	<u>2002</u>	
<b>EQUITY</b>					
<b>Domestic:</b>		60%	60%	60%	
Small Cap	8%	27%	26%		
Large Cap	54	26	27		
<b>International</b>	-	7	7		
<b>BONDS</b>					
Aggregate	38	40	40	40	
<b>TOTAL</b>		<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The 7% direct allocation to International was made to allow the Plan's passive (indexed) manager to also hold international equities as appropriate, and remain within the recent statutory authority of 10% maximum. All international holdings were liquidated during the fiscal year ended September 30, 2004 in favor of investment in small cap stocks.

## INVESTMENT ACTIVITIES

Investment income is vital to the Plan's current and continued financial stability. Therefore, Trustees have a fiduciary responsibility to act prudently and discretely when making Plan investment decisions. To assist the Board in this area, a comprehensive formal investment policy is updated periodically. As managers and asset classes have been added, specific detailed investment guidelines have been developed, adopted, and included as an addendum to each manager's Investment Advisory Agreement. The Investment Policy Statement was amended in November 2004 to incorporate changes or clearly address statutory requirements adopted by the Florida State Legislature and provide for the investment in small cap stock. The Policy generally follows Employee Retirement Income Security Act (ERISA) private sector diversification guidelines and is periodically reviewed, modified (if necessary) and ratified. Significant and atypical limitations (although recently reduced) are placed on the Board's investment authority by F.S. Chapter 185.

Portfolio performance is reviewed quarterly by the Board and its Consultant. Performance is evaluated individually by money manager style, collectively by investment type and for the aggregate portfolio. Investment types include both domestic and international equities and fixed income.

The total fund investment performance for fiscal year 2004 yielded a real positive return of 7.4%, which was below the long-term net 8.5% actuarial return assumption target for the year. However, on both a three-year and five-year basis, the average return of 4.6% and 2.46%, respectively, reasonably compare to the benchmarks. These lower returns are viewed, at this time, to be cyclical and the 8.5% assumption is still deemed reasonable in the long-term. However, as with all the actuarial assumptions, it is monitored annually.

A schedule reflecting five individual years, three year and five year average performance (with comparable indexes) is available on page 40.

## **ECONOMIC FACTORS**

The primary function of the pension trust is to (a) appropriately award and pay benefits and (b) manage investments. The opportunity available considering various investment choices is invaluable in the asset allocation and money manager oversight. The table on page 39 indicates that alternative index returns are reflective of the market environment available.

## **CONTACTING THE PLAN'S FINANCIAL MANAGEMENT**

The financial report is designed to provide citizens, taxpayers, plan participants and the marketplace's credit analysis 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 need additional information, please contact the Board's Plan Administrator, 13790 NW 4<sup>th</sup> Street, Suite 105, Sunrise, Florida 33325.

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## BASIC FINANCIAL STATEMENTS

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**STATEMENTS OF PLAN NET ASSETS**  
September 30, 2004 and 2003

	<u>Assets</u>	
	2004	2003
<b>Receivables:</b>		
Plan members	\$ 82,939	\$ 41,818
Employer	39,715	72,507
Interest	144,938	168,114
Dividends	5,162	17,832
Broker-dealers	263,731	75,153
Other	110	110
<b>Total receivables</b>	<b>536,595</b>	<b>375,534</b>
<b>Prepaid insurance</b>	<b>7,585</b>	<b>7,030</b>
<b>Investments at fair value:</b>		
U.S. Government securities	2,808,792	2,633,321
U.S. Government agencies	6,802,989	7,362,295
Corporate bonds	4,234,603	5,066,295
Domestic stocks	24,952,751	18,176,361
Foreign pooled equity funds	-	2,603,571
Temporary investment funds	1,513,922	995,972
<b>Total investments</b>	<b>40,313,057</b>	<b>36,837,815</b>
Equipment, at cost, net of accumulated depreciation of \$22,112 and \$18,321 as of September 30, 2004 and 2003, respectively	9,138	9,280
<b>Total assets</b>	<b>40,866,375</b>	<b>37,229,659</b>
	<u>Liabilities</u>	
Accounts payable	64,628	61,047
Accounts payable, broker-dealers	498,333	51,028
<b>Total liabilities</b>	<b>562,961</b>	<b>112,075</b>
<b>Plan net assets held in trust for Pension benefits</b> (A schedule of funding progress for this Plan is presented on page 26)	<b>\$ 40,303,414</b>	<b>\$ 37,117,584</b>

See Notes to Financial Statements.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**STATEMENTS OF CHANGES IN PLAN NET ASSETS**  
Years Ended September 30, 2004 and 2003

	2004	2003
<b>Additions:</b>		
<b>Contributions:</b>		
Employer	\$ 1,252,491	\$ 1,019,184
Plan members	1,016,411	729,584
<b>Total contributions</b>	2,268,902	1,748,768
<b>Intergovernmental revenue:</b>		
State excise tax rebate	497,445	374,160
<b>Investment income (loss):</b>		
Net appreciation (depreciation) in fair value of investments	1,866,372	3,636,022
Interest	736,450	816,345
Dividends	337,709	271,433
Commission recapture	17,693	14,931
Other	3,863	-
<b>Investment income (loss)</b>	2,962,087	4,738,731
Less investment expenses	244,365	196,829
<b>Net investment income (loss)</b>	2,717,722	4,541,902
<b>Total additions (reductions)</b>	5,484,069	6,664,830
<b>Deductions:</b>		
Benefits:		
Age and service	1,891,682	1,871,927
Disability	159,674	222,486
Refunds of contributions	48,270	41,272
Administrative expenses	198,613	179,350
<b>Total deductions</b>	2,298,239	2,315,035
<b>Net increase (decrease)</b>	3,185,830	4,349,795
<b>Plan net assets held in trust for pension benefits:</b>		
Beginning of year	37,117,584	32,767,789
End of year	\$ 40,303,414	\$ 37,117,584

See Notes to Financial Statements.

**NOTES TO**  
**FINANCIAL STATEMENTS**



**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**1. Description of Plan**

The following brief description of the City of Sunrise Police Officers' Retirement Plan (Plan) is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

General - The Plan is a single employer defined benefit pension plan covering all full-time sworn police officers of the City of Sunrise, Florida (City). Participation in the Plan is required as a condition of employment. Originally established in 1972 and amended in 1989, 1990, 2001 and 2002 the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statute, is governed by a five member pension board. Two police officers who are elected by a majority of the members of the Plan, two are current members of the Plan or former Police employees who are vested in the Plan and are appointed by the City and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

At September 30, 2004, the Plan's membership consisted of:

Retirees and beneficiaries:	
Currently receiving benefits	73
Terminated employees entitled to benefits but not yet receiving them	<u>-</u>
Total	<u>73</u>
Current employees:	
Vested	57
Nonvested	<u>105</u>
Total	<u>162</u>

At September 30, 2003, the date of the most recent actuarial valuation, there were 73 retirees and beneficiaries receiving benefits.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**1. Description of Plan (Continued)**

**Pension Benefits** - Under the Plan, participants with 10 or more years of continuous service are entitled to annual pension benefits beginning at normal retirement age (53) or before age 53 if they have completed 20 continuous years of service. Benefits are equal to 4% of the participants average final compensation for each of the first 10 years of service and 2% of average final compensation for each year of credited service thereafter provided however, in no event if a participant is employed after January 1, 1980 shall the monthly benefit exceed 100% of average final compensation. Average final compensation is the participant's average salary of the three (3) best contributing years. A participant's monthly retirement benefit ceases at death (Single Life Annuity). A participant who terminates prior to 10 continuous years of service forfeits the right to receive all benefits he/she has accumulated. However, he/she retains the right of refund of all personal contributions made to the Plan. An additional benefit of \$10.00 per year of service per month, up to a maximum of \$200 per month, shall be paid to all retirees who retired after October 1, 2000 through age 65. This payment is reduced to \$6.25 per year of credited service up to a maximum of \$125 per month after age 65 and is payable for life.

A participant with 10 or more years of credited service is eligible for early retirement. These benefits begin upon application on or after reaching age 47 and are computed the same as normal retirement, based upon the participant's final average salary and credited service at the date of termination. Such benefits will be reduced by 3% for each year by which the participant's age at retirement precedes the age of 53.

**Deferred Retirement Option Plan** - Any Plan participant who is eligible to receive a normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a Plan participant after the earlier of 5 years or the attainment of his/her earliest normal retirement date. There were four participants in the DROP as of September 30, 2004.

**Supplemental Pension Distributions** - Any participant of the Police Officers' Retirement Plan who terminates employment with immediate eligibility for early or normal retirement benefits or enters the DROP on or after August 14, 2001 is eligible for a 13<sup>th</sup> check. Participants in the DROP are not eligible for a 14<sup>th</sup> check.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**1. Description of Plan (Continued)**

The amount of the 13<sup>th</sup> check is determined in November and is paid on or before December 15 each year based on the cumulative net actuarial gain for the plan as identified in the most recent actuarial report. The amount of the 13<sup>th</sup> check shall not exceed 100% of a participant's monthly retirement benefit.

In the event that the cumulative net actuarial gain exceeds the amount distributed by the 13<sup>th</sup> check and the City's required contribution to the Plan a 14<sup>th</sup> check will be distributed during the following year.

**Death Benefits** - For any deceased employee who had been an actively employed participant eligible for early, normal or delayed retirement, the benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death. Benefits payable under service-connected death for participants ineligible for early retirement shall be payable to the designated beneficiary at the rate of 100%, 75%, 66% or 50% of the participant's regular monthly retirement benefit per month until death.

**Disability Benefits** - Benefits payable to participants under service-incurred disability shall be monthly installments of 75% of participant's regular monthly base salary in effect at the date of disability. The benefit shall be paid from the date of disability until recovery or death of the participant. Should a participant become disabled due to a nonservice-incurred cause, benefits of a minimum of 25% and a maximum of 50% of the participant's average final compensation shall be paid monthly from the date of the disability until recovery or death. This non-service connected benefit is only available to participants with ten years or more of creditable service.

Notwithstanding the foregoing, the benefits for service connected disabilities cannot be reduced below the greater of the participant's accrued benefit or 42% of average final compensation, not to exceed 75% of regular base salary.

**Refund and Compulsory Contributions** - Nonvested participants, upon termination, may request return of their compulsory contributions or leave them on deposit with the Plan for not more than five years. The Plan does not pay any interest on compulsory account balances or contributions returned.

Covered officers are required to contribute 9.78% and 7.45% of their salary to the Plan for the years ended September 30, 2004 and 2003, respectively. If an officer retires, dies, becomes disabled, or terminates employment with the City, accumulated contributions are refunded to the officer or his/her designated beneficiary.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**2. Summary of Significant Accounting Policies**

**Basis of Accounting** - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan, as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Basis of Presentation** - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments thereto.

**Valuation of Investments** - Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the 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 mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchase and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Plan Net Assets.

**Custody of Assets** - Custodial and certain investment services are provided to the Plan under contracts with a custodian having trust powers in the State of Florida. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Sunrise, Florida.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**2. Summary of Significant Accounting Policies (Continued)**

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 185 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds. In addition, the Board requires that Plan assets be invested within a range of no more than 70% in stocks and fixed income securities measured at market.

In addition, the Plan limits investment in common stock (equity investments) as follows:

- a. No more than five percent of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in the common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock.

Further information regarding the permissible investments for the Plan can be found in the Plan's Statement of Investment Policy.

Funding Policy - Participants are required to contribute 7.45% of their annual earnings to the Plan through September 30, 2004 and 10.93% beginning October 1, 2004. Prior to January 1, 1990, contributions to the System were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Sunrise, Florida.

A rehired member may buy back one or more years of continuous past service by paying into the Plan the amount of contributions that the participant would otherwise have paid for such continuous past service, plus the interest that would have been earned had such funds been invested by the Plan during that time.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**2. Summary of Significant Accounting Policies (Continued)**

The City's funding policy is to make actuarially computed contributions to the Plan in amounts, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire. If the actuarially calculated City contribution exceeds 10% of the budgeted payroll, the participants and the City will equally fund the excess required contribution.

