

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN



Comprehensive Annual Financial Report

**For the fiscal year ended
September 30, 2011**

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2011**

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED
September 30, 2011 and 2010**

PREPARED BY: THE PLAN ADMINISTRATOR

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INTRODUCTORY SECTION

CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN

Years Ended September 30, 2011 and 2010

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

Years Ended September 30, 2011 and 2010

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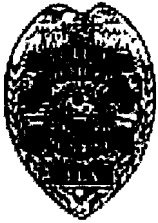
LETTER OF TRANSMITTAL

There is now a tiered system based on date of employment. Today, members receive a normal benefit of 70% (increased from 60%) at 20 years of continuous service. For members hired after January 1, 2006, the revised multiplier is (3% per year for the first ten years and 4% for the next ten years, plus 2% for each year thereafter; subject to a maximum of 80% average final compensation). For members employed on October 1, 2003 and retire after January 1, 2006, they are entitled to receive the greater of the benefit noted above or, a multiplier of (4% per year for the first ten years and 2% thereafter). 2% will be added to the total percentage for members who were vested as of January 1, 2006. An additional 2% will be added to the total percentage for members actively employed until age 53 with 10 or more years of credited service.

Members may elect to enter a Deferred Retirement Option Plan, also known as (DROP). An eligible member who elects to participate in the DROP, prior to August 9, 2011 and within five (5) years following his earliest normal retirement date (age 53 with 10 years of creditable service or completion of 20 years creditable service regardless of age) may participate in the DROP for a maximum of seventy-two (72) months from the date of entry into the DROP. An eligible member may elect to participate in the DROP with thirty (30) days' advance written notice to the City at any time after reaching the earliest normal retirement date or during the applicable DROP period; however, in no event will the DROP period for a member who elects to participate in the DROP be extended beyond seventy-two (72) months from the date the member enters the DROP or one hundred thirty-two (132) months after the member's earliest normal retirement date, whichever occurs first. A member who delays entry into the DROP beyond sixty (60) months after reaching the earliest normal retirement date may elect to enter the DROP, upon thirty (30) days' advance written notice to the city, and for every month the member delays entry into the DROP beyond sixty (60) months after reaching the earliest normal retirement date, the maximum DROP period shall be reduced by one (1) month. Example: A member who enters the DROP within sixty (60) months after reaching his/her earliest normal retirement date shall be eligible to participate in the DROP for a maximum of seventy-two (72) months from the date the member enters the DROP. If the same member waits seventy-two (72) months after reaching his/her earliest normal retirement age before entering the DROP, the member will be able to participate in the DROP for a maximum of sixty (60) months. A member who elects to participate in the DROP can elect to terminate DROP participation and city employment sooner than the maximum DROP period, with thirty (30) days' advance written notice to the City.

| Retirement Date (earliest normal retirement date) | Maximum Period of DROP Participation |
|--|---|
| Age 53 with 10 years of credited service or 20 - 25 years of credited service regardless of age | 72 months |
| 26 years of credited service regardless of age | 60 months |
| 27 years of credited service regardless of age | 48 months |
| 28 years of credited service regardless of age | 36 months |

If a member was still participating in the DROP on August 9, 2011, he was eligible to extend his DROP participation period and delay his resignation from City employment by up to twelve (12) months for a maximum of eighty-four (84) months. The member had to submit a signed DROP extension form, which is provided by the City, and in which the member agreed that all DROP earnings received from the date of the member's DROP entry to the effective date of the election to extend DROP, shall be recalculated at an interest rate of 6%. All DROP earnings for the entire period of DROP participation following the election to extend DROP shall also be credited at an interest rate of 6%. This form must have been received by the City within ninety days following August 9, 2011 and before the end of the original DROP term.



City of Sunrise, Florida

POLICE OFFICERS' RETIREMENT PLAN

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e-mail: sunrisepolice@aol.com



March 24, 2012

Gerald Eddy, Chairman
and Police Pension Board Members
13790 NW 4 Street, Suite 105
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, 2011. 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).

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 original inception in 1989. In this plan year, the normal retirement benefit was changed as a result of the collective bargaining process. The retirement trigger has remained unchanged, and a member at any age with a minimum of 20 years continuous service, or age 53 with 10 continuous years of service can still retire.

"Please Visit Us" www.sunrisepolicepension.com

As a condition of participating in the DROP, the member must agree to terminate city employment at the conclusion of the DROP period and to submit an irrevocable letter of resignation stating this prior to entering the DROP.

Upon entering the DROP, the retirement benefit is immediately calculated and each monthly benefit payment is deposited into the member's DROP account. If the member entered DROP prior to August 9, 2011 and did not wish to extend the DROP term as indicated above, the account earns interest at the same rate as the investment earnings assumption for the pension plan (compounded monthly) which may be adjusted up or down.

Within 30 days of termination of employment at the end of the DROP period or death, members or their beneficiary must request the account balance in a lump sum or may rollover part or all of the account balance.

Once the member entered the DROP, they are no longer eligible for disability or pre-retirement death benefits, nor do they accrue any additional credited service. No member contributions to the plan once entry in the DROP is made.

Additionally, members who terminate and begin receiving early or normal retirement benefits enjoy a monthly retirement supplemental benefit as outlined in the chart below.

| Termination or DROP Entry Date | Supplemental Benefit¹ | |
|---|---|------------------------------|
| | Until Age 65 | Age 65 and later |
| 8/14/01 – 12/31/05 | \$10 * Service (max \$200) | \$6.25 * Service (max \$125) |
| 1/1/06 – 9/30/07 | \$16.25 * Service (max \$325) | \$10 * Service (max \$200) |
| On or after 10/1/07 | \$25 * Service (max \$500) | \$15 * Service (max \$300) |

¹ The supplemental benefit is paid to normal and early retirees. The supplemental benefit is payable for the lifetime of the retiree and ceases upon the retiree's death.

The Plan also has a cost of living adjustment as outlined in the chart below.

| Termination or DROP Entry Date | Annual COLA¹ | COLA Start Date² |
|---|------------------------------------|--|
| Before 1/1/06 | 0.0% | No COLA is payable |
| 1/1/06 – 9/30/08 | 2.0% | Fifth anniversary of the commencement date |
| On or after 10/1/08 | 2.5% | Fifth anniversary of the commencement date |

¹ The COLA is payable on normal retirement benefits only. The COLA is payable for the lifetime of the retiree and continues to the retiree's survivor upon the retiree's death.

² For DROP members, the COLA will start on the later of the fifth anniversary of the commencement date or the first of the month following termination of employment and will continue annually on the anniversary of that date.

In terms of funding the plan, in years past, members shared the cost of the plan with the city. Member contributions had a baseline contribution, and any shortfall due to investment earnings were shared 50/50 with the city once their funding cap was reached.

An eligible member who elects to participate in the DROP on or after August 9, 2011 and within five (5) years following his earliest normal retirement date (age 53 with 10 years of creditable service or completion of 20 years creditable service regardless of age) may participate in the DROP for a maximum of eighty-four (84) months from the date of entry into the DROP. An eligible member may elect to participate in the DROP with thirty (30) days' advance written notice to the City at any time after reaching the earliest normal retirement date or during the applicable DROP period; however, in no event will the DROP period for a member who elects to participate in the DROP be extended beyond eighty-four (84) months from the date the member enters the DROP or one hundred forty-four (144) months after the member's earliest normal retirement date, whichever occurs first.

A member who delays entry into the DROP beyond sixty (60) months after reaching the earliest normal retirement date may elect to enter the DROP, upon thirty (30) days' advance written notice to the city, and for every month the member delays entry into the DROP beyond sixty (60) months after reaching the earliest normal retirement date, the maximum DROP period shall be reduced by one (1) month.

Example:

- A member who enters the DROP within sixty (60) months after reaching his/her earliest normal retirement date shall be eligible to participate in the DROP for a maximum of eighty-four (84) months from the date the member enters the DROP.
- If the same member waits seventy-two (72) months after reaching his/her earliest normal retirement age before entering the DROP, the member will be able to participate in the DROP for a maximum of seventy-two (72) months.

A member who elects to participate in the DROP can elect to terminate DROP participation and city employment sooner than the maximum DROP period, with thirty (30) days' advance written notice to the City.

Members who entered the DROP on or after August 9, 2011, will be required to make a one-time irrevocable election, at the time you enter DROP, between the following two options. The option chosen will determine how interest will accrue in his DROP account.

- Fixed Rate of Return: your account will earn interest at 6% per annum.
- Self-Directed Investment: your DROP account will be invested as directed by you, among investment options selected by the pension board. Your rate of return will be based on the actual rate of return on the investment option you select.

| Retirement Date (earliest normal retirement date) | Maximum Period of DROP Participation |
|--|---|
| Age 53 with 10 years of credited service or 20 - 25 years of credited service regardless of age | 84 months |
| 26 years of credited service regardless of age | 72 months |
| 27 years of credited service regardless of age | 60 months |
| 28 years of credited service regardless of age | 48 months |

The Board regularly participates 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 Investment Performance Monitor) to review the performance of each manager, asset class and the plan investments in aggregate. When appropriate, the Board terminates existing Performance Monitors 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 Performance Monitor 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

The Board of Trustees continues to closely monitor all the investment managers and their respective performance. With the state of the investment market, other possible investment vehicles are being monitored as well by our investment consultant.

This was certainly a very unpopular funding mechanism for the members of the plan. The issue was resolved due to a collective bargaining agreement reached between the city and the union representing the membership.

The following is the current funding method: **Members** - The employee contribution rate is 9.84%. **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.

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.

Florida Law changed during this reporting period to allow trustee terms to be extended from two years to four years. The State of Florida gave each municipality the option to change the terms. The Board of Trustees recognizes the commitment of their position and the time it takes to truly grasp the knowledge required. As such, this Board has endorsed the four year term period and have requested the plan sponsor to consider the change. Finally, it is costly to educate a trustee and to have to do that potentially every two years is wasteful at best.

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

Allocated Property Insurance Premium Taxes - received from the State pursuant to F.S. Chapter 185; and **Active Plan Participants** - based on collective bargaining agreement, as of October 1, 2007, active members now contribute 9.84% of their pay.

For fiscal year beginning October 1, 2010, the State plus City cost of 40.78% of payroll. The city received a credit of 3.51% of payroll from state monies, which reduced the amount due to 37.27% of payroll.

The investment return for the fiscal year beginning October 1, 2009 was 9.47% (net of investment expenses) based on market value and 8.7% based on the actuarial value of assets. The 8.7% return was more favorable than expected, and exceeded the actuarial average interest rate assumption of 8.3%. The plan underperformed compared to its benchmark, which was 11.40%, and ranked in the 88th percentile in the investment universe. Additional information about investment activity is addressed in the MD&A (see page 10) and in the Investment Section of the CAFR. Plan expenses include recurring benefit payments and administrative costs.

Over the last three years total revenues have been affected primarily by the changes in net investment income as follows:

| | | Return on Average Plan <u>Net Assets</u> |
|------|--------------|--|
| 2011 | \$ (223,570) | 3.48% |
| 2010 | \$ 5,451,549 | 9.47% |
| 2009 | \$ 634,172 | 1.24% |

While the above return on investment is not actuarially calculated it reflects the changes in investment market conditions over the last three years.

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

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

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

A third-party custodial agent holds the plan's investments and all temporary cash positions (money market funds) minimizing the risk on any short-term deposits.

In 1989, the Board adopted a market smoothing approach for actuarial asset valuation purposes. This approach spreads cyclical market variations over a five-year smoothed market as discussed on page 61.

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 September 30, 2011, 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 34 and 37 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, 2010. This was the fifth consecutive year that the Plan has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Major Initiatives

The Board of Trustees worked very diligently this year with our investment monitor and our actuary to increase our expected rate of return, while at the same time, restating what a reasonable rate of return would be.

Investment Management: Two international investment components were added to further diversify our portfolio, dampen volatility and enhance our expected rate of return.

Actuarial Experience: The return assumption was changed from 8.5% to 8.0%. This change will be phased in incrementally over a period of years. In part so not to dramatically increase cost to the sponsor. It should be noted that other assumptions were changed, such as the mortality table. The changes were determined to be more pragmatic and were overall negligible in cost. Although it was ultimately the responsibility of the Board of Trustees, input from the plan sponsor was actively sought out prior to any action being taken.

Acknowledgments

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. Our goal is to continue to improve this report based on comments (feedback) provided by our reviewers. It has been designed to help the reader understand and evaluate the operations and financial status of the Plan.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'DMM', followed by a horizontal line.

David M. Williams, Plan Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunrise
Police Officers' Retirement Plan
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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.