The City's actuarially determined contribution rate for the year ended September 30, 2004 was 12.63%. This rate consists of 10.03% of member salaries to pay normal costs plus 2.33% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2003 actuarial valuation.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings and charges against the DROP accounts and supplemental distributions. The Plan has no undue investment concentrations.

Cash - The Plan considers broker-dealer deposits as cash. Temporary investments shown on the balance sheet are composed of investments in short-term custodial and broker-dealer proprietary money market funds.

Federal Income Taxes - The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Actuarial Cost Method - Under the Frozen Entry Age Actuarial Cost method the present value of benefits for each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the participant between the age of entry into the plan and expected retirement.

Reporting Entity - Governmental Accounting Standards Board Statement No. 14 requires that this financial statement present the City of Sunrise Police Officers' Retirement Plan (the component unit) and disclose its primary government, the City of Sunrise, Florida. Component units generally are legally separate entities for which a primary government is financially accountable. In addition the primary government is able to impose its will upon the component unit, or there is a possibility that the component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The Plan has determined that it is a component unit of the City of Sunrise, Florida.

Equipment - Equipment is recorded at cost; depreciation is recorded on the straight-line method over a ten year estimated useful life.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**2. Summary of Significant Accounting Policies (Continued)**

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restatement - Certain figures for the year ended September 30, 2002 have been restated to conform to the financial statement presentation for the year ended September 30, 2003.

**3. Deposits and Investments**

Deposits

Fiduciary Trust Company International ("Fiduciary Trust"), and the Merrill Lynch Investment Account periodically hold uninvested cash in their respective capacities as custodians for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

The Plan's investments are categorized as either (1) insured or registered or for which the securities are held by the Plan or its agent in the Plan's name, (2) uninsured and unregistered for which the securities are held by the counterparty's (Bank's) trust department or agent in the Plan's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by their Bank's trust department, or agent but not in the Plan's name. Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual funds.

The Plan's investments are segregated into three separate accounts and managed under separate investment agreements with INVESCO, Davis Hamilton Jackson and Associates and Buckhead Capital Management. These accounts give Fiduciary Trust International of the South (FTIOS) the custodianship, but give INVESCO, Davis Hamilton Jackson and Associates and Buckhead Capital Management the authority to manage the investments. One other account is managed by the Trustees and is held by Merrill Lynch. These assets are invested in accordance with the specific guidelines as set forth in the Plan's Statement of Investment Policy. Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Fund's assets managed.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**3. Deposits and Investments (Continued)**

**Investments (Continued)**

The Plan's investments are uninsured and unregistered and are held in the custodian's accounts in the Plan's name as described above. Accordingly, they are all classified as category one investments.

The Plan held no investment (security) that individually represented 5% or more of the Plan's net assets available for benefits during the year ended September 30, 2004.

The Plan held the following fixed income investments as of September 30, 2004:

Investment Type	Fair Value	Rating Lehman Aggregate Bond	Effective Duration (Years)
U.S. Government securities	\$ 2,808,792	AAA	7.74
U.S. Government agencies	6,802,989	AAA	2.56
Corporate bonds	4,234,603	Baa-AAA	4.01
Temporary investment funds	<u>1,513,922</u>	Not Rated	0.00
Total	<u>\$ 15,360,306</u>		

**Interest Rate Risk** - Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. The fund limits the effective duration of its investment portfolio through the adoption of the Lehman Brothers Aggregate Bond Index bench mark.



**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**3. Deposits and Investments (Continued)**

**Investments (Continued)**

**Credit Risk** - Consistent with state law the Plan's investment guidelines limit its fixed income investments to the following rating criteria:

- 1) All corporate debt issues (bonds, notes, and debentures) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's or Standard and Poor's.

Any issue, if downgraded to the (4<sup>th</sup>) category) by one of the ratings services must be sold within a reasonable period of time not to exceed twelve (12) months. Fixed income investments that are downgraded below the (4<sup>th</sup>) category shall be liquidated immediately.

- 2) Temporary investments: Moody's P1 or Standard and Poor's A1.

**4. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments**

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2004 and 2003 as follows:

	2004		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government securities	\$ (30,888)	\$ 8,456	\$ (22,432)
U.S. Government agencies	(30,993)	(80,634)	(111,627)
Corporate bonds	32,468	(144,165)	(111,697)
Domestic stocks	782,307	1,051,711	1,834,018
Foreign pooled equity funds	278,110	-	278,110
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 1,031,004</u>	<u>\$ 835,368</u>	<u>\$ 1,866,372</u>

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**4. Net Increase (Decrease) in Realized and Unrealized Appreciation (Depreciation) of Investments (Continued)**

During the year ended September 30, 2004, the Plan sold its investments in the foreign pooled equity funds and invested these proceeds in domestic small capitalization value stock.

	2003		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government securities	\$ 210,600	\$ (279,498)	\$ (68,898)
U.S. Government agencies	143,668	(220,016)	(76,348)
Corporate bonds	(9,060)	(24,352)	(33,412)
Domestic stocks	622,283	2,712,194	3,334,477
Foreign pooled equity funds	-	480,203	480,203
Net increase in realized and unrealized appreciation (depreciation) of investments	<u>\$ 967,491</u>	<u>\$ 2,668,531</u>	<u>\$ 3,636,022</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2004 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**5. Investments**

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2004 and 2003 are summarized as follows:

Investment	2004		2003	
	Cost	Market Value	Cost	Market Value
U.S. Government securities	\$ 2,788,793	\$ 2,808,792	\$ 2,621,778	\$ 2,633,321
U.S. Government agencies	6,766,594	6,802,989	7,245,266	7,362,295
Corporate bonds	4,126,474	4,234,603	4,814,001	5,066,295
Domestic stocks	22,774,953	24,952,751	17,050,274	18,176,361
Foreign pooled equity funds	-	-	3,283,090	2,603,571
Temporary investments	1,513,922	1,513,922	995,972	995,972
Total	<u>\$ 37,970,736</u>	<u>\$ 40,313,057</u>	<u>\$ 36,010,381</u>	<u>\$ 36,837,815</u>

**6. Commission Recapture**

The Plan has entered commission recapture agreements with certain commission rebate broker-dealers. Terms of these agreements provide that the Plan agrees to direct its investment managers to effect certain trades through these broker-dealers consistent with best execution. These broker-dealers agree to refund an agreed upon percentage of the total of such brokerage commissions to the Plan. Commission recapture revenues for the years ended September 30, 2004 and 2003 was \$17,693 and \$14,931, respectively.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**7. Designations**

A portion of the plan net assets will be designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocations to the DROP plan accounts for the years ended September 30, 2004 and 2003 are presented below as determined and reported by the Plan's actuary.

	<u>2004</u>	<u>2003</u>
Designated plan net assets for DROP accounts (fully funded)	\$ 557,120	\$ 338,132
Undesignated plan net assets	<u>39,746,294</u>	<u>36,779,452</u>
 Total plan net assets	 <u>\$ 40,303,414</u>	 <u>\$ 37,117,584</u>

**8. Plan Amendments**

During the fiscal year ended September 30, 2002, the ordinance providing for the creation and operation of the Plan was amended. A description of that amendment is summarized as follows:

Deletes the provision pertaining to the selection of a third actuary in the event that the Plan's actuary and the City's actuary do not agree on the increase in the required City contribution resulting from State legislation or Agency action.

This amendment resulted in no actuarial impact to the Plan.

**9. Mortgage-Backed Securities**

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

All of the Plan's financial investments are carried at fair value on the Statement of Plan Net Assets included in investments. The gain or loss on financial instruments is recognized and recorded on the Statement of Changes in Plan Net Assets as part of investment income.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**10. Plan Termination**

Although it has not expressed an intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Commission of Sunrise, duly certified by an official of the City. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each police officer in the Plan at such termination date would be non-forfeitable. The order of benefit distribution would be as follows:

- a. Benefits to retired or disabled police officers under the early, normal or delayed retirement or disability provisions of the Plan.
- b. Benefits to vested police officers (including former members entitled to deferred benefits) under the early, normal or delayed retirement provisions of the Plan.
- c. Benefits attributable to police officers' contributions.
- d. Benefits to nonvested police officers under normal retirement provisions of the Plan.

**11. Commitments**

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2004, aggregate contributions from active members of the Plan were approximately \$5,377,000. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
(a pension trust fund of the City of Sunrise, Florida)

**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2004 and 2003

**12. Lease Agreement**

The Plan exercised its option to extend the noncancelable operating lease agreement on its office facilities during the year ended September 30, 2003. The extended lease term covers the period from April 1, 2002 through March 31, 2005. Future minimum annual maturities under this lease agreement are summarized as follows:

Year Ended  
September 30

2005

\$11,580

Office rent expense, which includes additional maintenance costs, for the years ended September 30, 2004 and 2003 was \$24,130 and \$22,860 respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

(a component unit of the City of Sunrise, Florida)

## SCHEDULE OF FUNDING PROGRESS

September 30, 1997 through September 30, 2003

Actuarial Valuation Date <u>September 30</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>a/b</u>	Covered Payroll <u>(c)</u>	UAAL as Percentage of Covered Payroll <u>(b-a)/(c)</u>
1997	\$ 27,830	\$ 26,336	\$ (1,494)	105.7%	\$ 7,170	(20.8)%
1998	31,671	28,002	(3,669)	113.1	7,838	(46.8)
1999	35,269	35,448	179	99.5	7,357	2.4
2000	37,513	37,216	(297)	100.8	7,771	(3.8)
2001	40,151	41,667	1,516	96.4	9,295	16.3
2002	39,138	43,861	4,723	89.2	9,383	50.3
2003	40,191	46,794	6,603	85.9	10,210	64.7

Dollar amounts are in thousands.

Analysis of the dollar of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the system's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.



**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN**  
(a component unit of the City of Sunrise, Florida)

**SCHEDULE OF CONTRIBUTIONS FROM THE CITY**  
September 30, 1997 through September 30, 2004

Year Ended <u>September 30</u>	<u>City</u>	
	<u>Annual Required Contribution</u>	<u>Actual Percentage Contributed</u>
1997	\$ 343,282	100.0%
1998	413,775	100.0
1999	277,685	100.0
2000	735,149	100.0
2001	652,379	100.0
2002	700,913	100.0
2003	1,019,184	100.0
2004	1,252,491	100.0

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN**  
(a component unit of the City of Sunrise, Florida)

**NOTES TO THE ADDITIONAL SCHEDULES**  
September 30, 1997 through September 30, 2004

The information presented in the required supplementary schedules on pages 17 and 18 was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	October 1, 2003
Actuarial cost method	Frozen entry age
Amortization method	Level dollar
Remaining amortization period	17 years, closed
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.2% to 8.5% depending on age
Inflation and other general increases	4%
Cost-of-living adjustments	Not applicable
Mortality	1983 Group Annuity Mortality Table for males and females

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**ADDITIONAL INFORMATION**

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN**  
(a component unit of the City of Sunrise, Florida)

**SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES**  
Years ended September 30, 2004 and 2003

Administrative and investment expenses for the years ended September 30, 2004 and 2003 are summarized as follows:

	2004		2003	
	Expenses		Expenses	
	Administrative	Investment	Administrative	Investment
Actuary	\$ 27,157	\$ -	\$ 30,553	\$ -
Administrator	42,067	-	41,440	-
Audit	10,600	-	6,300	-
Custodial fees	-	20,861	-	18,961
Depreciation expense	3,791	-	4,406	-
Dues and subscriptions	545	-	410	-
Education and training*	40,072	-	25,728	-
Electric	1,073	-	810	-
Insurance	11,997	-	10,951	-
Investment manager fees	-	197,475	-	159,962
Legal	13,379	-	17,549	-
Office rent	24,130	-	22,860	-
Office supplies and expense	5,873	-	3,640	-
Performance monitor	-	26,029	-	17,906
Postage	1,713	-	878	-
Printing and stationery	1,325	-	540	-
Repairs and maintenance	716	-	675	-
Secretarial	9,780	-	9,200	-
Telephone	4,395	-	3,410	-
<b>TOTALS</b>	<b>\$ 198,613</b>	<b>\$ 244,365</b>	<b>\$ 179,350</b>	<b>\$ 196,829</b>
 Percent of Net Assets	 <u>0.49%</u>	 <u>0.61%</u>	 <u>0.48%</u>	 <u>0.53%</u>

\* It is the Board's policy to pay education and training costs with earnings from the Plan's commission recapture program. Commission recapture revenue for the years ended September 30, 2004 and 2003 was \$17,693 and \$14,931, respectively.