Linda C. Danison

President

Jeffrey R. Enen

Executive Director

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Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2011***

Presented to

City of Sunrise Police Officers' Pension Plan

In recognition of meeting professional standards for
plan funding 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. Winkie'.

Alan H. Winkie
Program Administrator

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

September 30, 2011

BOARD OF TRUSTEES

| <u>Trustees' Name</u> | <u>Board Position</u> | <u>Method of Selection ⁽¹⁾</u> | <u>City Position</u> |
|------------------------------|------------------------------|--|-----------------------------|
| Michael West | Chairman | Elected | Sergeant |
| Daniel Ransone | Secretary | Appointed | Sergeant |
| Bill Bettencourt | Trustee | Elected | Sergeant |
| Louis J. Berman | Trustee | Appointed | Lieutenant |
| Gerald Eddy | Trustee | 5 th Member | Assistant Chief |

STAFF

| <u>Staff Name</u> | <u>Position</u> |
|--------------------------|------------------------|
| David M. Williams | Plan Administrator |
| Patricia Ostrander | Recording Secretary |

CONSULTANTS⁽²⁾

| | |
|---------------------|--|
| Attorney | Ronald Cohen, P.A. |
| Actuary | Gabriel, Roeder, Smith & Company |
| Performance Monitor | Thistle Asset Consulting |
| Custodian | Fiduciary Trust Company International |
| Investment Manager | Buckhead Capital Management, L.L.C. |
| Investment Manager | Garcia, Hamilton & Associates |
| Investment Manager | Wentworth, Hauser and Violich, Inc. |
| Investment Manager | Thornburg Investment Management ⁽³⁾ |
| Investment Manager | Mutual of America Capital Management Corporation |
| Investment Manager | Kayne Anderson Rudnick Investment Management, LLC ⁽⁴⁾ |
| Investment Manager | Cohen & Steers Capital Management, Inc. |

- (1) Members are elected /appointed for two-year terms ending March 15 every other year.
- (2) Additional information regarding investment professionals who provide services to the Plan can be found on page 34.
- (3) The Plan entered a contract with Thornburg Investment Management on April 22, 2010.
- (4) The investment advisory agreement with Kayne Anderson Rudnick Investment Management, LLC was entered on September 27, 2010.
- (5) The investment with Buckhead Capital Management, LLC was terminated on September 27, 2010.

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FINANCIAL SECTION

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Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

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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

The Board of Trustees

City of Sunrise, Florida Police Officers' Retirement Plan
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) as of September 30, 2011 and 2010, 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, 2011 and 2010, 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

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 10 and the required supplementary information on pages 31 through 33 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 34 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, Jamison & Cristini, P.L.

November 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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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, 2011. Please review it in conjunction with the transmittal letter (see page iii - xii) and the Financial Statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

The plan's net assets increased by \$4,022,980 million for FYE September 30, 2011.

The required net contributions from the City for FYE September 30, 2011 were valued at \$5,954,543. This is after the State of Florida excise tax rebate in the sum of \$508,251.

The Plan's net investment income (loss) was valued at \$(223,570) for FYE September 30, 2011.

The realized appreciation for FYE September 30, 2011 was valued \$1,722,463. For that same timeframe, the unrealized depreciation was valued at \$(3,821,675). This resulted in a net decrease in investments of \$(2,099,212).

Normal benefit payments increased by \$191,053 for FYE September 30, 2011 in comparison to FYE September 30, 2010. The number of normal retirements was 82 as of September 30, 2011.

PLAN HIGHLIGHTS

As of FYE September 30, 2011, the Plan's assets were diversified with 49.8% in the equity market, 37.9% in fixed income and the balance being held in cash by our investment team. The exposure for the equity component of the portfolio continues to be 60%. Within the equity arena, the assets are diversified further with 26.9% of the assets being invested in large cap positions, 9.3% in mid cap, 7.6% in small cap positions, and 6.0% in international equities. The Board monitors the investment activity on a quarterly basis and actively rebalances the portfolio to maintain compliance with the investment policy. It should be noted that our latest policy/guidelines may be viewed at <http://sunrisepolicepension.com>.

For the FYE September 30, 2010 the schedule of funding actuarial valuation progress as provided by GASB Statement No. 25 reveals an unfunded actuarial accrued liability of \$50,638,000. This equates to a funding ratio of 53.3%, which is up from 52.0% as of FYE September 30, 2009.

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 11) and the Statements of Changes in Plan Net Assets (see page 12). These statements are presented on a full accrual basis and reflect all trust activities as incurred.

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 | | |
|-------------------|---------------------------|---------------|---------------|
| | 2011 | 2010 | 2009 |
| Investments | \$ 72,081,377 | \$ 62,003,411 | \$ 52,723,945 |
| Receivables | 506,126 | 1,123,310 | 546,538 |
| Other | 10,828 | 9,866 | 10,234 |
| Equipment | 178 | 535 | 890 |
| Total Plan Assets | 72,598,509 | 63,137,122 | 53,281,607 |
| Liabilities | 6,432,235 | 993,828 | 328,943 |
| Total Liabilities | 6,432,235 | 993,828 | 328,943 |
| Plan Net Assets | \$ 66,166,274 | \$ 62,143,294 | \$ 52,952,664 |

The net increase of \$4.0 million (or 6.4%), and net increase of \$9.1 million (or 17.3%) and an increase of \$8.4 million (or 6.9%) in 2011, 2010 and 2009, respectively, reflects a net change in equity investment strategies which decreased the Plan's investment income together with contributions from the City of \$4,928,171 as a result of the Plan amendments and actuarial assumption changes (see page 28). The Plan's liabilities as of September 30, 2011 included the prepaid employer contribution for the fiscal year ending September 30, 2012 of \$6,034,320.

CHANGES IN PLAN NET ASSETS

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

TABLE 2

CHANGE IN PLAN NET ASSETS

| | For the years ended | | |
|---|---------------------|--------------------|--------------------|
| | September 30. | | |
| | 2011 | 2010 | 2009 |
| Additions: | | | |
| Contributions: | | | |
| Employer | \$5,954,543 | \$5,152,639 | \$3,968,694 |
| Plan members | <u>1,293,749</u> | <u>1,304,234</u> | <u>1,331,918</u> |
| Total contributions | 7,248,292 | 6,456,873 | 5,300,612 |
| State excise tax rebate | 508,251 | 552,722 | 578,926 |
| Investment income (loss): | | | |
| Net appreciation (depreciation) in fair value of investments | (2,099,212) | 3,983,901 | (703,806) |
| Interest and dividends | 2,263,127 | 1,791,938 | 1,613,807 |
| Commission recapture and other | <u>3,107</u> | <u>18,572</u> | <u>16,411</u> |
| Investment income (loss) | 167,022 | 5,794,411 | 926,412 |
| Less investment expenses | <u>390,592</u> | <u>(342,862)</u> | <u>(292,240)</u> |
| Net investment income (loss) | <u>(223,570)</u> | <u>5,451,549</u> | <u>634,172</u> |
| Total additions (reductions) | 7,532,973 | 12,461,144 | 6,513,710 |
| Deductions: | | | |
| Retirement benefits | 3,264,734 | 2,971,478 | 2,854,302 |
| Refunds | - | 68,317 | 1,920 |
| Administrative expenses | <u>245,259</u> | <u>230,719</u> | <u>214,695</u> |
| Total deductions | <u>2,509,993</u> | <u>3,270,514</u> | <u>3,070,917</u> |
| Net increase (decrease) | <u>\$4,022,980</u> | <u>\$9,190,630</u> | <u>\$3,442,793</u> |

Contribution rates are established for participants and the City and are impacted by excise tax rebates from the state. The state excise tax rebate collected and remitted is controlled by statute. The City's 2011 contribution increased by \$801,904 over 2010 in accordance with the Plan amendment and the actuarial assumption changes.

As noted, the Plan's investment activity, is 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. Equities returned at a (0.22)% rate and fixed income returned 3.21% in 2011 compared to a 11.03% return in equities and 9.38% fixed income return in 2010.

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>2011</u> | <u>2010</u> | <u>2009</u> | <u>2011-2010</u> <u>Change</u> | <u>2010-2009</u> <u>Change</u> |
| Active Participants: | | | | | |
| Vested | 85 | 65 | 51 | 2.0 | 14 |
| Non-vested | 69 | 77 | 101 | (8) | (24) |
| Retirees & Beneficiaries | 111 | 106 | 99 | 5 | 7 |
| Terminated Vested | 1 | 2 | 1 | (1) | 1 |

The table above reflects changes in active participants, (the number of sworn police officers on the City payroll), and demonstrates the changes in retirees and beneficiaries (including DROP Members).

TABLE 4
CHANGES IN RETIREES & BENEFICIARIES

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|-----------------------------|-------------|-------------|-------------|-------------|
| Beginning (10/01) | 83 | 83 | 83 | 80 |
| Retirements & Beneficiaries | 1 | 2 | - | 4 |
| Death (Expiration) of | | | | |
| Retirees & Beneficiaries | <u>(1)</u> | <u>(1)</u> | <u>-</u> | <u>(1)</u> |
| Ending (9/30) | <u>83</u> | <u>83</u> | <u>83</u> | <u>83</u> |

This table does not take into consideration the active DROP plan members for FYE September 30, 2011 there were 29 participants.

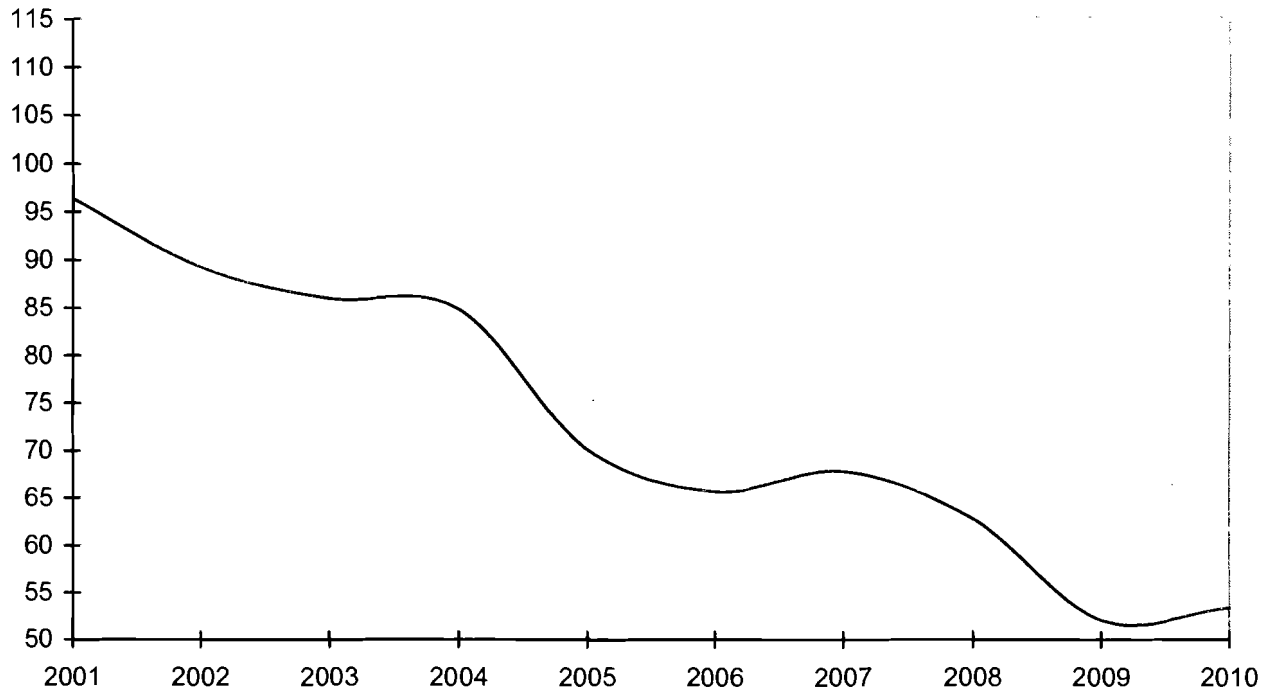
FUNDING STATUS

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, 2010)



ASSET ALLOCATION

The following table indicates the policy target asset allocation for September 30, 2009, 2010 and 2011.

TABLE 6
ASSET ALLOCATION POLICY
(by %)

| | <u>2011</u> | | <u>2010</u> | | <u>2009</u> | |
|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>EQUITY</u> | | | | | | |
| Domestic: | - | 60% | - | 60% | - | 60% |
| Small Cap | 7.6% | 10 | 7.7% | 10 | 7.3% | 10 |
| Large Cap | 26.9 | 31 | 31.0 | 31 | 38.9 | 40 |
| Mid Cap | 9.3 | 10 | 10.0 | 10 | 8.8 | 10 |
| International | 6.0 | 9 | 8.0 | 9 | - | - |
| <u>BONDS</u> | | | | | | |
| Aggregate | 50.2 | 40 | 43.3 | 40 | 45 | 40 |
| TOTAL | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

International equities were added to the investment portfolio for the year ending September 30, 2010.

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 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.

As noted prior, portfolio performance is reviewed quarterly by the Board and its Performance Monitor. Performance is evaluated individually by money manager style, collectively by investment type and for the aggregate portfolio. Investment types include both domestic and fixed income securities.

The total fund investment performance for fiscal year 2011 yielded a net return of 0.85%, which did not exceed the long-term net 8.3% actuarial return assumption target for the year. On a three-year and five-year basis, the average return of 3.59% and 1.93%, respectively, under performed compared to the benchmarks. The return assumption was changed from 8.4% to 8.3% and will continue to be decreased incrementally each year until it reached 8.0%.

A schedule reflecting five individual years, three year and five year average performance (with comparable indexes) is available on page 47.

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 47 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 4th Street, Suite 105, Sunrise, Florida 33325.

BASIC FINANCIAL STATEMENTS

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CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

STATEMENTS OF PLAN NET ASSETS

September 30, 2011 and 2010

| | <u>Assets</u> | |
|--|----------------------|----------------------|
| | <u>2011</u> | <u>2010</u> |
| Receivables: | | |
| Plan members | \$ 63,553 | \$ 57,958 |
| Interest | 338,849 | 254,387 |
| Dividends | 41,363 | 36,017 |
| Broker-dealers | 58,695 | 771,265 |
| Other | 3,666 | 3,683 |
| Total receivables | 506,126 | 1,123,310 |
| Prepaid insurance | 10,828 | 9,866 |
| Investments at fair value: | | |
| U.S. Government securities | 1,470,455 | 510,389 |
| U.S. Government agencies | 12,838,983 | 11,393,099 |
| Corporate bonds | 12,711,719 | 12,863,188 |
| Domestic stocks | 31,626,536 | 30,076,209 |
| International equity stocks | 2,350,600 | 2,285,026 |
| International equity fund | 1,981,707 | 2,635,475 |
| Temporary investment funds | 9,101,377 | 2,240,025 |
| Total investments | 72,081,377 | 62,003,411 |
| Equipment, at cost, net of accumulated depreciation of 27,304 and \$26,947 as of September 30, 2011 and 2010, respectively | 178 | 535 |
| Total assets | 72,598,509 | 63,137,122 |
| | <u>Liabilities</u> | |
| Accounts payable | 95,094 | 98,349 |
| Deferred City contribution | 6,034,320 | - |
| Accounts payable, broker-dealers | 302,821 | 895,479 |
| Total liabilities | 6,432,235 | 993,828 |
| Plan net assets held in trust for Pension benefits | <u>\$ 66,166,274</u> | <u>\$ 62,143,294</u> |

See Note to Financial Statements.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

STATEMENTS OF CHANGES IN PLAN NET ASSETS

Years Ended September 30, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|-----------------------------|-----------------------------|
| Additions: | | |
| Contributions: | | |
| Employer | \$ 5,954,543 | \$ 5,152,639 |
| Plan members | <u>1,293,749</u> | <u>1,304,234</u> |
| Total contributions | 7,248,292 | 6,456,873 |
| Intergovernmental revenue: | | |
| State excise tax rebate | 508,251 | 552,722 |
| Investment income (loss): | | |
| Net appreciation (depreciation) in fair value | | |
| of investments | (2,099,212) | 3,983,901 |
| Interest | 1,336,850 | 1,170,311 |
| Dividends | 926,277 | 621,627 |
| Commission recapture | 14 | 3,049 |
| Other | <u>3,093</u> | <u>15,523</u> |
| Investment income | 167,022 | 5,794,411 |
| Less investment expenses | <u>390,592</u> | <u>342,862</u> |
| Net investment income (loss) | <u>(223,570)</u> | <u>5,451,549</u> |
| Total additions | 7,532,973 | 12,461,144 |
| Deductions: | | |
| Benefits: | | |
| Age and service | 2,884,231 | 2,693,178 |
| Disability | 182,951 | 182,951 |
| DROP | 197,552 | 95,349 |
| Refunds of contributions | - | 68,317 |
| Administrative expenses | <u>245,259</u> | <u>230,719</u> |
| Total deductions | <u>3,509,993</u> | <u>3,270,514</u> |
| Net increase | 4,022,980 | 9,190,630 |
| Plan net assets held in trust for pension benefits: | | |
| Beginning of year | <u>62,143,294</u> | <u>52,952,664</u> |
| End of year | <u><u>\$ 66,166,274</u></u> | <u><u>\$ 62,143,294</u></u> |

See Note to Financial Statements.

NOTES TO
FINANCIAL STATEMENTS

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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 substantially amended in 2002, 2005, 2006, 2008 and 2009, 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, 2011, the Plan's membership consisted of:

| | |
|---|------------|
| Retirees and beneficiaries: | |
| Currently receiving benefits | 82 |
| DROP retirees | 29 |
| Terminated employees entitled to benefits but not yet receiving them | <u>1</u> |
| Total | <u>112</u> |
| Current employees: | |
| Vested | 85 |
| Nonvested | <u>69</u> |
| Total | <u>154</u> |

At September 30, 2010, the date of the most recent actuarial valuation, there were 111 retirees and beneficiaries receiving benefits.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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 3% of the participants average final compensation for each of the first 10 years of service plus 4% of the participant's average final compensation for the next 10 years of service plus 2% of the average final compensation for each year of credited service thereafter up to a maximum of 80% of the average final compensation. Current normal retirement benefits were 4% of the participant's 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. These current normal benefits would still be available to active participants employed prior to October 1, 2003, if greater. Average final compensation is the participant's average salary of the three (3) best contributing years. A participant's monthly retirement benefit ceases at the later of death or ten years from retirement if the normal form of payment is elected (10 year certain & 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 \$25 per year of service per month, up to a maximum of \$500 per month, shall be paid to all retirees who retired after January 1, 2006 through age 65. This payment is reduced to \$15 per year of credited service up to a maximum of \$300 per month after age 65.

The Plan also has a cost of living adjustment of 2.5% per year for members who begin receiving normal retirement benefits or enter the DROP on or after October 1, 2008. The COLA is payable after 5 years of retirement, or for members who participate in the DROP for more than 5 years, upon termination.

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

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

1. Description of Plan (Continued)

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. Participants who enter the DROP within 60 months of their earliest or normal retirement date may participate in the DROP. There were twenty-nine participants in the DROP as of September 30, 2011.

Participants in the DROP on August 9, 2011 will be given the following options:

Option 1 - Continue to earn the assumed rate of return used in the annual pension valuation on any balance accrued and future deposits in their DROP accounts. The period of maximum DROP participation would remain at 72 months.

Option 2 - Earns a fixed 6% on all deposits (past and future) in their DROP accounts. The period of maximum DROP participation is extended to 84 months.

Participants that enter the DROP on or after August 9, 2011 will be given the following options:

Option 1 - Deposits earn a fixed rate of 6% per year.

Option 2 - Deposits will be invested as directed by the participants among investment options selected by the Board.

The period of maximum DROP participation under both of these options will be 84 months.

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 13th check. Participants in the DROP are not eligible for a 14th check. Participants who retire or enter the DROP on or after December 14, 2004 are not eligible for a 13th or 14th check.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

1. Description of Plan (Continued)

The amount of the 13th 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 13th 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 13th check and the City's required contribution to the Plan a 14th 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%, 66⅔% 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% 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 75% of average final compensation.

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 9.84% of their salary to the Plan for the years ended September 30, 2011 and 2010, 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 POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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 POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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, small capitalization common 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.
- c. The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under FASB statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* during the current Plan year.

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 9.84% of their annual earnings to the Plan for the fiscal years ended September 30, 2011 and 2010. 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 returning to work in ninety days from termination may buy back 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.

A rehired member returning to work more than ninety days from termination may buy back past service by paying into the Plan the actuarially calculated amount of contributions that the participant would otherwise have paid for such continuous past service.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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.

The City's actuarially determined contribution rate for the year ended September 30, 2011 was 40.78%. This rate consists of 16.42% of member salaries to pay normal costs plus 24.36% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2010 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 - The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Sunrise, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2011 and 2010, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all City Police Officers. The provisions of the Plan provide for retirement, disability, and survivor benefits.

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

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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS September 30, 2011 and 2010

2. Summary of Significant Accounting Policies (Continued)

Risk and Uncertainties - The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Restatement - Certain figures for the year ended September 30, 2010 have been restated to conform to the financial statement presentation for the year ended September 30, 2011.

Subsequent Events - Management has adopted the provisions set forth in GASB Statement No. 56 and FASB ASU No. 201-09, *Subsequent Events*, and considered subsequent events through the date of the audit report which is the date that the financial statements were available to be issued.

3. Deposits and Investments

Deposits

Fiduciary Trust Company International ("Fiduciary Trust") periodically holds uninvested cash in its capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

During 2010, the Plan invested in Thornburg International Equity Fund (Thornburg Fund). This alternative investment fund invests primarily in foreign securities and investment funds. These investments are generally valued at fair value as determined by the management of the fund by reference to the value of the underlying fund's assets minus its liabilities (Net Asset Value - NAV) and then divided by the percentage of ownership outstanding (capital account), if available, or by the valuation of a fund's underlying assets as provided by the general partner or investment manager, if the assets are not publicly traded. The fund may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair value of underlying funds, there are inherent limitations in any estimation technique. Accordingly the fair value of international securities and funds have been estimated by the Plan's management in the absence of readily ascertainable market values. Therefore, the values of such securities and funds are not necessarily indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the difference could be material. Future confirming events will also affect the estimates of fair value, and the effects of such events on the estimates of fair value could be material.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

3. Deposits and Investments (Continued)

Investments (Continued)

This alternative investment fund exposes the Plan to certain risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have initial lock-up period, as well as restrictions for liquidating positions in these funds, that make the investment non-current and non-marketable.

The Plan's investments are segregated into five separate accounts and managed under separate investment agreements with Cohen & Steers Capital Management, Inc, Mutual of America Capital Management Corporation, Garcia Hamilton Jackson and Associates, Kayne Anderson Rudnick Investment Management, LLC and Wentworth Hauser and Violich, Inc.. These accounts give Fiduciary Trust International of the South (FTIOS) the custodianship, but give Cohen & Steers Capital Management, Inc., Mutual of America Capital Management Corporation, Garcia Hamilton Jackson and Associates, Buckhead Capital Management, Kynes Anderson Rudnick Investment Management, LLC and Wentworth, Hauser and Violich, Inc. the authority to manage the investments. Wentworth, Hauser, Violich, Inc. is an international equity manager. 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 Plan's assets managed.

Subsequent to the fiscal year September 30, 2011, Cohen & Steers Capital Management, Inc. was replaced by Ceredex Value Advisors, LLC.

The Plan's investments are uninsured and unregistered and are held in the custodian's accounts in the Plan's name.

The Plan held no individual investments that individually represented 5% or more of the Plan's net assets available for benefits during the year ended September 30, 2011.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

3. Deposits and Investments (Continued)

Investments (Continued)

The Plan held the following fixed income investments as of September 30, 2011:

| Investment Type | Fair Value | Rating | Effective Average Duration (Years) |
|----------------------------|----------------------|-----------------------|------------------------------------|
| | | Lehman Aggregate Bond | |
| U.S. Government securities | \$ 1,470,455 | AA | 1.22 |
| U.S. Government agencies | 12,838,983 | AA | 0.88 |
| Corporate bonds | 12,711,719 | A-AAA | 2.59 |
| Temporary investment funds | <u>9,101,377</u> | Not Rated | 0.0 |
| Total investments | <u>\$ 36,122,534</u> | | |

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. The Plan limits the effective duration of its investment portfolio through the adoption of the Barclays Capital Intermediate Government/Credit Index for Garcia, Hamilton, Jackson Fixed Income.