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## INVESTMENT SECTION



**GRS ASSET CONSULTING GROUP**

A Division of Gabriel, Roeder, Smith & Company

Consultants & Actuaries

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April 12, 2005

Robert J. Dorn, Chairman  
City of Sunrise, Florida, Police Officers'  
Retirement System  
13790 NW 4<sup>th</sup> Street, Suite 105  
Sunrise, Florida 33325

Dear Chairman Dorn:

GRS Asset Consulting Group, a division of Gabriel Roeder Smith and Company, serves as the pension consultant for the Police Officers Retirement Fund and provides ongoing performance measurement relating to the individual investment managers, each asset class component of the investment portfolio, and for the investment portfolio as a whole. The Board strives to achieve a market rate of return as measured against appropriate benchmarks/indexes, while limiting risk to an acceptable level. GRS Asset Consulting group recommends replacement of individual managers mainly when situations arise related to individual performance, unacceptable changes to the investment management firms' organizational structure and/or the managers' substantive deviation from the investment style for which they were hired.

As the schedule shows on page (38), the portfolio is diversified by investment type, as well as by sector and manager style. This diversification serves to reduce risk that could result from concentration in single investment categories. As of September 30, 2004, the target allocation is 50% US Large Capitalization Equities, 40% Bonds, and 10% Small Capitalization Equities.

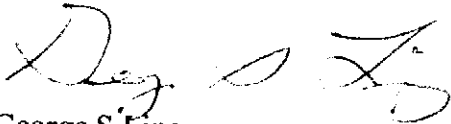
Performance is measured and reviewed on a quarterly basis and accumulated for trailing annual periods, as well as for trailing three and five year periods. Risk-adjusted performance is also measured and reviewed. This approach provides the Board with adequate detail to measure results and determine whether goals/benchmarks are being achieved. The performance measurement is in conformance with AIMR standards; the return is solely that of the Plan and not that of a composite. In addition, the performance method is based on monthly linking and when appropriate, intra-month linking, i.e. time-weighted.



The schedule on page (39) of this report represents the pension fund performance for each of the past five calendar years and the annualized returns for one, three and five-year periods. The performance for the total fund for the year ended September 30, 2004 was 2.8% below that of the composite benchmark and 1.3% below that of the composite universe median. Annualized total fund performance for the trailing three-year period was 1.1% below the composite benchmark and 0.7% below the composite universe median. Trailing five-year performance was 0.1% below the composite benchmark and 1.6% below the composite universe median. Relatively weak equity performance had an unfavorable affect on total fund performance over this period.

The overall results have been average to somewhat below average over the longer periods of time.

Sincerely,

A handwritten signature in dark ink, appearing to read "George S. Ling", written in a cursive style.

George S Ling  
Director of Investment Consulting Services

**CITY OF SUNRISE, FLORIDA  
POLICE OFFICERS' RETIREMENT PLAN**

**INVESTMENT POLICY**

The Sunrise Police Officers' Pension Plan has been created and funded to provide retirement benefits for those employees who through their years of service have earned a right to a pension benefit. The purpose of this fund is to provide for the accumulation and distribution of money in an actuarially sound fashion over the years of the employees' service and subsequent retirement. This document is designed to set forth the policies and guidelines for those who administer and invest the funds in the portfolio.

Although this fund is not subject to the Employee Retirement Income Security Act (ERISA), Florida Statutes state that the Board and all of its agents comply with the standards set forth in the Act of 1974 at 29 U.S.C. 1104(a)(1)(A)-(C). Therefore, all of the individuals associated with the plan should act within the confines of that statute. Where not specifically indicated, the actions and/or decisions of the individuals are to be governed by the prudent man rule.

This investment policy shall cover the entire portfolio as well as all investment managers.

### **REGULATORY REQUIREMENTS**

Since the Sunrise Police Officers' Pension Fund is a qualified defined benefit plan as defined and set forth by Florida Statutes Chapter 185, investment procedures and restrictions stipulated under these regulations must be followed.

Additionally:

#### **EVERY FIDUCIARY SHALL:**

- Discharge his or her duties for the exclusive purpose of providing benefits to the Sunrise Police Officers' Pension Fund members and their beneficiaries;
- Act with care, skill prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters use in the conduct of an enterprise of like character and with like aims;
- Diversify investments of the Sunrise Police Officers' Pension Fund so as to minimize the risk of large losses unless under the circumstances it is clearly not prudent to do so, and;
- Operate in accordance with the Sunrise Police Officers' Pension Fund procedures, documents and instruments.

- NO FIDUCIARY SHALL:
- Deal with the Sunrise Police Officers' Pension Fund assets for his or her own account or his or her own interest, and/or;
- Act in any matter affecting the retirement system on behalf of any person or organization whose interests are adverse to the interests of the Sunrise Police Officers' Pension Fund, its members or beneficiaries.

The Fund shall be governed by a set of written internal controls and operational procedures that shall be periodically reviewed by the Fund's Certified Public Accountant.

The Board shall retain an independent Certified Public Accountant on an annual basis as well as require reports from the Fund's investment consultant quarterly. This policy is designed to safeguard the Fund from losses that might arise from fraud, error or misrepresentation by third parties, or imprudent action by the Board or employees of the plan sponsor.

### **OVERALL GOAL**

In accordance with the Fund's most recent actuarial report, the Trustees have established long-term goals for the overall investment portfolio consistent with the liabilities of the Fund. At a minimum, the Fund in aggregate needs to earn a compound annualized rate of return over time of 8.5%.

While the Trustees acknowledge that market conditions can produce periods where such returns are difficult to achieve, the advisor is expected to contribute to meeting the long term objectives of the plan as well as others set forth in this document.

### **ASSET ALLOCATION**

The Pension Board has adopted the following asset allocations:

	<u>% allocated</u>	<u>Corresponding Index</u>
Domestic Stocks	50.0%	S&P 500 Index
Domestic Bonds	40.0%	Lehman Brothers Aggregate Bond Index
International Stocks	10.0%	MSCI EAFE Index

Although cash is not included in the asset allocation of the Fund, the Trustees realize the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and investment manager cash will be utilized to pay obligations of the Fund and periodic re-balancing of the assets. The Fund's investment manager(s) shall be kept informed of the liquidity requirements of the Fund, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of the Plan.

## **MANAGEMENT STRUCTURE**

To diversify plan assets so as to minimize the risk associated with dependence on the success on one enterprise, the Pension Board has decided to employ a multi-manager team approach to investing plan assets.

Asset managers will be employed to utilize individual expertise within their assigned area of responsibility. Each manager will be governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to the Policy and are included in the Statistical Section of this report.

The asset management structure is currently as follows:

	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
<u>Domestic Stocks</u>	<u>60.0%</u>	<u>50%</u>	<u>70%</u>
Buckhead Capital Management (Large Cap Value)	25.0	21.0	29.0
Buckhead Capital Management (Small Cap Value)	10.0	8.0	12.0
Davis, Hamilton, Jackson & Assoc. (Large Cap Growth)	25.0	21.0	29.0
<u>Domestic Bonds</u>	<u>40.0%</u>	<u>30%</u>	<u>50%</u>
Invesco	20.0	15.0	25.0
Davis, Hamilton, Jackson & Assoc.	20.0	15.0	25.0

## **MASTER REPURCHASE AGREEMENTS**

All approved institutions that transact repurchase agreements on behalf of the Fund, including short-term investments by the Fund custodian, shall execute and adhere to the requirements of the Master Repurchase Agreement.

## **PROXY VOTING**

Responsibility for the exercise of ownership through proxy solicitation shall rest solely with the investment managers. Guidelines for voting proxies will be listed in individual manager guidelines.

## **BROKERAGE**

Investment managers shall use their best efforts to ensure that portfolio transactions are placed on a best execution basis. Notwithstanding the foregoing, the Trustees reserve the right to direct any or all of the brokerage commissions associated with the portfolio for the purposes of securing research and related services for the benefit of the Plan and its participants. Brokerage transactions should not be directed to any firm if in doing so, taking all factors into consideration, the Fund will incur a disadvantage with respect to the market price of the security. Further, irrespective of any obligations to pay for services engaged by either the advisor or the Trustees, only transactions that would normally be made for the Fund in the absence of such obligations should be executed.

## **THIRD-PARTY CUSTODIAL AGREEMENTS**

The Board shall retain a third party to custody of the fund's assets. All securities shall be designated as an asset of the Board and no withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or the Board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery versus payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate in hand at the conclusion of the transaction.

## **CONTINUING EDUCATION**

The Fund acknowledges that continuing education for trustees is required at least once per term by Florida Statutes. To that end, the Trustees are to attend educational conferences in connection with their duties and responsibilities and investment related topics as Trustees.

## **REPORTING**

The Funds investment consultant shall provide quarterly reports of the Fund's investment activities. These reports shall be public records and shall be submitted to the plan sponsor as required by law.

There were no material amendments or changes to the Investment Policy during the reporting period.

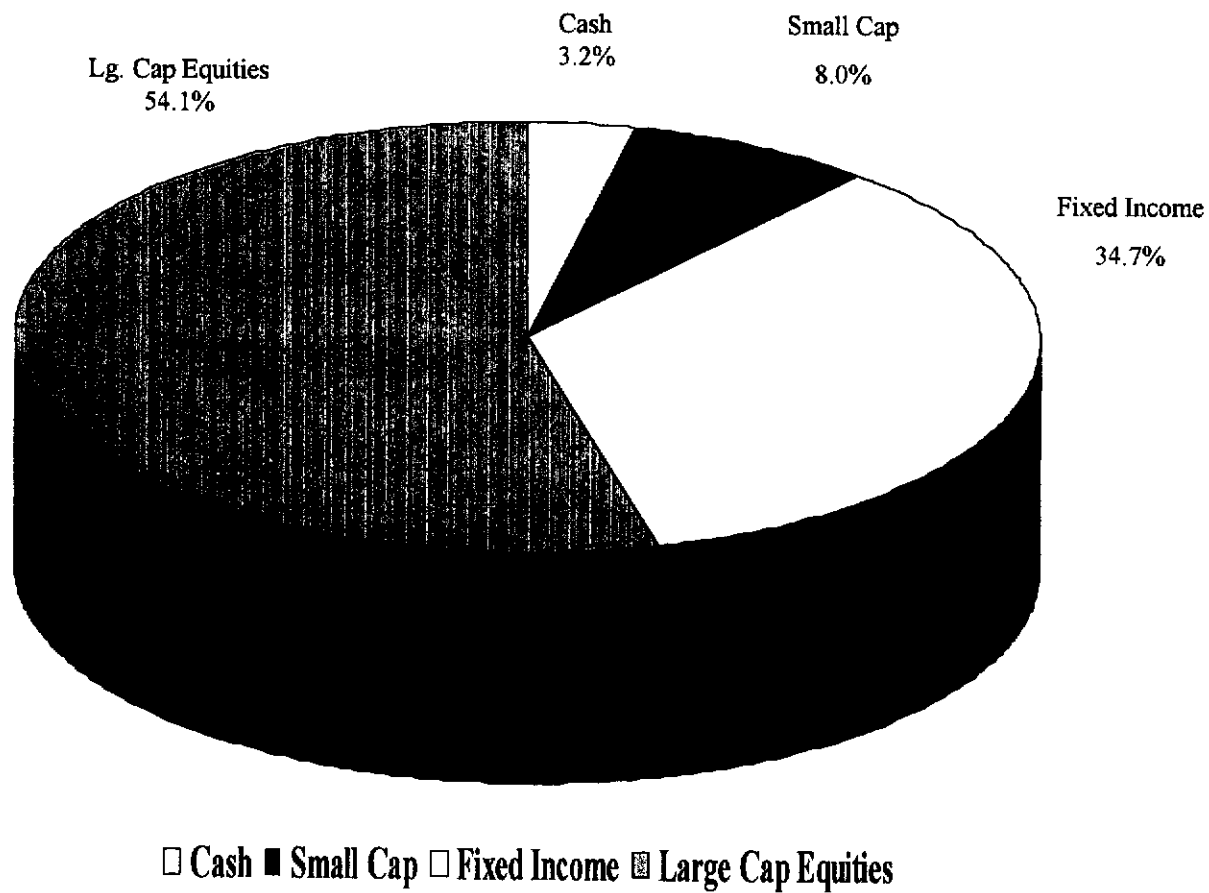
At all times, the Fund's investments are subject to the limitations set forth in Florida Statute Sections 215.47 (1-8), (10), and (16) except as otherwise permitted by Chapter 185 or by local ordinance. Compliance with these provisions shall be the responsibility of the Board of Trustees.

## **INVESTMENT PERFORMANCE**

**CITY OF SUNRISE, FLORIDA  
POLICE OFFICERS' RETIREMENT PLAN**

*Total Assets*

*September 30, 2004*

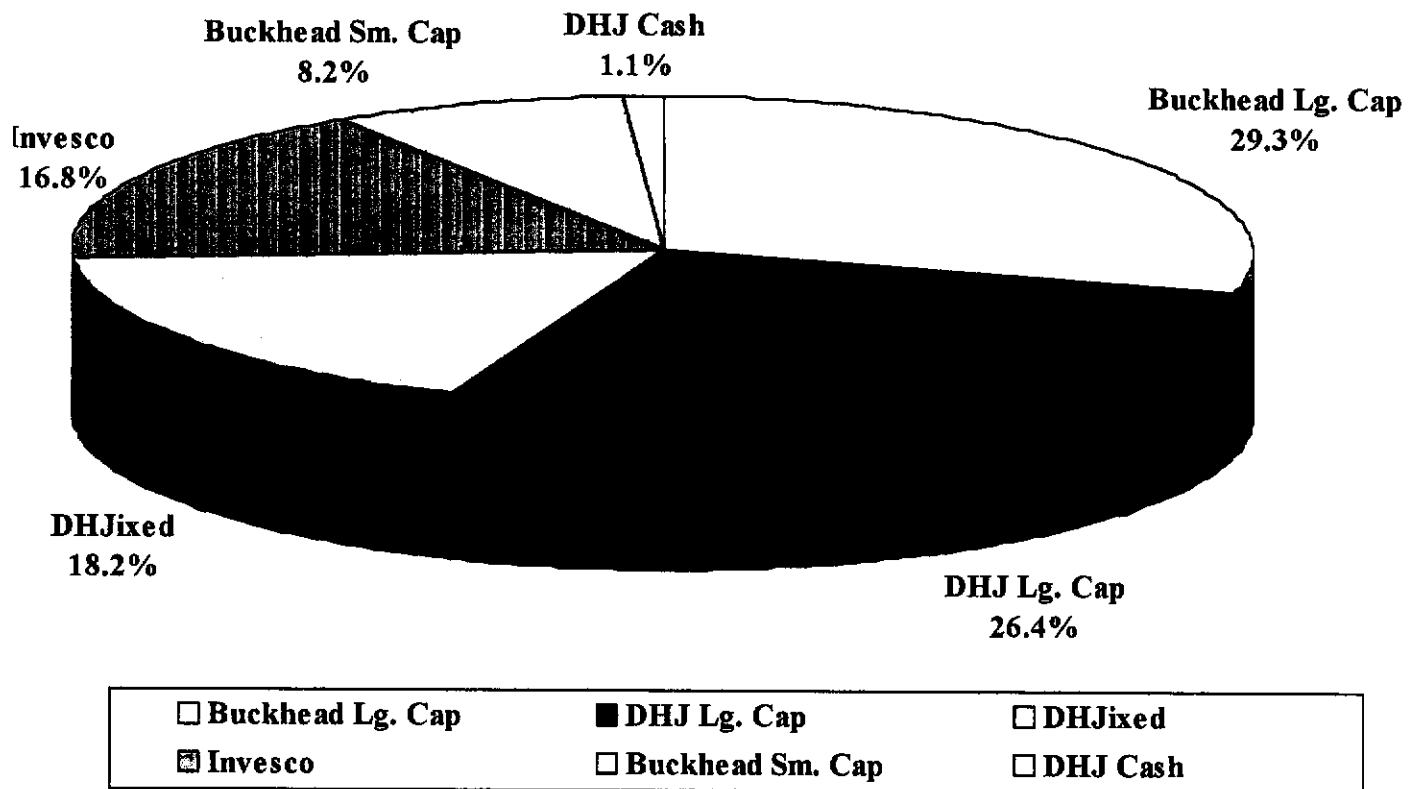




**CITY OF SUNRISE, FLORIDA  
POLICE OFFICERS' RETIREMENT PLAN**

*Total Assets*

*September 30, 2004*



**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**

***PERFORMANCE EVALUATION SUMMARY***

**SEPTEMBER 30, 2004**

Manager	Small Cap	Lg.CapEquities	Fixed Income	Cash	Total	% of Total
<i>DHJ Lg. Cap</i>	\$0	\$10,630,000	\$0	\$0	\$10,630,000	26.4%
<i>Buckhead Lg.Cap</i>	\$0	\$11,127,000	\$0	\$674,000	\$11,800,000	29.3%
<i>Buckhead Sm.Cap</i>	\$3,228,000	\$0	\$0	\$68,000	\$3,296,000	8.2%
<i>DHJ Fixed</i>	\$0	\$0	\$7,314,000	\$0	\$7,314,000	18.2%
<i>DHJ Cash</i>	\$0	\$0	\$0	\$447,000	\$447,000	1.1%
<i>Invesco</i>	\$0	\$0	\$6,659,000	\$91,000	\$6,750,000	16.8%
<i>Total</i>	\$3,228,000	\$21,757,000	\$13,973,000	\$1,280,000	\$40,238,000	100.0%
<hr/>						
<i>% of Total</i>	8.0%	54.1%	34.7%	3.2%	100.0%	
<i>Target %</i>	10.0%	50.0%	40.0%	0.0%	100.0%	

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## PERFORMANCE EVALUATION SUMMARY

SEPTEMBER 30, 2004

	<u>Current Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<i>TOTAL FUND</i>									
<i>Return</i>	-0.85%	7.95%	4.60%	2.46%	16.85%	-7.70%	-3.37%	-0.70%	6.98%
<i>Ranking (50% Br.Lg.Core, 40% Br.Fixed &amp; 10% Br.SmVal.Core Policy Return (50% S&amp;P500, 40% LBAB &amp; 10% R2000V)</i>	63	61	60	70	64	46	57	57	59
	0.37%	10.73%	5.74%	2.58%	19.45%	-9.09%	-4.78%	-1.52%	11.44%
<i>TOTAL EQUITIES</i>									
<i>Return</i>	-3.08%	12.55%	3.96%	-2.07%	29.32%	-21.11%	-12.36%	-6.79%	8.77%
<i>Ranking (83.3% Br.Lg.Core &amp; 16.7% Br.Sm.Val.Core) Policy Return (83.3% S&amp;P 500 &amp; 16.7% R2000V)</i>	85	36	60	90	34	85	78	79	43
	-1.53%	15.46%	5.04%	-1.16%	30.42%	-21.00%	-13.47%	-9.85%	21.04%
<i>TOTAL FIXED INCOME</i>									
<i>Return</i>	2.97%	3.36%	6.06%	7.61%	4.13%	10.98%	8.79%	11.24%	-1.19%
<i>Ranking (Broad Fixed) Policy Return (LBAB)</i>	42	45	28	13	43	9	13	22	72
	3.20%	3.68%	6.06%	7.62%	4.11%	10.95%	8.43%	11.95%	-2.05%

Note: all returns are time weighted and based on the market rate of return.

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## TOTAL ACCOUNT UNIVERSE COMPARISONS

50% BLC Core Eq., 10% BSCV Core, 40% BFI

Trailing Returns through September 30, 2004

	2 Qtrs	3 Qtrs	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr	6 Yr	7 Yr	8 Yr
Fund										
Return	-0.86	1.20	7.95	11.12	4.60	0.74	2.46	4.18		
%-tile	83	81	88	88	67	37	47	60		
Policy										
Return	0.33	2.69	10.73	13.84	5.74	0.86	2.58	4.62		
%-tile	34	38	41	42	42	35	42	49		
Universe										
5th %-tile	1.70	4.69	14.46	20.18	9.43	4.12	6.81	8.81	7.50	9.76
25th %-tile	0.54	3.29	12.07	15.15	6.73	1.54	3.58	5.72	5.39	7.74
50th %-tile	-0.04	2.27	10.28	13.32	5.35	0.19	2.28	4.56	4.48	6.83
75th %-tile	-0.59	1.42	9.11	12.00	4.21	-0.86	1.19	3.48	3.60	5.70
95th %-tile	-1.83	-0.36	6.44	9.87	2.47	-2.72	-0.05	1.81	2.08	3.78

### Calendar Year Returns

	Qtr	YTD	2003	2002	2001	2000	1999	1998	1997	1996
Fund										
Return	-0.85	1.20	16.85	-7.70	-3.37	0.70	6.98	23.44		
%-tile	84	81	91	25	29	34	88	5		
Policy										
Return	0.37	2.69	19.45	-9.09	-4.78	-1.52	11.44	21.37		
%-tile	30	38	57	47	51	55	60	11		
Universe										
5th %-tile	1.57	4.69	29.69	-5.39	1.61	11.07	22.46	23.28	25.84	21.29
25th %-tile	0.52	3.29	22.17	-7.82	-3.15	2.41	15.24	19.55	23.07	16.04
50th %-tile	-0.07	2.27	19.94	-9.32	-4.78	-1.15	12.27	15.99	21.19	14.12
75th %-tile	-0.65	1.42	18.17	-11.01	-6.22	-3.59	9.60	11.88	17.61	11.04
95th %-tile	-1.60	-0.36	15.93	-13.56	-9.15	-9.74	3.87	4.39	7.97	3.81

Returns are in percent. "%-tile" is the percentile ranking within the universe.

Returns for periods exceeding one year are annualized.

Incept is December 31, 1997 to September 30, 2004

## **CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**

### ***EXPLANATION OF RISK/REWARD SCATTERPLOT GRAPHS***

**SEPTEMBER 30, 2004**

The crossing lines represent the 5-year return (horizontal line) and 5-year standard deviation or volatility or risk (vertical line) of the index against which the Fund is being measured.

Each point represents the Fund's 5-year return (vertically) and the standard deviation or volatility (horizontally), relative to the index. If a point is in the southwest quadrant, for example, the 5-year return of the Fund has been less than (below) the index line, and the 5-year standard deviation (volatility) has also been less than (to the left of) the index line.