The Plan manages its investment risks by meeting the following criteria:

1. Over a three to five year time horizon, fixed income performance should be equal to or greater than the return of the Lehman Intermediate Government/Credit Index. The new fixed income portfolio performance (inception January 1, 2007) should be equal to or greater than the return of the Barclays Aggregate Bond Index (A rated bonds or better).
2. Over a three to five year time horizon, fixed income performance should be greater than the median (50th percentile) of an appropriate fixed income universe. Placing above the 50th percentile is not a condition of retention.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

3. Deposits and Investments (Continued)

Investments (Continued)

Credit Risk - Credit risk is the risk that a debt issuer will not fulfill its obligations. 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 (4th) 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 (4th) category shall be liquidated immediately.

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

The Plan's investment policy which conforms to Chapter 185 of the Florida Statutes was adopted in May 2008 and contains the following sections:

1. Scope
2. Investment objectives
3. Performance measurement
4. Investment and fiduciary standards
5. Authorized investments
6. Maturity and liquidity requirements
7. Portfolio composition
8. Risk and diversification
9. Expected annual rate of return
10. Third-party custodial agreements
11. Master repurchase agreement
12. Bid requirement
13. Internal controls
14. Continuing education
15. Reporting
16. Filing of investment policy
17. Valuation of illiquid investments

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

3. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk - Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between the broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

Investment in Foreign Markets - Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices and more volatile than those of comparable securities in U.S. companies.

Foreign Tax Withholdings and Reclaims - Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statement of changes in Plan net assets. Where treaties allow for a reclaim of taxes, the Plan will make a formal application for refund. Such reclaims are included as an addition to dividend income when received.

4. Plan's Funded Status

The Plan's funded status as of October 1, 2010 actuarial valuation is presented below:

| Actuarial Valuation Date September 30, | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Actuarial Value of Assets as a Percentage of the Actuarial Accrued Liability | Annual Covered Payroll | Ratio of the Unfunded Actuarial Liability to Covered Payroll |
|---|---------------------------------|-----------------------------------|---|---|------------------------------|---|
| 2010 | \$ 57,736 | \$ 108,374 | \$ 50,638 | 53.3% | \$ 13,238 | 382.5% |

Dollar amounts are in thousands.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

4. Plan's Funded Status (Continued)

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial methods and significant assumptions used are summarized as follows:

- (a) Actuarial cost method - Entry Age Normal
- (b) Asset valuation method - Five Year Smoothed Market
- (c) Actuarial assumptions:
 - Investment rate of return - 8.3%
 - Post retirement benefit increases - 2.5% after 5 years of retirement
 - Projected salary increases - 5.2% to 8.5% depending on age
 - Inflation rate - 4.0%
- (d) Amortization method - Level percent of pay - closed
- (e) Remaining amortization period - 28 years
- (f) Mortality - RP 2000 Generational Mortality Table.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

5. 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, 2011 and 2010 as follows:

| | 2011 | | |
|--|--|--|-----------------------|
| | Realized Appreciation (Depreciation) | Unrealized Appreciation (Depreciation) | Total |
| Investments at fair value as determined by quoted market price: | | | |
| U.S. Government securities | \$ 124,589 | \$ 210,541 | \$ 335,130 |
| U.S. Government agencies | (64,432) | (490,093) | (554,525) |
| Corporate bonds | 1,012,068 | (1,056,495) | (44,427) |
| Domestic stocks | 653,906 | (1,796,347) | (1,142,441) |
| International equity fund | - | (334,875) | (334,875) |
| International equity stocks | (3,668) | (354,406) | (358,074) |
| Net increase in realized and unrealized appreciation (depreciation) of investments | <u>\$ 1,722,463</u> | <u>\$ (3,821,675)</u> | <u>\$ (2,099,212)</u> |
| 2010 | | | |
| | Realized Appreciation (Depreciation) | Unrealized Appreciation (Depreciation) | Total |
| Investments at fair value as determined by quoted market price: | | | |
| U.S. Government securities | \$ 111,035 | \$ 53,691 | \$ 164,726 |
| U.S. Government agencies | 29,433 | 344,791 | 374,224 |
| Corporate bonds | 373,424 | (10,528) | 362,896 |
| Domestic stocks | 1,408,712 | 1,612,504 | 3,021,216 |
| International equity fund | - | 110,603 | 110,603 |
| International equity stocks | - | (49,764) | (49,764) |
| Net increase in realized and unrealized appreciation (depreciation) of investments | <u>\$ 1,922,604</u> | <u>\$ 2,061,297</u> | <u>\$ 3,983,901</u> |

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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

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 2011 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

6. Investments

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2011 and 2010 are summarized as follows:

| Investment | 2011 | | 2010 | |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| U.S. Government securities | \$ 1,208,861 | \$ 1,470,455 | \$ 460,336 | \$ 510,389 |
| U.S. Government agencies | 12,645,136 | 12,838,983 | 10,709,159 | 11,393,099 |
| Corporate bonds | 12,982,599 | 12,711,719 | 12,077,573 | 12,863,188 |
| Domestic stocks | 31,263,340 | 31,626,536 | 27,966,368 | 30,076,209 |
| International equity fund | 2,574,872 | 2,350,600 | 2,524,872 | 2,635,475 |
| International equity stocks | 2,385,877 | 1,981,707 | 2,334,790 | 2,285,026 |
| Temporary investments | 9,101,377 | 9,101,377 | 2,240,025 | 2,240,025 |
| Total | <u>\$ 72,162,062</u> | <u>\$ 72,081,377</u> | <u>\$ 58,313,123</u> | <u>\$ 62,003,411</u> |

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

7. 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, 2011 and 2010 was \$14 and \$3,049, respectively.

8. 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, 2011 and 2010 are presented below as determined and reported by the Plan's actuary.

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Designated plan net assets for DROP accounts (fully funded) | \$ 6,317,507 | \$ 3,646,643 |
| Undesignated plan net assets | 59,848,767 | 58,496,651 |
| Total plan net assets | <u>\$ 66,166,274</u> | <u>\$ 62,143,294</u> |

9. Plan Amendments

The Plan was amended during the fiscal year ended September 30, 2011 as follows:

- A. Changed the definition of pensionable earnings by limiting the amount of overtime included to 300 hours.

This change will reduce the City's contribution by 0.05% of payroll based on the actuary's impact statement.

- B. The salary threshold for determining adjustments to the service incurred disability retirement benefit is increased from \$10,000 to \$50,000.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

9. Plan Amendments (Continued)

C. Participants in the DROP on August 9, 2011 will be given the following options:

Option 1 - Continue to earn the assumed rate of return used in the annual pension valuation on any balance accrued and future deposits in their DROP accounts. The period of maximum DROP participation would remain at 72 months.

Option 2 - Earn a fixed 6% on all deposits (past and future) in their DROP accounts. The period of maximum DROP participation is extended to 84 months.

D. Participants that enter the DROP on or after August 9, 2011 will be given the following options:

Option 1 - Deposits earn a fixed rate of 6% per year.

Option 2 - Deposits will be invested as directed by the participant among investment options selected by the Board.

The period of maximum participation under both of these options will be 84 months.

The actuary has determined that the changes in B, C and D above will not have an impact for advance funding purposes.

The Plan was amended during the fiscal year ended September 30, 2010 as follows;

- A. Changed the definition of actuarial equivalence;
- B. Raised the limit on foreign securities from 10% to 25% of assets;
- C. Added the State requirements relating to scrutinized companies to the investment policy;
- D. Provide that retirees may change their designated beneficiary or joint pensioner up to two times;
- E. Provides the steps that should be taken in the event that the Plan is terminated.

The Plan's actuary has determined that these changes will have no impact on the assumptions used in determining the funding requirements of the Plan.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

10. 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.

11. 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.

12. 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, 2011, aggregate contributions from active members of the Plan were approximately \$10,458,000. 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 POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

13. Lease Agreement

The Plan was obligated under noncancelable operating lease agreements on certain equipment and its office facilities during the year ended September 30, 2011. The lease terms cover the period from October 1 through June 30, 2014. Future minimum annual maturities under these lease agreements are summarized as follows:

| Year Ended <u>September 30</u> | |
|-----------------------------------|-----------|
| 2012 | \$ 20,143 |
| 2013 | 20,143 |
| 2014 | 10,607 |

Equipment and office rent expense, which includes additional maintenance costs, for the years ended September 30, 2011 and 2010 was \$27,596 and \$28,464, respectively.

The Plan also entered a noncancelable sublease agreement of certain office space maturing on September 1, 2012. Rent income for the fiscal year ended September 30, 2011 was \$245.

14. Changes in Actuarial Assumptions

The actuarial assumptions as of October 1, 2010 have been changed as follows:

- A. The assumed rate of return is lowered from 8.4% to 8.3%. The rate will continue to be lowered by 0.1% each year until the rate is 8.0%.
- B. The change in the mortality rates to the RP2000 Generational Mortality Table from the 1983 Group Annuity Mortality Table is being phased in over five years, this being the second year.

The above assumption changes recognized in the 2010 valuation have increased the required employer contribution by 2.00% of covered payroll.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS September 30, 2001 through September 30, 2010

| 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> |
|---|---|---|---|-------------------------------|----------------------------------|--|
| 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 |
| 2004 | 41,494 | 49,002 | 7,508 | 84.7 | 10,894 | 68.9 |
| 2005 | 42,541 | 60,812 | 18,271 | 70.0 | 11,323 | 161.4 |
| 2006 | 45,227 | 68,978 | 23,751 | 65.6 | 11,686 | 203.2 |
| 2007 | 50,977 | 75,421 | 24,443 | 67.6 | 12,497 | 195.6 |
| 2008 | 54,724 | 87,216 | 32,492 | 62.7 | 13,476 | 241.1 |
| 2009 | 50,806 | 97,673 | 46,867 | 52.0 | 13,936 | 336.3 |
| 2010 | 57,736 | 108,374 | 50,638 | 53.3 | 13,238 | 382.5 |

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

SCHEDULE OF CONTRIBUTIONS FROM THE CITY

September 30, 2002 through September 30, 2011

| Year Ended <u>September 30</u> | <u>City</u> | |
|--------------------------------------|---|--|
| | <u>Actual Required Contribution</u> | <u>Actual Percentage Contributed</u> |
| 2002 | \$ 700,913 | 100.0% |
| 2003 | 1,019,184 | 100.0 |
| 2004 | 1,252,491 | 100.0 |
| 2005 | 1,341,822 | 100.0 |
| 2006 | 1,664,302 | 100.0 |
| 2007 | 2,630,010 | 100.0 |
| 2008 | 3,452,721 | 100.0 |
| 2009 | 3,968,694 | 100.0 |
| 2010 | 5,152,639 | 100.0 |
| 2011 | 5,954,543 | 100.0 |

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO THE ADDITIONAL SCHEDULES

September 30, 2001 through September 30, 2011

The information presented in the required supplementary schedules on pages 32 and 33 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, 2010 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of pay |
| Remaining amortization period | 28 years, closed |
| Asset valuation method | Five Year Smoothed Market |
| Actuarial assumptions: | |
| Investment rate of return | *8.3% |
| Projected salary increases | 5.2% to 8.5% depending on age |
| Inflation and other general increases | 4% |
| Cost-of-living adjustments | 2.5% after 5 years of retirement |
| Mortality | 2000 RP 2000 Generational Mortality Table |

*This rate will continue to be lowered
by 0.1% each year until the rate is 8.0%.

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ADDITIONAL INFORMATION

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CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

Years ended September 30, 2011 and 2010

Administrative and investment expenses for the years ended September 30, 2011 and 2010 are summarized as follows:

| | 2011 | | 2010 | |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
| | Expenses | | Expenses | |
| | Administrative | Investment | Administrative | Investment |
| Actuary | \$ 43,965 | \$ - | \$ 37,108 | \$ - |
| Administrator | 52,636 | - | 51,910 | - |
| Audit | 13,300 | - | 12,700 | - |
| Custodial fees | - | 39,675 | - | 32,902 |
| Depreciation expense | 356 | - | 356 | - |
| Dues and subscriptions | 745 | - | 1,445 | - |
| Education and training* | 32,962 | - | 25,512 | - |
| Electric | 1,018 | - | 917 | - |
| Insurance | 13,668 | - | 13,716 | - |
| Investment manager fees: | | | | |
| Cohen and Steers | - | 82,271 | - | 67,616 |
| Garcia Hamilton | | | | |
| Jackson and Associates | - | 150,550 | - | 145,999 |
| Buckhead Capital | | | | |
| Management, LLC | - | 12,588 | - | 44,816 |
| Aletheia Research and | | | | |
| Management, Inc. | - | - | - | - |
| Mutual of America Capital | | | | |
| Management Corporation | - | 2,669 | - | 6,220 |
| Wentworth, Hauser | | | | |
| and Violich, Inc. | - | 27,354 | - | 9,832 |
| Kayne, Anderson, Rudnick | | | | |
| Investment Management LLC | - | 35,939 | - | 2,177 |
| Legal | 27,474 | - | 21,538 | - |
| Medical fees | 1,900 | - | - | - |
| Office rent | 25,113 | - | 28,464 | - |
| Office supplies and expense | 9,096 | - | 8,407 | - |
| Performance monitor | - | 39,546 | - | 33,300 |
| Postage | 896 | - | 1,304 | - |
| Printing and stationery | 1,291 | - | 1,646 | - |
| Secretarial | 12,457 | - | 12,509 | - |
| Telephone | 2,936 | - | 3,226 | - |
| Information Technology | 5,446 | - | 9,961 | - |
| TOTALS | <u>\$ 245,259</u> | <u>\$ 390,592</u> | <u>\$ 230,719</u> | <u>\$ 342,862</u> |

Percent of Net Assets 0.37% 0.59% 0.37% 0.55%

* 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, 2011 and 2010 was \$14 and \$3,049, respectively.