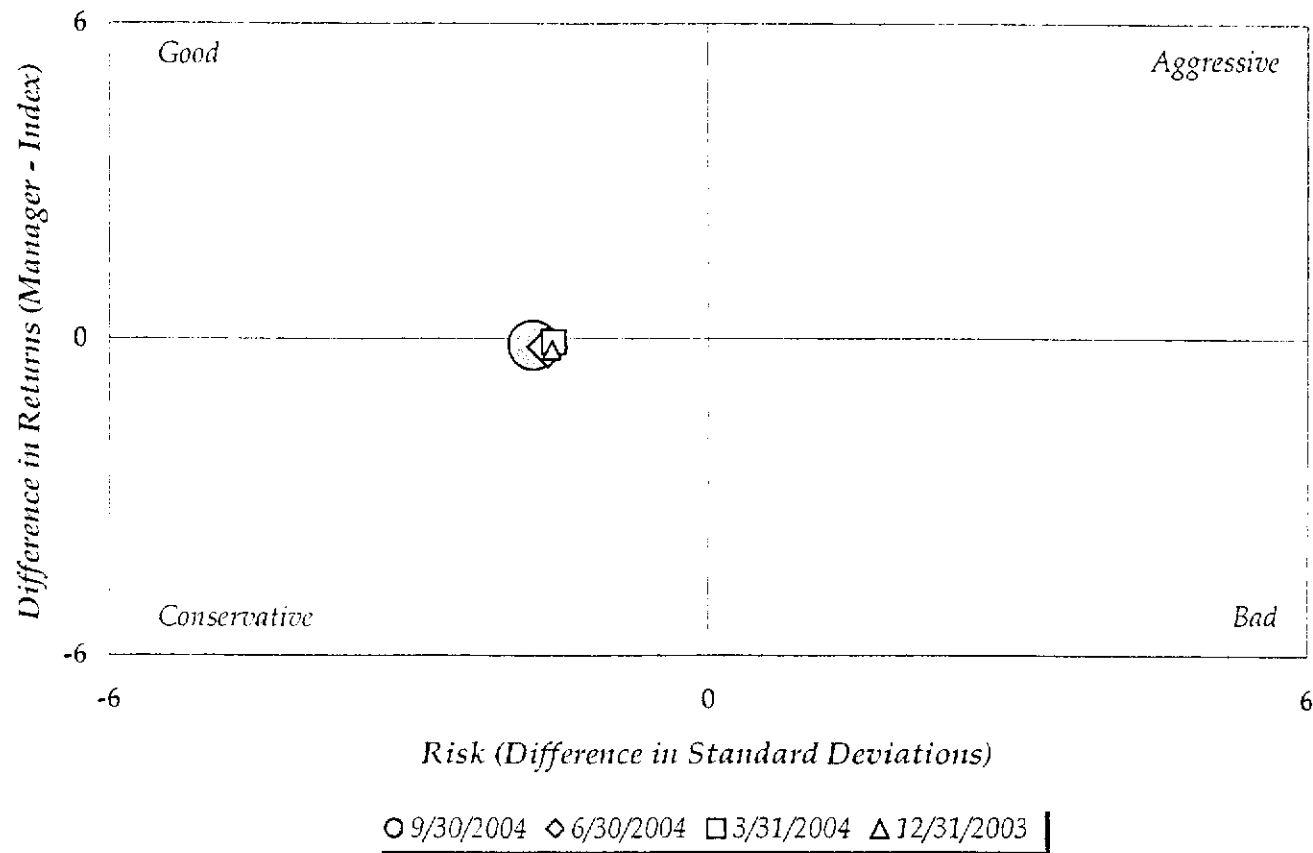
There are four points, one for each of the last four quarters. The earliest one is the smallest and the quarter just ended being the largest. Each point shows the 5-year relative position of the Fund versus the index for that quarter. The movement of the points shows the trend, or direction, over time.

As noted in the graph, the best place is the northwest quadrant (less risk and a higher return); the worst place to be is the southeast quadrant (more risk and a lower return).

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**

*TOTAL FUND TRAILING 5-YEAR RISK/REWARD  
(versus 50% S&P 500, 40% LBAB & 10% R2000V)*

September 30, 2004



# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

ALPHA & BETA: 5-YEAR TRAILING (OR INCEPTION IF LESS)

SEPTEMBER 30, 2004

## BETA

(Risk level relative to the market index. 1.0 is market risk; higher or lower than 1.0 represents greater or lower than market risk)

	Current Policy	Sep-04	Jun-04	Mar-04	Dec-03	Sep-03	Jun-03	Mar-03	Dec-02
Total Fund	50%S&P500, 40%LBAB & 10%R2000V	0.82	0.84	0.84	0.84	0.87	0.88	0.89	0.92
Managers, Total Fund DHJ	55%S&P500, 45%LBIGC	1.02	1.02	1.02	1.02	1.18	1.18	1.35	1.39
Managers, Equities DHJ	S&P500	1.02	1.00	1.00	1.00	1.02	1.00	1.04	1.04
Buckhead Lg.Cap	S&P500	1.03	1.03	1.02	1.03	1.08	1.03		
Buckhead Sm.Cap	R2000V	0.00	0.00						
Managers, Fixed Income DHJ	LBIGC	0.86	0.86	0.85	0.83	0.83	0.84	0.83	0.83
Invesco	LBAB	1.09	1.08	1.11	1.12	1.02	1.18	1.20	1.19

## ALPHA

(The return that is not attributable to market movements)

Total Fund	50%S&P500, 40%LBAB & 10%R2000V	0.26%	0.07%	0.27%	0.13%	0.37%	0.27%	0.56%	0.78%
Managers, Total Fund DHJ	55%S&P500, 45%LBIGC	-1.30%	-1.08%	-0.70%	0.17%	1.63%	1.01%	2.06%	2.35%
Managers, Equities DHJ	S&P500	-1.30%	-0.08%	-0.33%	0.19%	0.83%	1.55%	3.29%	2.96%
Buckhead Lg.Cap	S&P500	2.87%	2.66%	5.41%	4.39%	2.04%	1.93%		
Buckhead Sm. Cap	R2000V	0.00%	0.00%						
Managers, Fixed Income DHJ	LBIGC	0.92%	0.93%	1.01%	1.14%	1.15%	1.34%	1.25%	1.25%
Invesco	LBAB	-1.47%	-1.29%	-1.57%	-1.72%	-0.55%	-2.13%	-2.11%	-2.15%

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
**BATTING AVERAGE & R-SQUARED: 5-YEAR TRAILING (OR INCEPTION IF LESS)**  
**SEPTEMBER 30, 2004**

		<b>BATTING AVERAGE</b>							
		<i>(Percent of the time the manager outperforms the market index - a measure of consistency)</i>							
	<i>Current Policy</i>	<i>Sep-04</i>	<i>Jun-04</i>	<i>Mar-04</i>	<i>Dec-03</i>	<i>Sep-03</i>	<i>Jun-03</i>	<i>Mar-03</i>	<i>Dec-02</i>
<i>Total Fund</i>	50%S&P500, 40%LBAB & 10%R2000V	60.00	60.00	60.00	60.00	60.00	65.00	70.00	70.00
<i>Managers, Total Fund</i>									
<i>DHJ</i>	55%S&P500, 45%LBIGC	50.00	50.00	50.00	55.00	60.00	55.00	60.00	60.00
<i>Managers, Equities</i>									
<i>DHJ</i>	S&P500	50.00	50.00	50.00	55.00	60.00	60.00	65.00	65.00
<i>Buckhead Lg. Cap</i>	S&P500	71.43	66.67	80.00	75.00	66.67	50.00		
<i>Buckhead Sm. Cap</i>	R2000V	Not Applicable - Insufficient time							
<i>Managers, Fixed Income</i>									
<i>DHJ</i>	LBIGC	70.00	70.00	70.00	70.00	70.00	70.00	65.00	65.00
<i>Invesco</i>	LBAB	35.00	40.00	35.00	35.00	33.33	40.00	45.00	42.11
		<b>R-SQUARED</b>							
		<i>(Loosely, the relationship between a manager's return and the index return. 1.00 is perfect relationship, 0 is none)</i>							
<i>Total Fund</i>	50%S&P500, 40%LBAB & 10%R2000V	0.98	0.98	0.97	0.97	0.97	0.97	0.97	0.97
<i>Managers, Total Fund</i>									
<i>DHJ</i>	55%S&P500, 45%LBIGC	0.88	0.88	0.87	0.86	0.82	0.80	0.84	0.85
<i>Managers, Equities</i>									
<i>DHJ</i>	S&P500	0.88	0.92	0.92	0.93	0.94	0.94	0.94	0.94
<i>Buckhead Lg. Cap</i>	S&P500	0.87	0.85	0.87	0.87	0.90	0.93	0.87	
<i>Buckhead Sm. Cap</i>	R2000V	Not Applicable - Insufficient time							
<i>Managers, Fixed Income</i>									
<i>DHJ</i>	LBIGC	0.94	0.94	0.93	0.93	0.93	0.94	0.94	0.94
<i>Invesco</i>	LBAB	0.90	0.90	0.90	0.91	0.99	0.89	0.89	0.89



**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
**LIST OF LARGEST ASSETS HELD**  
**September 30, 2004**

**TOP TEN EQUITY HOLDINGS**  
**(By Fair Value)**

<u>RANK</u>	<u>SHARES</u>	<u>NAME</u>	<u>FAIR VALUE</u>	<u>% EQUITY</u>	<u>RETURN</u>
1	26,900	MICROSOFT CORP.	\$ 743,785	2.98%	0.30%
2	12,325	JOHNSON & JOHNSON, INC.	694,268	2.78%	15.97%
3	14,255	ABBOT LABS, INC.	603,842	2.42%	9.04%
4	13,465	HOME DEPOT, INC.	527,828	2.11%	24.13%
5	24,780	INTEL CORP.	497,087	1.99%	(26.73%)
6	13,600	GENERAL ELECTRIC CORP.	456,688	1.83%	15.44%
7	9,649	FIRST DATA CORP.	419,732	1.68%	9.1%
8	17,230	BRISTOL-MYERS CORP.	407,834	1.63%	(2.30%)
9	4,520	GANNETT PUBLISHING, INC.	378,595	1.52%	9.3%
10	8,000	ALTRIA GROUP INC	376,320	1.51%	13.7%

**TOP TEN BOND HOLDINGS**  
**(By Fair Value)**

<u>PAR</u>	<u>BONDS</u>	<u>COUPON</u>	<u>MATURITY</u>	<u>FAIR VALUE</u>
\$ 545,000	United States Treasury Notes	1.50%	2/28/05	\$ 544,276
455,000	United States Treasury Notes	4.25	8/15/03	461,950
345,000	United States Treasury Notes	7.25	5/15/16	434,404
410,000	Federal Home Loan Mortgage Note	4.00	10/29/07	410,568
230,000	General Electric Capital Corp. Note	7.38	1/19/10	376,517
370,000	United States Treasury Notes	1.62	10/31/05	367,803
340,000	Federal National Mortgage Assoc. Note	4.12	4/15/14	327,154
220,000	J.P. Morgan Corp. Note	6.88	1/15/07	300,656
250,000	Bristol-Myers Corp.	5.75	10/01/11	268,480
210,000	Bear Sterns Corp. Note	7.80	8/15/07	245,088

Note: A complete listing of investments is available upon request from the office of the Plan Administrator.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
**SCHEDULE OF FEES**  
**Year ended September 30, 2004**

	Assets Under Management	Fees
<b>Investment Managers:</b>		
Fixed income	\$ 15,360,306	\$ 63,833
Equity	<u>24,952,751</u>	<u>133,642</u>
<b>Total assets and fees (1)</b>	<b><u>\$ 40,313,057</u></b>	<b>197,475</b>
<b>Other Investment Service Fees:</b>		
Custodian		20,861
Performance monitor		<u>26,029</u>
<b>Total fees</b>		<b><u>\$ 244,365</u></b>

- (1) Does not include investments in which the Board has invested the plan assets which have multifaceted fee or compensation components and which are deducted from the assets when determining plan unit values.