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INVESTMENT SECTION

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Thistle Asset Consulting

February 27, 2012

Gerald E. Eddy, Jr., Chairman
City of Sunrise, Florida, Police Officers'
Retirement System
13790 NW 4th Street, Suite 105
Sunrise, Florida 33325

Dear Chairman Eddy:

Thistle Asset Consulting, Inc. 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. Thistle Asset Consulting 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 (47), 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, 2011, the target allocation is 31% US Large Capitalization Equities, 40% Bonds, 10% Small Capitalization Equities, 10% Mid Cap Equities and 9% International Equities.

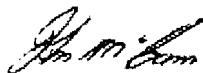
Performance is measured and reviewed on a quarterly basis and accumulated for trailing annual periods, as well as for trailing three and five year periods. Risk-adjusted performance is also measured and reviewed. This approach provides the Board with adequate detail to measure results and determine whether goals/benchmarks are being achieved. The performance measurement is in conformance with the CFA Institute's Performance Presentation 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 (48) 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, 2011 was 0.08% above that of the composite benchmark and 1.79% above that of the composite universe median. Annualized total fund performance for the trailing three-year period was 0.61% below the composite benchmark and 0.5% below the composite universe median. Trailing five-year performance was 0.37% below the composite benchmark and 0.14% above the composite universe median.

The overall results have been below average for the 5-year period and the longer periods of time.

Sincerely,

A handwritten signature in cursive script, appearing to read "John McCann".

John McCann, CIMA
President

INVESTMENT POLICY

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SUNRISE POLICE OFFICERS' PENSION FUND

INVESTMENT POLICY AMENDED FEBRUARY 2011

| | |
|----------------------------|--|
| Name of Plan: | Sunrise Police Officer's Pension Fund |
| Plan Sponsor: | Sunrise, Florida |
| Current Board of Trustees: | <u>Police Department</u> Gerald W. Eddy, Jr., Chairman Michael West, Secretary Robert J. Dorn |
| | <u>City Appointees</u> Louis J. Berman Daniel Ransone |
| Pension Fund Administrator | Dave Williams |
| Custodian: | Fiduciary Trust International |
| Money Managers: | Garcia, Hamilton & Associates (Growth Equity, Intermediate Fixed Income & High Quality (A+) Fixed Income) Kayne Anderson Rudnick (Small Cap Value Equity) Mutual of America Capital Management (MidCap Index Fund) Cohen & Steers (Large Cap Value Equity) Thornburg (International Equity) Wentworth Hauser & Violich (International Equity) |
| Investment Consultant: | Thistle Asset Consulting, Inc. |
| Actuary: | Gabriel, Roeder, Smith |
| Accountant: | Davidson, Jamieson & Cristini |
| Legal Counsel: | Ronald J. Cohen, P.A. |
| Actuarial Assumption: | The Board has determined based on the recommendations of the consultants that the total expected annual rate of return for the next several years and the long term as follows: Effective October 1, 2010 8.4%, effective October 1, 2011 - 8.3%, effective October 1, 2012 - 8.2%, effective October 1, 2013 - 8.1%, effective October 1, 2014 - 8.0%. |

(1) SCOPE

The investment Policy shall apply to all funds under control of the Board. Detailed guidelines are attached to and made a part of this Investment Policy Statement.

Amended February 2011

(2) INVESTMENT OBJECTIVES

1. To obtain a reasonable total rate of return - defined as income plus realized and unrealized capital gains and losses - commensurate with the Prudent Investment Rule
2. To obtain reasonable consistency of returns on a year-to-year basis, with concern for loss of capital being paramount
3. To have the ability to pay all benefit and expense obligations when due
4. To maintain sufficient funding for (a) unexpected developments, (b) possible future increases in benefits and/or © reduction in expected returns on investment or interest rate assumptions.

(3) PERFORMANCE MEASUREMENT

The Board has specified performance measures as are appropriate for the nature and size of the assets within the Board's custody. Those performance measures are set forth in the Internal Controls section of this Investment Policy.

(4) INVESTMENT AND FIDUCIARY STANDARDS

In performing its investment duties, the Board shall comply with the fiduciary standards set forth in the Employees Retirement Income Security Act of 1974, 29 U.S.C. § 1104(a)(1)(A) - ©, meaning that the Board members must discharge their duties with respect to the Plan solely in the interest of participants and beneficiaries and for the exclusive purpose of: (a) providing benefits to participants and their beneficiaries and (b) defraying reasonable expenses of administering the Plan; with the care, skill, prudence and diligence under circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; by diversifying investments of the plan so as to minimize risk of large losses, unless under the circumstances it is clearly prudent not to do so. In the event of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

(5) AUTHORIZED INVESTMENTS

The attached investment Guidelines list investments authorized by the Board. Investments not so listed are prohibited.

Direct investment in 'Scrutinized Companies' identified in the periodic publication by the State Board of Administration ("SBA list", updated on their website www.sbafla.com/fsb/), is prohibited. Any security identified as non-compliant on or before January 1, 2010 must be divested by September 1, 2010. Securities identified after January 1, 2010, are subject to the

provision below. However, if divestiture of business activities is accomplished and the company is subsequently removed from the SBA list, the manager can continue to hold that security indirect investment in 'Scrutinized Companies' (through pooled funds) are governed by the paragraph below.

The Investment Consultant on behalf of the Plan, shall send a letter to any pooled fund referring the investment manager to the listing of 'Scrutinized Companies' by the State Board of Administration ('SBA list'), on their website www.sbafla.com/fsb/. This letter shall request that they consider removing such companies from the fund or create a similar actively managed fund having indirect holdings devoid of such companies. If the manager, creates such a similar fund, the Plan shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investment standards. For the purpose of this section, a private equity fund is deemed to be an actively managed investment fund. However, after sending the required correspondence, the Plan is not required to sell the pooled fund.

(6) MATURITY AND LIQUIDITY REQUIREMENTS

The investment portfolio is structured in such a manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the Board has attempted to match investment maturities with known cash needs and anticipated cash-flow requirements,

(7) PORTFOLIO COMPOSITION

The Investment Guidelines establish parameters for investments and limits on security issues, issuers and maturities. Said Guidelines are commensurate with the nature and size of the funds within control of the Board. The Board believes that the Plan's risk and liquidity posture are, in large part, a function of asset class mix. The Board has reviewed long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior.

(8) RISK AND DIVERSIFICATION

The Investment Guidelines provide for appropriate diversification of the portfolio. Investments have been diversified to the extent practicable to control risk of loss resulting from over concentration in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. The Board recognizes the difficulty of achieving the Plan's investment objectives in light of uncertainties and complexities of contemporary investment markets. The Board also recognizes that some risk must be assumed to achieve the Plan's long-term investment objectives. In establishing the risk tolerances, the Plan's ability to withstand short and intermediate term variability has been considered. However, the Plan's strong financial condition enables the Board to adopt a long-term investment perspective.

(9) EXPECTED ANNUAL RATE OF RETURN

The desired investment objective is a long-term rate of return on assets, net of investment expenses, that is at least equal to the actuarial assumption and which is five percent greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The

target rate of return is for the current year, for each of the next several years and for the long-term thereafter. The target rate of return has been based on the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the Investment Guidelines. Because market performance varies and a fixed percent return may not be meaningful during some periods, the Board has established performance benchmarks for Managers, as set forth in the Internal Controls section of the Investment Policy. Over a complete business cycle, the Plan's overall annualized total return, after deducting investment and transaction costs, should perform above the median of an appropriate universe and above a customized index composed of various market indices weighted by the strategic asset allocation of the Plan's assets.

(10) THIRD-PARTY CUSTODIAL AGREEMENTS

All assets shall be held by a third party. All securities purchased by and all collateral obtained by the Board shall be property designed as an asset of the Plan. No withdrawal of assets, in whole or in part, shall be made except upon authorization by the Board. 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 vs. payment" basis to ensure that the Custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) MASTER REPURCHASE AGREEMENT

All approved institutions and dealers transacting repurchase agreements shall execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to requirements of the Master Repurchase Agreement. This provision does not restrict or limit the terms of any such Master Repurchase Agreement.

(12) BID REQUIREMENT

The Board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investments and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

(13) INTERNAL CONTROLS

The attached system of internal controls and operational procedures has been adopted by the Board and shall be reviewed by its independent certified public accountants as part of any financial audit of the Plan.

In addition, the Board has adopted the following internal controls with reference to selection and review of Money Managers:

- A. Selection of Money Managers. The Board with assistance from the Investment Consultant, has selected, and will select, appropriate Money Managers to manage Plan assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company or investment adviser, as defined by the Investment Advisers Act of 1940.
2. Provide historical quarterly performance numbers, calculated on a time-weighted basis, based on a composite of fully discretionary accounts of similar investment style, reported net and gross of fees.
3. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel.
4. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

B. Duties and Responsibilities of Money Managers. The duties and responsibilities of each Money Manager retained by the Board include:

1. Managing Plan assets under its care, custody and/or control in accordance with this Investment Policy or in accordance with separate written agreements when modification is deemed prudent and desirable by the Board.
2. Exercising investment discretion (including holding cash equivalents as an alternative) within the objectives and guidelines set forth in this Investment Policy.
3. Promptly informing the Board in writing regarding all significant and/or material matters and changes pertaining to the investment of Plan assets, including, but not limited to:
 - a. Investment Strategy
 - b. Portfolio Structure
 - c. Tactical Approaches
 - d. Ownership
 - e. Organizational Structure
 - f. Financial Condition
 - g. Professional Staff
 - h. Recommendations for Guidelines Changes
 - i. All legal, SEC and other proceedings affecting the firm
4. Timely voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Plan as set forth herein. Each Manager shall keep a detailed record of said proxy voting and related actions and will comply with all regulatory obligations related thereto. Reports of such voting and actions shall be delivered to the Board no less frequently than quarterly.
5. Utilizing the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced investment professionals acting in a like capacity and fully familiar with such matters would use like activities for Like retirement plans and with like aims in accordance with all applicable laws, rules and regulations from local, state, federal and international political entities as they may pertain to fiduciary duties and responsibilities.

6. Acknowledging and agreeing in writing to their fiduciary responsibilities to fully comply with the entire Investment Policy, as same may be modified from time to time.

C. **Monitoring of Money Managers.** Quarterly performance will be evaluated to test progress toward the attainment of long-term targets. The Board understands that there may be short-term periods during which performance deviates from market indices. During such periods, greater emphasis shall be placed on peer performance comparison with managers employing similar styles.

From time to time, but no less than quarterly, the Board will meet to focus on:

1. Manager's adherence to the Investment Policy.
2. Material changes in the Manager's organization, investment philosophy and/or personnel.
3. Comparisons of Manager's results to appropriate indices, specifically the Russell 1000 Value (R1000V) Index for Cohen & Steers large cap equities and Russell 1000 Growth (R1000G) Index for Garcia, Hamilton & Associates equities; the Russell 2000 Value Index for Kayne Anderson Rudnick Small Cap equities; the S&P400 MidCap Index for Mutual of America Capital Management; the MSCI EAFE Index for Thornburg and Wentworth Hauser & Violich equities; the Barclays Capital Government/Credit Intermediate Index for Davis, Hamilton, Jackson fixed income; and the Barclays Capital High Quality Aggregate Bond A or higher index for Garcia, Hamilton & Associates fixed income.
4. The risk associated with each Manager's portfolio, as measured by variability of quarterly returns (standard deviation), which should not exceed that of the benchmark index without a corresponding increase in performance above the benchmark index.