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
**SCHEDULE OF COMMISSIONS**  
**Year ended September 30, 2004**

<u>Brokerage Firm</u>	<u>Number of Shares Traded</u>	<u>Total Commissions</u>	<u>Commissions Per Share</u>
A. G. Edwards Co.	4,050	\$ 202	\$ 0.05
Bear Stearns & Co.	700	35	0.05
Broodcort Capital Co.	14,190	710	0.05
brusDAavid	400	12	0.03
Cantor Fitzgerald	13,600	408	0.03
Capital Institutional Services	690,930	35,747	0.05
Credit Suisse/First Boston	20,800	624	0.03
DA Davidson	1,400	70	0.05
Hibernia Southcoast Capital	2,200	78	0.04
Jeffries & Company	115,900	3,477	0.03
Jones & Associates, Inc.	190,600	5,563	0.03
Knight Trading	18,025	541	0.03
Merrill Lynch Donaldson	17,050	852	0.05
Morgan Stanley Corp.	9,290	464	0.05
National Financial Services	12,600	189	0.02
Raymond James & Associates	8,550	262	0.03
Salomon Smith Barney	5,805	252	0.04
Sun Trust	33,660	1,475	0.04
VNX, Inc.	26,225	328	0.01
Wealth Monitors	21,575	1,049	0.05
Totals	<u>1,207,550</u>	<u>\$ 52,338</u>	<u>\$ 0.36</u>

**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**  
**INVESTMENT SUMMARY**  
**September 30, 2004**

<u>Type of Investment</u>	<u>Fair Value September 30, 2004</u>	<u>Percent of Total Fair Value</u>
<b>Fixed Income:</b>		
U.S. Government securities	\$ 2,808,792	6.97%
U.S. Government agencies	6,802,989	16.88
Corporate bonds	4,234,603	10.51
<b>Total fixed income</b>	<b>13,846,384</b>	<b>34.36</b>
<b>Common Stock:</b>		
Energy	972,377	2.41
Materials	969,873	2.41
Industrials	3,800,868	9.43
Consumer discretionary	4,915,263	12.20
Consumer staples	2,802,649	6.95
Health care	4,158,678	10.32
Financials	2,731,994	6.78
Information technology	4,352,105	10.80
Telecommunication services	248,944	0.61
<b>Total common stock</b>	<b>24,952,751</b>	<b>61.91</b>
<b>Short-Term Investment:</b>		
Temporary investment funds	1,513,922	3.76
<b>Total short-term investment</b>	<b>1,513,922</b>	<b>3.76</b>
<b>Receivables and Other:</b>		
Pending trade purchases	(498,333)	(1.24)
Pending trade sales	263,731	0.65
Accrued income	224,959	0.56
<b>Total receivables and other</b>	<b>(9,643)</b>	<b>(0.03)</b>
<b>Total</b>	<b>\$ 40,303,414</b>	<b>100.00%</b>

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## ACTUARIAL SECTION



**GABRIEL, ROEDER, SMITH & COMPANY**

**Consultants & Actuaries**

301 East Las Olas Blvd. • Suite 200 • Ft. Lauderdale, FL 33301-2254 • 954-527-1616 • FAX 954-525-0083

February 24, 2005

Board of Trustees  
City of Sunrise Police Officers  
Retirement Plan (the Plan)  
Sunrise, Florida

Dear Trustees:

The funding objective of the Plan is to establish contribution rates, expressed as percents of active member payroll, that will remain approximately level from year to year. Changes in Plan benefits and differences between actual and expected experience will cause the contribution rate to change.

Contributions that satisfy the funding objective are determined by annual actuarial valuations. These valuations determine a normal (current service) cost as a level percentage of payroll, plus level percentage of payroll amortization of the unfunded actuarial accrued liability.

The most recent actuarial valuation is dated October 1, 2003, based on information provided by the Board's staff, the Board's auditor and the City. We have relied on this information to perform our valuation, and we have conducted a number of checks for reasonableness of the data.

A list of supporting schedules is as follows:

- Summary of actuarial assumptions and methods
- Schedule of active and retired member data
- Solvency tests
- Analysis of financial experience
- Summary of plan provisions and changes
- Schedule of revenue and expenses
- Schedule of benefit expenses by type
- Schedule of retired members by type of benefit
- Schedule of average benefit payments
- Schedule of funding progress
- Schedule of contributions from the City
- Notes to the schedules of funding progress and contributions from the City

We compiled all the information in these supporting schedules.

To the best of our knowledge, the assumptions and methods being utilized conform to the Government Accounting Standards Board (GASB) Statements No. 25 and No. 27.

Board of Trustees  
City of Sunrise Police Officers  
Retirement Plan (the Plan)  
February 23, 2005  
Page Two

On the basis of the October 1, 2003 Actuarial Valuation, it is our opinion that the Plan continues to fund its pension obligations in a manner consistent with the stated funding objective and with generally accepted actuarial principles.

Sincerest regards,

A handwritten signature in cursive script, reading "J. Stephen Palmquist". The signature is written in dark ink and is positioned above the printed name and title.

J. Stephen Palmquist, ASA., MAAA, FCA, EA  
Senior Consultant and Actuary



# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## Summary Actuarial Assumptions and Methods

### A. Mortality Rates

The 1983 Group Annuity Mortality Tables for males and females. For disabled lives, regular mortality rates are set forward five years.

### B. Investment Return (including inflation)

8.5% per year, compounded annually; net rate after investment related expenses.

### C. Allowances for Expenses

Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.

### D. Employee Turnover Rates

See Table below.

### E. Disability Rates

See Table below. The assumed incidence of disabilities is 75% service incurred and 25% as non-service incurred.

### F. Salary Increase Rates (including inflation)

See Table below.

<u>Age</u>	<u>Turnover</u>	<u>Disability</u>	<u>Salary Increases</u>
20	6.0%	0.28%	8.5%
25	5.7	0.30	8.5
30	5.0	0.36	8.3
35	3.8	0.46	7.2
40	2.6	0.60	5.2
45	1.6	1.02	5.2
50	0.8	2.00	5.2
55	0.3	3.10	5.2

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## Summary Actuarial Assumptions and Methods (Continued)

### G. Assumed Retirement Age

<u>Annual Rate of Retirement</u>	
For each year eligible for early retirement	5%
For year when normal retirement date is attained	80%
For each of four years after normal retirement date	15%
For fifth year after normal retirement date	100%

### H. Valuation of Assets

The method used for determining the actuarial value of assets phases in the difference between the expected and actual return on assets at the rate of 20% per year. The actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

### I. Inflation

4.0% per year.

### J. Increase in Covered Payroll

4% (Average over most recent 10 years exceeds 4%.)

## **CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**

### **Summary Actuarial Assumptions and Methods (Continued)**

#### **K. Cost Methods**

Frozen Entry Age Actuarial Cost Method. Under this method the excess of the Actuarial Present Value of Projected Benefits of the group included in the valuation, over the sum of the Actuarial Value of Assets, the Unfunded Frozen Actuarial Accrued Liability and the Actuarial Present Value of Future Member Contributions (if any) is allocated as a level percentage of earnings of the group between the valuation date and the assumed retirement age.

This allocation is performed for the group as a whole, not as a sum of individual allocations. The portion of this Actuarial Present Value allocated to a specific year is called the Employer Normal Cost. Under this method actuarial gains (losses) reduce (increase) future Normal Costs.

#### **L. Changes Since Previous Valuation**

None

#### **M. Choice of Assumptions and Methods**

The actuarial assumptions and methods are recommended by the actuary and adopted by the Board of Trustees at various times. Unless otherwise indicated (above) the actuarial assumptions were adopted prior to 1998. The recommendations are based on a review of actual plan experience, although a recent formal experience study has not been performed.

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## Schedule of Active and Retiree Valuation Data

### Active Members

Valuation Date	Number	Annual Payroll	Average Pay	% Increase
10/01/1998	153	\$ 7,837,902	\$ 51,228	0.7 %
10/01/1999	145	7,357,096	50,739	(1.0)
10/01/2000	143	7,770,678	54,340	7.1
10/01/2001	160	9,295,368	58,096	6.9
10/01/2002	159	9,383,281	59,014	1.6
10/01/2003	162	10,210,382	63,027	6.8

### Retirant and Beneficiary Data

### Annual Allowances

Valuation Date	Number Added	Number Removed	Number	Added to Roll	Removed From Roll	Total	% Increase in Annual Allowances	Average Annual Allowances
10/01/1998	1	0	33	\$ 43,644	\$ -	\$ 862,144	5.3 %	\$ 26,126
10/01/1999	32	1	64	1,338,819	30,274	2,170,689	151.8	33,917
10/01/2000	2	0	66	43,966	165,568	2,049,085	(5.6)	31,047
10/01/2001	0	0	66	-	-	2,049,085	0.0	31,047
10/01/2002	7	2	71	266,221	43,223	2,272,083	10.9	32,001
10/01/2003	2	0	73	69,105	(110,466)*	2,230,722	(1.8)	30,558

\*Due to adjustments in records.

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## Solvency Test

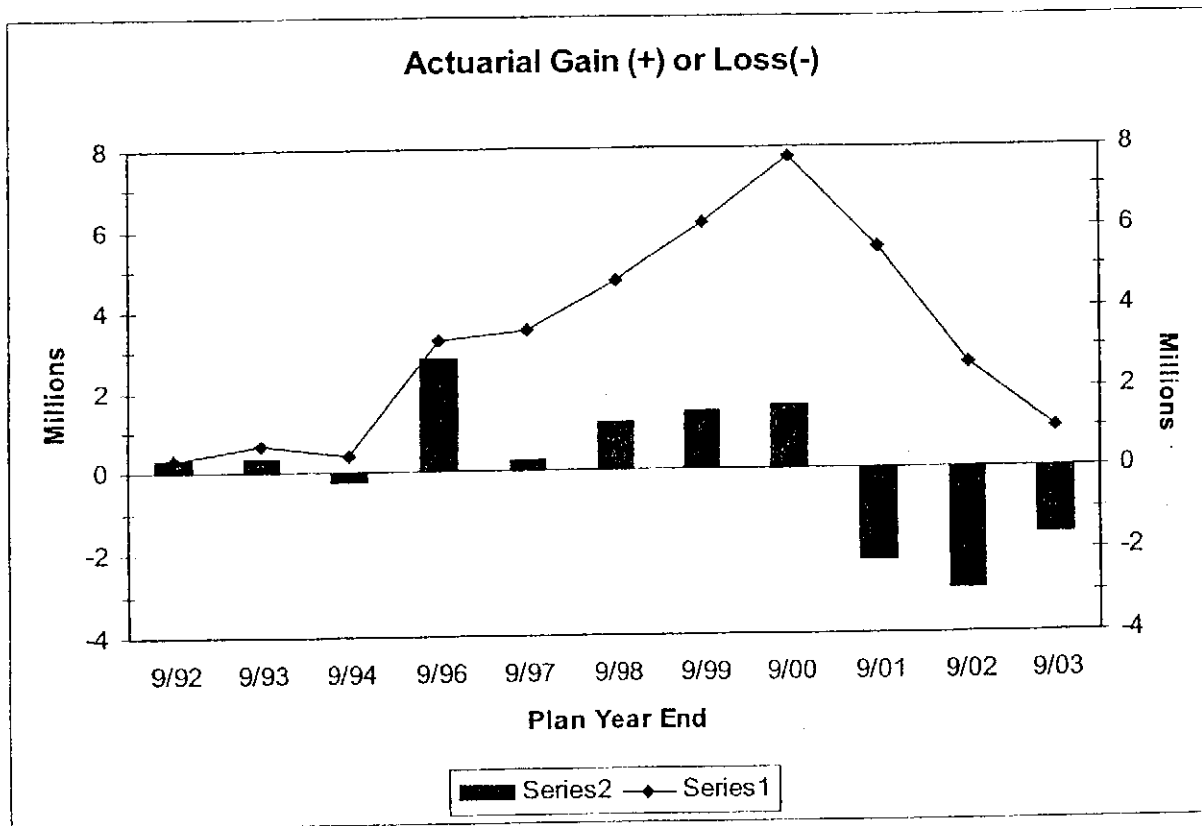
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion of Accrued Liability Covered by Assets					
					(1)		(2)		(3)	
10/01/1998	\$ 3,678,116	\$ 9,494,714	\$ 14,829,182	\$ 31,671,180	100.0	%	100.0	%	100.0	%
10/01/1999	2,622,176	23,350,263	9,475,496	35,269,226	100.0		100.0		98.1	
10/01/2000	2,918,405	22,551,943	11,746,059	37,512,699	100.0		100.0		100.0	
10/01/2001	3,490,341	22,402,604	15,774,030	40,151,353	100.0		100.0		90.4	
10/01/2002	3,665,028	24,454,513	15,741,003	39,137,722	100.0		100.0		70.0	
10/01/2003	4,309,326	23,945,126	18,450,166	40,191,182	100.0		100.0		64.4	

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## Analysis of Financial Experience

	Gain (Loss) For Year					
	1998	1999	2000	2001	2002	2003
Gain (or loss) During Year From Financial Experience	\$ 1,231,383	\$ 1,597,929	\$ 1,866,078	\$ 247,717	\$ (3,704,651)	\$ (1,793,532)
Gain (or Loss) During Year Due to Liabilities	(33,257)	(163,732)	(276,505)	(2,472,76	792,173	175,707
Composite Gain (or Loss) During Year	1,198,126	1,434,197	15,589,573	(2,225,04	(2,912,478)	(1,617,825)

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN



# **CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**

## **Summary of Plan Provisions and Changes**

### **A. Effective Date**

July 1, 1972

### **B. Eligibility Requirements**

All full-time police officers. Participation is mandatory.

### **C. Creditable Service**

Full-time service with the City during which time prescribed employee contributions are made. Under certain conditions, military service is includable.

### **D. Salary**

Gross pay, excluding payouts of accrued benefits upon termination of employment.

### **E. Average Final Compensation (AFC)**

Average salary for the three best years.

### **F. Normal Retirement**

Eligibility - Age 53 and 10 years of service or 20 years of service regardless of age.

Benefits - 4% of AFC for each of first 10 years of Service plus 2% of AFC for each year thereafter. In addition, those who retire after August 14, 2001 will receive a supplemental monthly benefit equal to \$10 per year of service with a maximum supplement of \$200 per month until age 65 and \$6.25 per year with a maximum of \$125 per month thereafter.

Form of Benefit - Life annuity (ceasing upon death), with other options available.



## **CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN**

### **Summary of Plan Provisions and Changes (Continued)**

#### **G. Early Retirement**

Eligibility - Age 47 and 10 years of service.

Benefit - Accrued benefit reduced by 3% for each year by which early retirement date precedes normal retirement date. Supplemental benefit described above is also payable.

#### **H. 13<sup>th</sup> and 14<sup>th</sup> Checks**

In years when there is a net actuarial gain, 13<sup>th</sup> and 14<sup>th</sup> checks may be payable to retirees.

#### **I. Vesting**

Upon completion of 10 years of Creditable Service, Members are fully vested in their accrued benefits. Should such a Member terminate employment and leave his own contributions in the Fund, he would be entitled to his accrued benefit beginning at his Normal Retirement Age. Members who terminate before completion of 10 years receive a refund of their own contributions without interest.

#### **J. Service Incurred Disability**

Eligibility - A total and permanent disability which impairs a member from his regular continuous duty within his job classification.

Benefit - 75% of Salary in effect on date of disability less certain amounts paid by Workers' Compensation and in certain cases, earnings from other sources such as salaries and self-employment income.

#### **K. Non-Service Incurred Disability**

Eligibility - A total and permanent disability which impairs a member from rendering efficient service to the City.

Benefit - The accrued retirement benefit with a minimum of 25% and a maximum of 50% of AFC.

# CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

## Summary of Plan Provisions and Changes (Continued)

### L. Preretirement Death Benefits

In the event of the death of a nonvested member, his accumulated contributions shall be paid to his beneficiary. Upon the death of a vested member, the beneficiary shall receive a benefit in accordance with the member's written election of an optional form of payment; such benefit begins on the earliest date the member could have retired.

### M. Deferred Retirement Option Plan (DROP)

Members who continue in employment past normal retirement date may either accrue larger pensions or freeze their accrued benefit and enter the DROP. Each participant in the DROP has an account credited with benefits not received and investment earnings.

### N. Contributions

Members - 7.15% of Salary.

State - Premium Tax Refunds for the benefit of police officers.

City - Each year the City will contribute at least the difference between the total cost of the system and the sum of State contributions and member contributions.

Adjustment - In the event that the required City contribution exceeds 10% of covered payroll, the City pays half of the excess of 10% and members pay the other half.

### O. Recent Changes

#### Ordinances Passed (Beginning 2001):

*Ordinance No. 124-X-01-C - Creating a Deferred Retirement Option Plan (including revised rates of retirement), providing a thirteenth and fourteenth check and amending the supplemental monthly benefit to age 65 from \$6.25 per year of service to \$10 per year of service.*

*Passed by the City September 25, 2001*

*Ordinance No. 124-X-01-D - Amending the definition of average final compensation to the average salary of the three best contributing years of service from the average salary of the three best consecutive contributing years of service.*

*Passed by the City November 13, 2001*

## **STATISTICAL SECTION**

# STATISTICAL SECTION

## CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

### Schedule of Revenue by Source and Expenses by Type

#### Revenue by Source

Year Ending September 30	Member Contributions	Employer Contributions		State Contributions*	Investment Income	Total
		Dollars	% of Annual Covered Payroll			
9/30/1997	\$ 506,493	\$ 343,282	4.8%	\$ 311,098	\$ 6,754,640	\$ 7,915,513
9/30/1998	535,142	416,155	5.3	307,312	3,104,484	4,363,093
9/30/1999	619,687	277,685	3.8	295,625	4,496,570	5,689,567
9/30/2000	601,351	746,594	9.6	264,311	4,231,796	5,844,052
9/30/2001	580,568	652,379	7.0	280,803	(4,171,454)	2,657,704
9/30/2002	637,963	708,249	7.5	323,404	(2,663,147)	(993,531)
9/30/2003	729,584	1,019,184	9.98	374,160	4,541,902	6,664,830
9/30/2004	1,016,441	1,252,491	11.50	497,445	2,717,722	5,484,069

#### Expenses by Type

Year Ending September 30	Employer Contributions					Total
	Benefit Payments	Administrative Expenses	Refunds	Miscellaneous		
9/30/1997	\$ 715,371	\$ 82,984	\$ 21,719	\$ -	\$ 820,074	
9/30/1998	887,337	90,703	46,630	-	1,024,670	
9/30/1999	1,653,640	119,011	84,071	-	1,856,722	
9/30/2000	3,893,913	130,854	97,923	3,225	4,125,915	
9/30/2001	2,111,630	151,016	25,342	-	2,287,988	
9/30/2002	1,977,312	143,551	80,813	-	2,201,676	
9/30/2003	2,094,413	179,350	41,272	-	2,315,035	
9/30/2004	2,051,356	198,613	48,270	-	2,298,239	

\* Actual revenue before limitation imposed by Chapter 185, Florida Statutes, excise tax rebate.

# STATISTICAL SECTION

## CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

### Schedule of Benefit Expenses by Type

Year Ending	Age & Service Benefits			Disability Benefits		Refunds		Total
	Retirants*	Survivors	Death in Service Benefits	Retirants	Survivors	Death	Separation	
1997	\$ 568,448	\$ 15,678	\$ -	\$ 131,245	\$ -	\$ -	\$ 21,719	\$ 737,090
1998	623,831	18,661	-	244,845	-	-	46,630	933,967
1999	1,448,955	18,661	-	186,024	-	-	84,071	1,737,711
2000	3,716,422	18,661	-	158,830	-	-	97,923	3,991,836
2001	1,907,562	18,661	-	185,407	-	-	25,342	2,136,972
2002	1,912,414	42,241	-	159,586	-	-	80,813	2,195,054
2003	1,832,607	39,320	-	222,486	-	-	41,272	2,336,888
2004	2,071,350	39,320	-	159,674	-	-	48,270	2,318,614

\* Payments to survivor beneficiaries are included in this column

\*\* Includes the following DROP Benefits:

Lump Sum Payment to DROP Retirant

Retirement payments to the account of DROP

Retirants recorded as designated plan net assets

Total DROP Benefits

	2002	2003	2004
Lump Sum Payment to DROP Retirant	\$ 16,178	\$ -	\$ -
Retirement payments to the account of DROP			
Retirants recorded as designated plan net assets	136,929	201,203	218,988
Total DROP Benefits	\$ 153,107	\$ 201,203	218,988

# STATISTICAL SECTION

## CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

### Schedule of Retired Members by Type of Benefit

October 1, 2003

Amount of Monthly Benefit	Number of Retirants	Type of Retirement**			Option Selected #		
		1	2	3	Life	Opt. 1	Opt. 2
Deferred	-	-	-	-	-	-	-
\$1-500	-	-	-	-	-	-	-
501-1,000	3	3	-	-	2	1	-
1,001-1,500	7	6	1	-	3	4	-
1,501-2000	8	6	2	-	6	2	-
2,001-2,500	23	21	2	-	14	9	-
2,501-3,000	11	11	-	-	3	8	-
3,001-3,500	7	7	-	-	2	4	1
3,501-4,000	11	10	1	-	9	2	-
Over 4,000	3	3	-	-	2	1	-
Totals	73	67	6	-	41	31	1

\*\*Type of Retirement

- 1 - Normal Early and DROP retirement  
including survivor beneficiaries
- 2 - Disability retirement
- 3 - Former member with deferred future benefits

# Option Selected

- Life Annuity - Normal form
- Opt. 1 - Joint & Survivor
- Opt. 2 - 10 years certain & life

**STATISTICAL SECTION**  
**CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM**  
**Schedule of Average Benefit Payments**

RETIREMENT EFFECTIVE DATES		YEARS OF CREDITED SERVICE							
For Fiscal Years Ended September 30		0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
<b>1998</b>									
Average Monthly Benefit	\$	-	\$ 2,124	\$ 1,613	\$ 1,994	\$ 2,619	\$ 2,963	\$ -	\$ 2,177
Average Final Average Salary	\$	-	\$ 2,932	\$ 3,539	\$ 3,750	\$ 4,179	\$ 4,223	\$ -	\$ 3,802
Number of Active Retirants		-	3	9	7	13	1	-	33
Total Benefits Paid									\$ 862,144
<b>1999</b>									
Average Monthly Benefit	\$	-	\$ 2,124	\$ 1,764	\$ 2,850	\$ 2,985	\$ 4,593	\$ -	\$ 2,826
Average Final Average Salary	\$	-	\$ 2,932	\$ 3,707	\$ 4,559	\$ 4,519	\$ 5,854	\$ -	\$ 4,465
Number of Active Retirants		-	3	11	28	16	6	-	64
Total Benefits Paid									\$ 2,170,689
<b>2000</b>									
Average Monthly Benefit	\$	-	\$ 2,124	\$ 1,678	\$ 2,590	\$ 2,809	\$ 4,183	\$ -	\$ 2,587
Average Final Average Salary	\$	-	\$ 2,932	\$ 3,612	\$ 4,599	\$ 4,519	\$ 5,854	\$ -	\$ 4,424
Number of Active Retirants		-	3	13	28	16	6	-	66
Total Benefits Paid									\$ 2,049,087
<b>2001</b>									
Average Monthly Benefit	\$	-	\$ 2,124	\$ 1,678	\$ 2,590	\$ 2,809	\$ 4,183	\$ -	\$ 2,587
Average Final Average Salary	\$	-	\$ 2,932	\$ 3,612	\$ 4,599	\$ 4,519	\$ 5,854	\$ -	\$ 4,424
Number of Active Retirants		-	3	13	28	16	6	-	66
Total Benefits Paid									\$ 2,049,087
<b>2002</b>									
Average Monthly Benefit	\$	-	\$ 2,131	\$ 1,583	\$ 2,539	\$ 3,161	\$ 4,183	\$ -	\$ 2,667
Average Final Average Salary	\$	-	\$ 2,992	\$ 3,612	\$ 4,522	\$ 5,053	\$ 5,854	\$ -	\$ 4,575
Number of Active Retirants		-	2	13	30	20	6	-	71
Total Benefits Paid									\$ 2,272,085
<b>2003</b>									
Average Monthly Benefit	\$	2,212	\$ 2,131	\$ 1,583	\$ 2,539	\$ 3,179	\$ 4,183	\$ -	\$ 2,672
Average Final Average Salary	\$	3,097	\$ 2,992	\$ 3,612	\$ 4,522	\$ 5,061	\$ 5,854	\$ -	\$ 4,563
Number of Active Retirants		1	2	13	30	21	6	-	73
Total Benefits Paid									\$ 2,230,722