In addition, the Board will focus on:

1. The Manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of its respective style universe.
2. The Plan's investment performance results compared to the Manager's overall composite performance figures to determine unaccounted for dispersion between the Manager's reported results and the Plan's results. The Manager shall provide composite data if requested.

The Board is aware that ongoing review and analysis of Money Managers is as important as the due diligence utilized during the manager selection process. Accordingly, a thorough review and analysis of the Money Manager will be conducted if:

1. A manager performs in the bottom quartile of its peer group over two consecutive quarters or over an annual period.
2. A Manager falls in the "southeast quadrant" of the risk/return scattergram for a three or five-year period.

3. A Manager under-performs its index for four consecutive quarters.

Further, a Manager may be replaced at any time and for any reason, including but not limited to the following:

1. A Manager consistently performs below the median of its peer group over rolling three-year periods.
2. A Manager has a consistently negative alpha over rolling three-year periods.

The following events also warrant immediate review of the Manager:

1. Changes in professional staff
2. Significant loss of business.
3. Significant increase in business.
4. Change in ownership and/or control.

(14) CONTINUING EDUCATION

All Board members are encouraged and expected to attend continuing education seminars concerning matters related to investment and responsibilities of Board members. Without limiting the foregoing, Board members are pre-authorized to attend in-state or out of state seminars covering public plans.

(15) REPORTING

The Board shall submit an annual report to the City of Sunrise. The report shall include investments in the portfolio by class or type, income earned and market value. The annual report shall be available to the public.

(16) FILING OF INVESTMENT POLICY

Upon adoption by the Board, this Investment Policy shall be promptly filed with the Florida Department of Management Services, the City of Sunrise and the Actuary. The effective date of this Investment Policy, and any amendments hereto, shall be 31st calendar day following the filing date with the City.

(17) VALUATION OF ILLIQUID INVESTMENTS

Investments and assets for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism are prohibited.

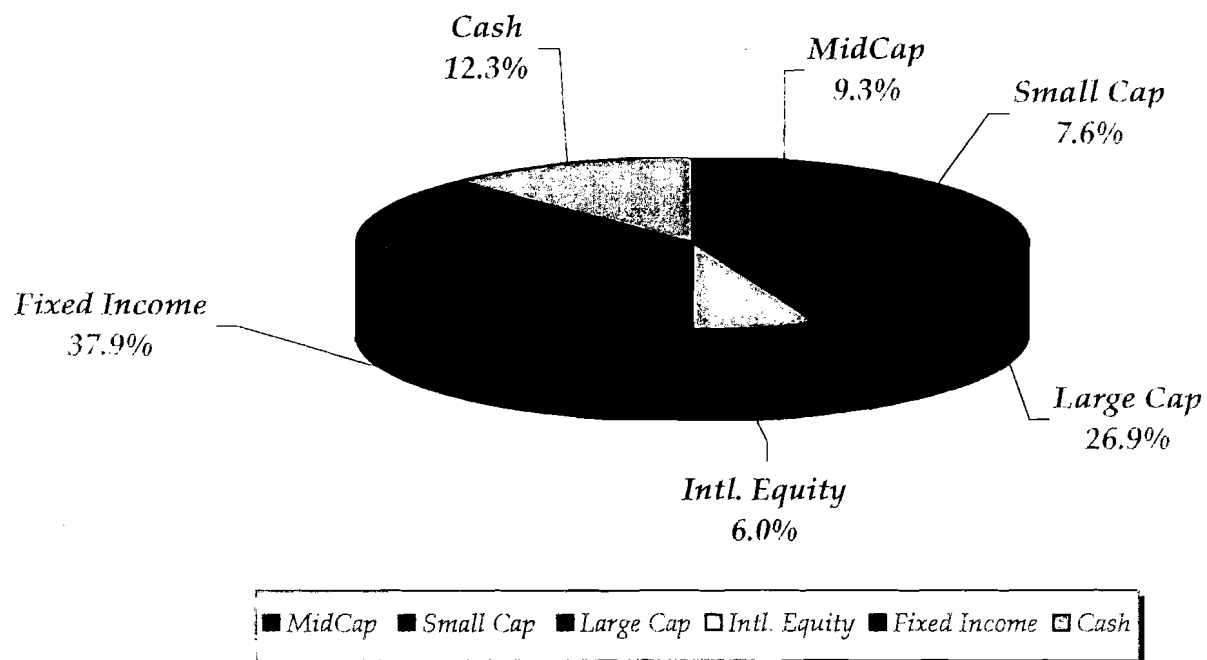
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INVESTMENT PERFORMANCE

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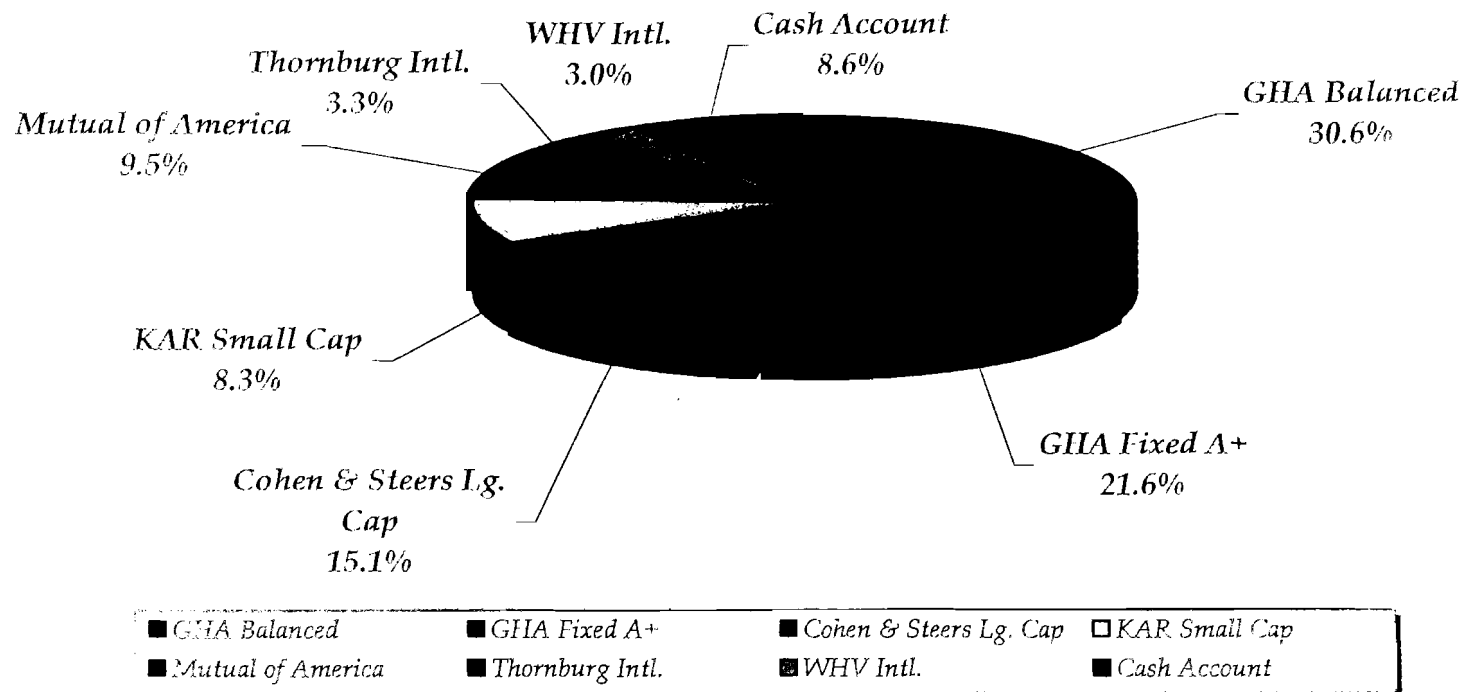
**CITY OF SUNRISE, FLORIDA
POLICE OFFICERS' RETIREMENT PLAN**

*Total Asset Allocation
September 30, 2011*



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

*Manager Allocation
September 30, 2011*



CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

PERFORMANCE EVALUATION SUMMARY

SEPTEMBER 30, 2011

| Manager | MidCap | Small Cap | Large Cap | Intl. Equity | Fixed Income | Cash | Total | Manager % of Total |
|------------------------|-------------|-------------|--------------|--------------|--------------|-------------|--------------|-----------------------|
| GHA Balanced | | | \$8,923,000 | | \$12,103,000 | \$1,100,000 | \$22,126,000 | 30.6% 35.5% |
| GHA Fixed A+ | | | | | \$15,233,000 | \$376,000 | \$15,609,000 | 21.6% 20.0% |
| Cohen & Steers Lg. Cap | | | \$10,532,000 | | | \$339,000 | \$10,871,000 | 15.1% 15.5% |
| KAR Small Cap | | \$5,495,000 | | | | \$515,000 | \$6,010,000 | 8.3% 10.0% |
| Mutual of America | \$6,718,000 | | | | | \$117,000 | \$6,835,000 | 9.5% 10.0% |
| Thornburg Intl. | | | | \$2,351,000 | | \$0 | \$2,351,000 | 3.3% 4.5% |
| WEV Intl. | | | | \$1,984,000 | | \$209,000 | \$2,193,000 | 3.0% 4.5% |
| Cash Account | | | | | | \$6,202,000 | \$6,202,000 | 8.6% 0.0% |
| Total | \$6,718,000 | \$5,495,000 | \$19,455,000 | \$4,335,000 | \$27,336,000 | \$8,858,000 | \$72,197,000 | 100.0% 100.0% |
| % of Total | 9.3% | 7.6% | 26.9% | 6.0% | 37.9% | 12.3% | 100.0% | |
| Target % | 10.0% | 10.0% | 31.0% | 9.0% | 40.0% | 0.0% | 100.0% | |

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

PERFORMANCE EVALUATION SUMMARY

SEPTEMBER 30, 2011

| | Current Quarter | CYTD | FYTD | One Year | Three Years | Five Years | 2010 | 2009 | Fiscal Year 2008 | 2007 | 2006 |
|---|--------------------|---------|--------|----------|-------------|------------|--------|--------|---------------------|--------|--------|
| TOTAL FUND(Net of Fees)[Inception 12/31/1997] | | | | | | | | | | | |
| Return | -9.78% | -5.29% | 0.85% | 0.85% | 3.59% | 1.93% | 9.29% | 0.85% | -11.57% | 11.96% | 6.57% |
| Ranking (15.5% Br.Lg.Gr., 15.5% Br.Lg Value Core, 20% Br.Fixed, 9% Intl. Eq., 20% Int'l & 10% Br.Sm.Val.Core, 10% Mid Cap) | 31 | 20 | 5 | 5 | 75 | 44 | 88 | 90 | 13 | 40 | 81 |
| Policy Return (15.5% R1000V, 15.5% R1000G, 20% BCAB A+, 20% BCIGC, 9% MSCI EAFE, 10% S&P 400 & 10% R2000V) | -9.48% | -5.22% | 0.77% | 0.77% | 4.20% | 2.30% | 11.40% | 0.78% | -10.79% | 11.03% | 8.28% |
| Policy Ranking (15.5% Br.Lg.Gr., 15.5% Br.Lg. Value Core, 20% Br.Fixed, 9% Intl. Eq., 20% Int'l & 10% Br.Sm.Val.Core, 10% Mid Cap) | 22 | 19 | 7 | 7 | 49 | 29 | 32 | 91 | 6 | 61 | 15 |
| TOTAL EQUITIES | | | | | | | | | | | |
| Return | -16.74% | -10.96% | -0.22% | -0.22% | 0.39% | -1.24% | 11.03% | -8.57% | -20.40% | 16.64% | 5.02% |
| Ranking (25.83% Br.Lg.Gr., 25.83% Br.Lg. V. Core, 15.7% Br.Sm. Val. Core, 15.7% Mid Core, 15% Intl. Eq.) | 9 | 5 | 3 | 3 | 51 | 42 | 55 | 90 | 40 | 35 | 73 |
| Policy Return (25.83% R1000G, 25.83% R1000V, 15.57% S&P 400, 15.57% R2000V, & 15% MSCI EAFE) | -17.34% | -12.24% | -2.06% | -2.06% | 1.07% | -1.01% | 12.93% | -6.55% | -19.72% | 14.59% | 15.35% |
| Policy Ranking (25.83% Br.Lg.Gr., 25.83% Br.Lg. V. Core, 15.7% Br.Sm. Val. Core, 15.7% Mid Core, 15% Intl. Eq.) | 20 | 18 | 15 | 15 | 26 | 34 | 17 | 69 | 27 | 80 | 16 |
| TOTAL FIXED INCOME | | | | | | | | | | | |
| Return | 0.74% | 3.67% | 3.21% | 3.21% | 9.05% | 7.42% | 9.38% | 14.87% | 3.98% | 6.10% | 3.48% |
| Ranking (50% Intnd. Fixed & 50% Broad Fixed) | 71 | 68 | 53 | 52 | 31 | 5 | 41 | 26 | 3 | 18 | 66 |
| Policy Return (50% BCIGC & 50% BCAB A+) | 3.18% | 5.70% | 4.26% | 4.26% | 7.23% | 5.13% | 7.68% | 9.82% | 3.55% | 5.48% | 3.57% |
| Policy Ranking (50% Intnd. Fixed & 50% Broad Fixed) | 21 | 38 | 21 | 21 | 72 | 29 | 67 | 76 | - | 23 | 57 |

Gold indicates equal to or beat the index, or in upper 40% of universe
Red indicates bottom 40% of universe

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

EXPLANATION OF RISK/REWARD SCATTERPLOT GRAPHS

SEPTEMBER 30, 2011

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.

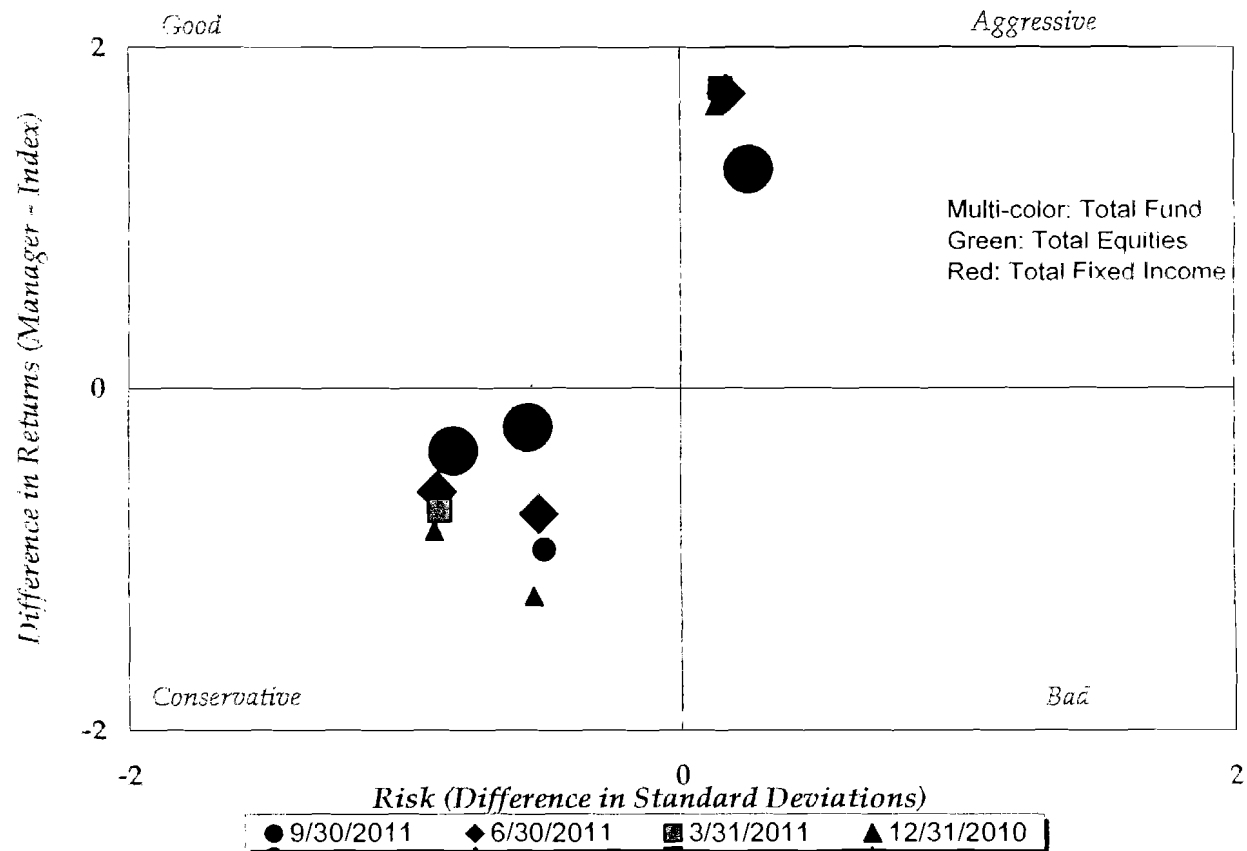
There are four points, one for each of the last four quarters. The earliest one is the smallest and the quarter just ended being the largest. Each point shows the 5-year relative position of the Fund versus the index for that quarter. The movement of the points shows the trend, or direction, over time.

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 each policy)

September 30, 2011



CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2011

| | Current Quarter | | | | | | Fiscal Year | | | | |
|---|--------------------|--------|-------|----------|-------------|------------|-------------|--------|---------|--------|-------|
| | | CYTD | FYTD | One Year | Three Years | Five Years | 2010 | 2009 | 2008 | 2007 | 2006 |
| GHA TOTAL FUND PORTFOLIO (EXCL. BCAB A+)(Inception 12/31/1997) | | | | | | | | | | | |
| Return: | -5.78% | -2.75% | 2.46% | 2.46% | 8.87% | 6.70% | 9.95% | 14.54% | 3.41% | 10.97% | 3.73% |
| Ranking (50% Br.Lg.Growth Core & 50% Intmd. Fixed) | 23 | 50 | 41 | 41 | 25 | 10 | 56 | 22 | 1 | 87 | 83 |
| Policy (50% Russell 1000G & 50% BCIGC) | -5.57% | -1.17% | 3.85% | 3.85% | 8.48% | 5.67% | 10.74% | 11.00% | -8.67% | 12.99% | 4.57% |
| Policy Ranking (50% Br.Lg.Growth Core & 50% Intmd. Fixed) | 17 | 15 | 15 | 15 | 33 | 26 | 42 | 65 | 18 | 50 | 62 |
| GHA LARGE GROWTH PORTFOLIO (Inception 12/31/1997) | | | | | | | | | | | |
| Return | -12.95% | -9.26% | 3.12% | 3.12% | 4.33% | 2.31% | 12.33% | -1.97% | -17.28% | 19.32% | 4.42% |
| Ranking (Br.Large Growth) | 10 | 37 | 19 | 19 | 23 | 19 | 24 | 36 | 10 | 46 | 65 |
| Policy (R1000G) | -13.14% | -7.20% | 3.78% | 3.78% | 4.69% | 1.62% | 12.65% | -1.85% | -20.88% | 19.35% | 5.03% |
| Policy Ranking (Br.Large Growth) | 12 | 16 | 14 | 14 | 20 | 27 | 20 | 35 | 32 | 46 | 49 |
| GHA FIXED INCOME PORTFOLIO (BCIGC)(Inception 12/31/1997) | | | | | | | | | | | |
| Return | -0.18% | 2.71% | 2.12% | 2.12% | 8.33% | 6.98% | 8.68% | 14.56% | 3.66% | 6.34% | 3.55% |
| Ranking (Intmd. Fixed) | 86 | 87 | 85 | 85 | 53 | 19 | 70 | 27 | 14 | 3 | 35 |
| Policy (BCIGC) | 2.39% | 4.92% | 3.41% | 3.41% | 7.02% | 5.92% | 7.76% | 10.01% | 3.15% | 5.44% | 3.54% |
| Policy Ranking (Intmd. Fixed) | 37 | 49 | 66 | 66 | 82 | 53 | 85 | 72 | 19 | 11 | 16 |
| Gold indicates equal to or beat the index, or in upper 40% of universe; Red indicates bottom 40% of universe | | | | | | | | | | | |

Method of performance measurement: The performance method is based on monthly linking and when appropriate, intra-month linking, i.e., a time-weighted rate of return based on the transactions noted in the bank statements.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2011

| | Current Quarter | CYTD | FYTD | One Year | Three Years | Five Years | 2010 | 2009 | Fiscal Year 2008 | 2007 | 2006 |
|--|--------------------|-------|-------|----------|-------------|------------|-------|--------|---------------------|------|------|
| GHA FIXED BCAB A+ PORTFOLIO(includes cash)[Inception 1/1/2007] | | | | | | | | | | | |
| | | | | | | 4-Year | | | | | |
| Return | 1.41% | 4.22% | 3.76% | 3.76% | 9.30% | 7.99% | 9.63% | 14.80% | 4.14% | n/a | n/a |
| Ranking (Broad Fixed) | 61 | 61 | 28 | 28 | 21 | 4 | 32 | 20 | 11 | n/a | n/a |
| Policy (BCAB A+) | 3.97% | 6.48% | 5.11% | 5.11% | 7.47% | 6.66% | 7.59% | 9.75% | 4.27% | n/a | n/a |
| Policy Ranking (Broad Fixed) | 20 | 39 | 10 | 10 | 46 | 16 | 45 | 63 | 11 | n/a | n/a |

Gold indicates equal to or beat the index, or in upper 40% of universe
Red indicates bottom 40% of universe

Method of performance measurement: The performance method is based on monthly linking and when appropriate, intra-month linking, i.e., a time-weighted rate of return based on the transactions noted in the bank statements.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2011

| | Current Quarter | CYTD | FYTD | One Year | Three Years | Five Years | 2010 | 2009 | Fiscal Year | | |
|--|--------------------|---------|---------|---------------|---------------|---------------|-------|---------|-------------|------|------|
| | | | | | | | | | 2008 | 2007 | 2006 |
| COHEN & STEERS LARGE CAP VALUE (includes cash)[Inception 6/30/2008] | | | | | | | | | | | |
| | | | | <u>1-Year</u> | <u>2-Year</u> | <u>3-Year</u> | | | | | |
| Return | -14.42% | -9.53% | -1.43% | -1.43% | 2.13% | -3.36% | 5.82% | 13.47% | n/a | n/a | n/a |
| Ranking (Broad Large Value) | 10 | 29 | 45 | 45 | 59 | 75 | 75 | 83 | n/a | n/a | n/a |
| Policy (R1000V) | -16.20% | -11.24% | -1.89% | -1.89% | 3.37% | -1.52% | 8.90% | -10.62% | n/a | n/a | n/a |
| Policy Ranking (Br. Lg Value) | 61 | 51 | 54 | 54 | 41 | 47 | 30 | 76 | n/a | n/a | n/a |
| KAR SMALL CAP EQUITY PORTFOLIO (includes cash)[Inception 9/30/2010] | | | | | | | | | | | |
| | | | | <u>2-Qtrs</u> | <u>3-Qtrs</u> | <u>1-Year</u> | | | | | |
| Return | -15.53% | -5.20% | -13.01% | -5.20% | 6.18% | n/a | n/a | n/a | n/a | n/a | n/a |
| Ranking (Br. Sm. Value Core) | 1 | 1 | 1 | 1 | 1 | n/a | n/a | n/a | n/a | n/a | n/a |
| Policy (R2000V) | -21.47% | -18.51% | -23.56% | -18.51% | -5.99% | n/a | n/a | n/a | n/a | n/a | n/a |
| Policy Ranking (Br. Sm. Value Core) | 40 | 50 | 62 | 50 | 55 | n/a | n/a | n/a | n/a | n/a | n/a |