# STATISTICAL SECTION

## CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

### SCHEDULE OF FUNDING PROGRESS (GASB Statement No. 25)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b - 1) / c
10/1/1991	\$ 11,920,767	\$ 13,860,650	\$ 1,939,883	86.0 %	\$ 5,315,729	36.5 %
10/1/1992	14,449,561	16,093,865	1,644,304	89.8	5,842,345	28.1
10/1/1993	16,851,657	18,202,781	1,351,124	92.6	6,267,523	21.6
10/1/1994	18,112,244	19,791,032	1,678,788	91.5	6,529,063	25.7
10/1/1995	21,588,042	21,787,517	199,475	99.1	6,781,320	2.9
10/1/1996	24,322,087	23,333,375	(988,712)	104.2	6,613,181	(15.0)
10/1/1997	27,830,337	26,226,308	(1,494,029)	105.7	7,170,493	(20.8)
10/1/1998	316,671,180	28,002,012	(3,669,168)	113.1	7,837,902	(46.8)
10/1/1999	35,269,226	35,447,935	178,709	99.5	7,357,096	2.4
10/1/2000	37,512,699	37,126,407	(296,292)	100.8	7,770,678	(3.8)
10/1/2001	40,151,353	41,666,975	1,515,622	96.4	9,295,368	16.3
10/1/2002	39,137,722	43,860,544	4,722,822	89.2	9,383,281	50.3
10/1/2003	40,191,182	46,794,618	6,603,436	85.9	10,210,382	64.7



# STATISTICAL SECTION

## CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

### SCHEDULE OF CONTRIBUTIONS BY EMPLOYER

(GASB Statement No. 25)

Year Ended September 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
1991	\$ 615,410	\$ 686,443	111.5 %
1992	730,550	749,227	102.6
1993	796,196	802,587	100.9
1994	814,782	823,823	101.1
1995	828,505	838,018	101.1
1996	860,550	879,676	102.2
1997	623,056	654,380	105.0
1998	721,087	721,087	100.0
1999	573,310	573,310	100.0
2000	1,010,905	1,010,905	100.0
2001	916,278	933,182	101.8
2002	1,000,716	1,008,225	100.8
2003	1,317,632	1,326,496	100.7

# STATISTICAL SECTION

## CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

### REQUIRED SUPPLEMENTARY INFORMATION

GASB Statement No. 25 and No. 27

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation:

Valuation Date	October 1, 2003
Contribution Rates:	
Employer (and State)	16.67%
Plan Members	10.93%
Actuarial Cost Method	Frozen Entry Age
Amortization Method	Level percent, Closed
Remaining amortization period	16 years
Asset valuation period	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.2% to 8.5% depending on age
Includes inflation and other general increases at	4.0%
Cost-of-living adjustments	Not Applicable

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SUMMARY OF SEPARATE  
MANAGEMENT GUIDELINES  
FOR EACH INVESTMENT MANAGER

## **SUNRISE POLICE PENSION FUND**

### **INVESTMENT GUIDELINES**

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#### **FUND OBJECTIVES**

To conduct the operations of the Fund 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 to the fund.

#### **Investment Guidelines**

The investment of the Fund's assets will be sufficiently diversified as to minimize the risk of losses. Factors to be considered in diversification of investments will include but not be limited to the following: the purpose of the Fund; the amount of Fund assets; financial, industrial and economic conditions.

Types of investment may include commercial paper, savings accounts, U.S. Government securities, and bonds and equities of domestic corporations.

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.
2. Obligations issued by the United States Government and its agencies or in obligations guaranteed as to principal and interest by the United States Government.
3. Stocks, bonds or other evidences of indebtedness issued by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided:
  - a. Equities are traded on one or more of the following recognized national exchanges:
    - 1) New York Stock Exchange
    - 2) American Stock Exchange
    - 3) The NASDAQ Stock Market
  - b. Not more than five percent (5%) of the market value of the Fund's total assets shall be invested in the common or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.

c. The individual issue meets the following criteria:

- 1) All corporate debt issues (bonds, notes, and debentures) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's or Standard and Poor's.

Any issue, if downgraded to the (4<sup>th</sup>) category by one of the ratings services must be sold within a reasonable period of time not to exceed twelve (12) months. Fixed income investments that are downgraded below the (4<sup>th</sup>) category shall be liquidated immediately.

- 2) Commercial Paper: Moody's P1 or Standard and Poor's A1.

4. Bonds issued by the State of Israel.
5. The use of unhedged and/or leveraged derivatives will not be allowed in any form.
6. The Board places great importance on risk reduction through asset and style diversification. The manager should realize that it would operate as part of a larger multi-manager allocation strategy. The manager is advised that it has been selected to perform investment services based in part on its particular investment style characteristics and the diversification benefits such style may produce in relationship to the style characteristics of other managers retained by the board. The manager should therefore endeavor to maintain a consistent style, subject at times to its full discretion and continued fiduciary obligations.
7. The Board will review performance on a quarterly basis. Normally, performance will be evaluated over a three to five year time horizon. These periods are considered sufficient to accommodate the different market cycles commonly experienced with investments, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the plan. Investment performance objectives are not the sole reason for retention or termination of a manager.
8. In addition to the above, Davis, Hamilton, Jackson & Associates is subject to the following specific guidelines:
  - a. The manager has been retained to pursue a balanced portfolio featuring a **Growth Equity** style. The manager's particular style is generally characterized by a portfolio with price to earnings and price to book ratios greater than S&P 500 Index and dividend yields lower than the S&P 500 Index.

- b. Over a three to five year time horizon, equity performance should be equal to or greater than the return of the S&P 500 Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns. (e.g. S&P/Barra Growth, Russell 1000 Growth, etc.). Placing above the 50<sup>th</sup> percentile is not a condition of retention.
- c. Over a three to five year time horizon, equity performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate equity universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.
- d. Over a three to five year time horizon, fixed income performance should be equal or greater than the return of the Lehman Intermediate Government/Credit Index.
- e. Over a three to five year time horizon, fixed income performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate fixed income universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.
- f. The equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.30 where 1.0 is equal to the market volatility of the S&P 500 Index.
- g. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
- h. No equity investments shall be made in companies with a market capitalization less than \$1 billion at the time of purchase.
- i. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board:

Equities	55.0%
Fixed Income	45.0%

- j. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Equities	65.0%	45.0%
Fixed Income	55.0%	35.0%
Cash	10.0%	0.0%

10. In addition to the above, Buckhead Capital Management (Large Cap Equity) is subject to the following specific guidelines:

- a. The manager has been retained to pursue a portfolio featuring a **Value Equity** style. The manager's particular style is generally characterized by a portfolio with price to earnings and price to book ratios lower than the S&P 500 Index and dividend yields higher than the S&P 500 Index.
- b. Over a three to five year time horizon, equity performance should be equal or greater than the return of the S&P 500 Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns. (e.g. S&P/Barra Value, Russell 1000 Value, etc.).
- c. Over a three to five year time horizon, equity performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate equity universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.
- d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Equities.
- e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Equities	100.0%	95.0%
Cash	5.0%	0.0%

- f. The equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.15 where 1.0 is equal to the market volatility of the S&P 500 Index.
- g. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
- h. No equity investment shall be made in connection with a market capitalization less than \$1 billion at the time of purchase.

10. In addition to the above, Buckhead Capital Management (Small Cap Value Equity) is subject to the following specific guidelines:



- a. The manager has been retained to pursue a portfolio featuring a **Small Cap Value Equity** style.
- b. Over a three to five year time horizon, equity performance should be equal to or greater than the return of the Russell 2000 Value Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns.
- c. Over a three to five year time horizon, equity performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate equity universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.
- d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Small Cap Value Equities.
- e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Small Cap Value Equities	100.0%	95.0%
Cash	5.0%	0.0%

- f. The equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.15 where 1.0 is equal to the market volatility of the Russell 2000 Value Index.
  - g. The issuer of equity securities must have a publicly available operation record of at least five years, which may include past performance resulting from mergers, acquisitions, and spin-offs.
  - h. No equity investments shall be made in companies with a market capitalization greater than \$2 billion at the time of purchase.
11. In addition to the above, Invesco is subject to the following specific guidelines:
- a. The manager has been retained to pursue a portfolio featuring a **Core Fixed Income** style.
  - b. Over a three to five year time horizon, fixed income performance should be equal to or greater than the return of the Lehman Aggregate Index.

- c. Over a three to five year time horizon, fixed income performance should be greater than the median (50<sup>th</sup> percentile) of an appropriate fixed income universe. Placing above the 50<sup>th</sup> percentile is not a condition of retention.
- d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Fixed Income.
- e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio or as a result of deliberate action of the manager based upon its view of prospective market conditions:

	<u>Maximum</u>	<u>Minimum</u>
Fixed Income	100.0%	95.0%
Cash	5.0%	0.0%

## **OVERALL ASSET ALLOCATION**

1. Constraints. The board believes the plan's risk and liquidity posture are, in a large part, a function of the asset class mix. The board has reviewed the long-term performance characteristics of various asset classes focused on balancing risk and rewards of market behavior. The following asset classes, as generally defined by professional investment standards, were selected:

- a. Cash (cash equivalents)

Domestic large capitalization equities

Domestic small capitalization equities

- b. Strategic Guidelines. Based on the plan's time horizon, risk tolerance, performance expectation and asset class preferences; an efficient or optimum portfolio to achieve the investment goals while diversifying assets has been identified. The strategic target asset allocation of the plan is as follows:

Large Cap Stocks	50%
Small Cap Stocks	10%
Fixed Income	40%

- c. Management Structure. To diversify plan assets as to minimize the risk associated with dependence on the success on one enterprise, the Pension Board has decided to employ a multi-manager team approach to investing plan assets.

The asset management structure is currently as follows:

Asset Class	Target	Minimum	Maximum
Domestic Stocks	60%	50%	70%
Buckhead Capital Management (Large Cap Value)	25%	21%	29%
Buckhead Capital Management (Small Cap Value)	10%	8%	12%
Davis, Hamilton, Jackson & Assoc. (Large Cap Growth)	25%	21%	29%
Domestic Fixed Income	40%	30%	50%
Davis, Hamilton & Assoc.	20%	15%	25%
Invesco	20%	15%	25%

## 2. Rebalancing

- a. Rebalancing of strategic asset allocation: if the allocation to any one asset class exceeds the guidelines, the Board will take measures to rebalance the trust assets through instructions as outlined below. Then the Board gives instructions for rebalancing, it will attempt to reallocate the trust assets to percent weightings as close to the target, as outlined above, as it sees fit. Rebalancing should be completed by the end of the quarter next following the quarter for which the Performance Report was compiled.
- b. Instruction: Rebalancing is to be done first with cash flows expected within the forthcoming quarter. If there are insufficient cash flows to rebalance the fund to the Board's instructions, the Board shall effect transactions to accomplish the rebalancing. The Board will utilize the Consultant to assist in the rebalancing process.

## INVESTMENT MANAGER

The Trustees will select a professional Investment Manager(s), that meet(s) the definition of that term in Section 3(38) of E.R.I.S.A., who will provide the Trustees with a statement of fiduciary responsibility. The Trustees will provide that Manager(s) certain guidelines, including, but not limited to, the interest assumption necessary to support the actuarial soundness of the Plan, the cash liquidity necessary to provide monthly pensions, and the current and projected cash flow into the Fund.

## **INVESTMENT REVIEW**

The Trustee will monitor the Investment Manager(s) by periodically reviewing the investment portfolio and determining if the results meet with the objectives and purposes of the Plan.

The Investment Manager shall within five (5) business days, after such occurs, notify the Board if any investment no longer meets these guidelines.