Gold indicates equal to or beat the index, or in upper 40% of universe

Red indicates bottom 40% of universe

Method of performance measurement: The performance method is based on monthly linking and when appropriate, intra-month linking, i.e., a time-weighted rate of return based on the transactions noted in the bank statements.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
PERFORMANCE EVALUATION SUMMARY
SEPTEMBER 30, 2011

| | <u>Current</u> <u>Quarter</u> | <u>CYTD</u> | <u>FYTD</u> | <u>One Year</u> | <u>Three Years</u> | <u>Five Years</u> | | <u>Fiscal Year</u> | | | |
|--|----------------------------------|-------------|-------------|-----------------|--------------------|-------------------|---------------|--------------------|-------------|-------------|-------------|
| | | | | | | | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| MUTUAL OF AMERICA MID-CAP PORTFOLIO (includes cash) [Inception 3/31/2008] | | | | | | | | | | | |
| | | | | | <u>2 Year</u> | <u>3 Year</u> | | | | | |
| Return | -19.89% | -12.00% | -1.33% | -1.33% | 7.61% | 3.53% | 17.36% | -4.18% | n/a | n/a | n/a |
| Ranking (Mid-Cap Equity) | 10 | 24 | 28 | 28 | 15 | 30 | 17 | 60 | n/a | n/a | n/a |
| Policy (S&P 400) | -19.88% | -13.02% | -1.28% | -1.28% | 7.83% | 4.06% | 17.78% | -3.10% | n/a | n/a | n/a |
| Policy Ranking (Mid-Cap Equity) | 40 | 35 | 27 | 27 | 12 | 22 | 12 | 41 | n/a | n/a | n/a |
| THORNBURG INTERNATIONAL EQUITY (Includes Cash) [Inception 6/30/2010] | | | | | | | | | | | |
| | | | | | <u>2 Qtrs.</u> | <u>3 Qtrs.</u> | <u>1 Year</u> | | | | |
| Return | -21.35% | -17.45% | -20.76% | -17.45% | -10.81% | n/a | n/a | n/a | n/a | n/a | n/a |
| Ranking (International Equity) | 62 | 53 | 63 | 53 | 45 | n/a | n/a | n/a | n/a | n/a | n/a |
| Policy (MSCI EAFE) | -18.95% | -14.62% | -17.47% | -14.62% | -8.94% | n/a | n/a | n/a | n/a | n/a | n/a |
| Policy Ranking (International Equity) | 18 | 18 | 20 | 18 | 25 | n/a | n/a | n/a | n/a | n/a | n/a |
| WHV INTERNATIONAL EQUITY (Includes Cash) [Inception 6/30/2010] | | | | | | | | | | | |
| | | | | | <u>2 Qtrs.</u> | <u>3 Qtrs.</u> | <u>1 Year</u> | | | | |
| Return | -25.44% | -24.26% | -29.26% | -24.26% | -13.80% | n/a | n/a | n/a | n/a | n/a | n/a |
| Ranking (Mid-Cap Equity) | 96 | 94 | 100 | 94 | 81 | n/a | n/a | n/a | n/a | n/a | n/a |
| Policy (MSCI EAFE) | -18.95% | -14.62% | -17.47% | -14.62% | -8.94% | n/a | n/a | n/a | n/a | n/a | n/a |
| Policy Ranking (Mid-Cap Equity) | 18 | 18 | 20 | 18 | 25 | n/a | n/a | n/a | n/a | n/a | n/a |

Red indicates bottom 40% of universe

Method of performance measurement: The performance method is based on monthly linking and when appropriate, intra-month linking, i.e., **a time-weighted rate of return based on the transactions noted in the bank statements.**

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

LIST OF LARGEST ASSETS HELD September 30, 2011

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 | 1,430 | Apple, Inc. | \$ 545,288 | 1.60% | 2.47% |
| 2 | 6,555 | Exxon Mobile Corp. Business | 476,089 | 1.40 | 2.15 |
| 3 | 2,370 | International Business Machines | 414,442 | 1.22 | 1.87 |
| 4 | 4,100 | Chevron Corp | 379,332 | 1.12 | 3.37 |
| 5 | 13,765 | Microsoft Corp | 379,332 | 1.01 | 1.55 |
| 6 | 4,940 | Coca Cola Co. | 333,746 | 0.98 | 1.51 |
| 7 | 7,850 | WD-40 Co. | 312,744 | 0.92 | -0.62 |
| 8 | 9,300 | World Fuel Services | 303,645 | 0.89 | 26.07 |
| 9 | 7,200 | First Cash Financial | 302,040 | 0.88 | 51.17 |
| 10 | 6,600 | John Wiley & Sons, Inc. Google | 293,172 | 0.86 | 7.88 |

TOP TEN BOND HOLDINGS (By Fair Value)

| <u>RANK</u> | <u>PAR</u> | <u>BONDS</u> | <u>COUPON</u> | <u>MATURITY</u> | <u>FAIR VALUE</u> |
|-------------|------------|----------------------------|---------------|-----------------|-------------------|
| 1 | 1,135,000 | FHLBB Callable | 5.62% | 6/13/16 | \$ 1,284,729 |
| 2 | 845 | U.S. Treasury | 5.00 | 5/15/37 | 1,192,243 |
| 3 | 1,050,000 | FHLBB Callable | 5.62 | 6/13/16 | 1,188,516 |
| 4 | 595,000 | MetLife, Inc. | 7.72 | 2/15/19 | 735,066 |
| 5 | 630,000 | Wells Fargo Co. | 5.62 | 12/11/17 | 723,224 |
| 6 | 650,000 | General Electric Car Corp. | 5.55 | 5/4/20 | 722,978 |
| 7 | 660,113 | FNMA Pool, #944900 | 5.50 | 7/1/22 | 718,863 |
| 8 | 620,000 | J.P.I Morgan Chase | 6.30 | 4/23/19 | 718,458 |
| 9 | 575,000 | AFLAC, Inc. | 8.50 | 5/15/19 | 718,243 |
| 10 | 570,000 | Citigroup | 8.50 | 5/22/19 | 705,684 |

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, 2011

| | <u>Assets Under Management</u> | <u>Fees</u> |
|---------------------------------------|--|-------------------|
| Investment Managers: | | |
| Fixed income | \$ 36,122,534 | \$ 104,773 |
| Equity | <u>35,958,843</u> | <u>206,598</u> |
| Total assets and fees (1) | <u>\$ 72,081,377</u> | 311,371 |
| Other Investment Service Fees: | | |
| Custodian | | 39,675 |
| Performance monitor | | <u>39,546</u> |
| Total fees | | <u>\$ 390,592</u> |

- (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, 2011

| Brokerage Firm | Number of Shares Traded | Total Commissions | Commissions Per Share | Commission Recapture |
|-------------------------------|----------------------------|----------------------|--------------------------|-------------------------|
| Bank of America/Merrill Lynch | 12,391 | \$ 362 | \$ 0.03 | \$ - |
| Bank of New York | 5,725 | 229 | 0.04 | - |
| Barclays Capital | 39,154 | 1,216 | 0.03 | - |
| Sanford Bernstein | 21,717 | 843 | 0.04 | - |
| Cowen & Co., LLC | 273 | 11 | 0.04 | - |
| Credit Lyonnais Securities | | | | |
| Asia Group | 13,739 | 481 | 0.04 | - |
| Credit Suisse | 26,918 | 597 | 0.02 | - |
| Deutsche Bank Securities | 4,400 | 53 | 0.01 | - |
| Donaldson & Co. | 25,660 | 1,020 | 0.04 | - |
| FBR Capital Markets | 400 | 16 | 0.04 | - |
| Goldman Sachs | 33,546 | 771 | 0.02 | - |
| Goldman Sachs Group | 1,102 | 44 | 0.04 | - |
| Instinet | 7,069 | 287 | 0.02 | - |
| ISI Group | 3,293 | 132 | 0.04 | - |
| ITG/Posit | 24,820 | 732 | 0.03 | - |
| J.P. Morgan Chase | 101,224 | 779 | 0.01 | - |
| Jeffries and Company | 56,600 | 1,010 | 0.02 | - |
| Keefe, Bruyette & Woods | 761 | 30 | 0.04 | - |
| Key Corp Capital Markets | 21,096 | 445 | 0.02 | - |
| Knight Securities | 12,850 | 514 | 0.04 | 14 |
| Liquidnet, Inc. | 4,295 | 64 | 0.02 | - |
| Loop Capital Markets | 62,848 | 951 | 0.02 | - |
| MR Beal & Company | 29,991 | 550 | 0.02 | - |
| Merrill Lynch | 8,843 | 152 | 0.02 | - |
| McAdams, Wright, Ragen | 4,235 | 155 | 0.04 | - |
| Miller Tabak & Company, LLC | 1,650 | 33 | 0.02 | - |
| Morgan Stanley | 59,514 | 1,067 | 0.02 | - |
| Muriel Siebert | 15,136 | 273 | 0.02 | - |
| Raymond James & Associates | 1,849 | 69 | 0.04 | - |
| RBC Capital Markets | 19,704 | 195 | 0.02 | - |
| Robert Baird Group | 892 | 27 | 0.03 | - |
| Sidoti | 6,400 | 256 | 0.04 | - |
| Stiefel Nicolas & Co. | 37,914 | 735 | 0.02 | - |
| Strategas Securities, LLC | 22,872 | 401 | 0.02 | - |
| Thomas Weisel | 57,921 | 373 | 0.01 | - |
| UBS Securities, LLC | 18,513 | 77 | 0.01 | - |
| Weedon & Co. Group | 1,102 | 44 | 0.04 | - |
| Wells Fargo Securities | 827 | 33 | 0.04 | - |
| William Blair & Co. | 14,888 | 298 | 0.02 | - |
| Totals | 782,132 | \$ 15,325 | \$ 0.02 | \$ 14 |

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
INVESTMENT SUMMARY
September 30, 2011

| <u>Type of Investment</u> | <u>Fair Value September 30, 2011</u> | <u>Percent of Total Fair Value</u> |
|------------------------------------|--|--|
| Fixed Income: | | |
| U.S. Government securities | \$ 1,470,455 | 2.22% |
| U.S. Government agencies | 12,838,983 | 19.41 |
| Corporate bonds | 12,711,719 | 19.21 |
| Total fixed income | 27,021,157 | 40.84 |
| Common Stock: | | |
| Energy | 3,479,593 | 5.26 |
| Materials | 2,232,060 | 3.37 |
| Industrials | 5,027,200 | 7.60 |
| Consumer discretionary | 3,958,634 | 5.98 |
| Consumer staples | 2,704,404 | 4.09 |
| Health care | 3,556,513 | 5.38 |
| Financials | 7,531,678 | 11.38 |
| Information technology | 5,283,289 | 7.98 |
| Telecommunication services | 920,598 | 1.40 |
| Utilities | 1,264,874 | 1.91 |
| Total common stock | 35,958,843 | 54.35 |
| Short-Term Investment: | | |
| Temporary investment funds | 9,101,377 | 13.75 |
| Total short-term investment | 9,101,377 | 13.75 |
| Receivables and Other: | | |
| Pending trade purchases | (302,821) | (0.45) |
| Pending trade sales | 58,695 | 0.08 |
| Accrued income | (5,670,977) | (8.57) |
| Total receivables and other | (5,915,103) | (8.94) |
| Total | \$ 66,166,274 | 100.00% |

ACTUARIAL SECTION

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March 20, 2012

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, 2010, 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
- Schedule of demographics of retired and active members
- Solvency test
- Analysis of financial experience
- Summary of plan provisions and changes
- Schedule of changes in net assets
- 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 of the information in these supporting schedules.

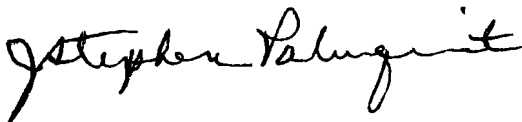
To the best of our knowledge, the assumptions and methods being utilized conform to the Government Accounting Standards Board (GASB) Statements No. 25 and No. 27.

Board of Trustees
March 20, 2012
Page 2

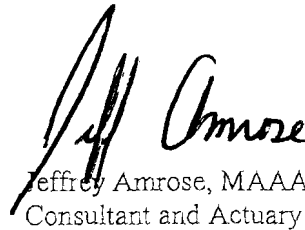
On the basis of the October 1, 2010 Actuarial Valuation, it is our opinion that the Plan continues to fund its pension obligations in a manner consistent with the stated funding objective and with generally accepted actuarial principles

As indicated below, the undersigned are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Sincerest regards,



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



Jeffrey Amrose, MAAA
Consultant and Actuary

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Actuarial Assumptions and Methods

A. Mortality Rates

The RP-2000 Combined Healthy Participant Mortality Tables for males and females. The provision for future mortality improvements is being made by using Scale AA after 2000. Two-fifths of the effect of changing from the 1983 Group Annuity Mortality Table is reflected in the October 1, 2010 actuarial valuation report. Another one-fifth of the impact will be reflected each of the next three years. For disabled lives, regular mortality rates are set forward five years.

B. Investment Return (including inflation)

For the October 1, 2010 actuarial valuation report, 8.3% per year, compounded annually; net rate after investment related expenses. This rate will be lowered by 0.1% each year until the rate is 8.0%.

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% as 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% | 0.14% | 8.5% |
| 25 | 5.7 | 0.15 | 8.5 |
| 30 | 5.0 | 0.18 | 8.3 |
| 35 | 3.8 | 0.23 | 7.2 |
| 40 | 2.6 | 0.30 | 5.2 |
| 45 | 1.6 | 0.51 | 5.2 |
| 50 | 0.8 | 1.00 | 5.2 |
| 55 | 0.3 | 1.55 | 5.2 |

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Actuarial Assumptions and Methods (Continued)

G. Assumed Retirement Age

| | | Age | | | | | | | | | | | | | | |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 42 - 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 |
| 10 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 20.0% | 20.0% | 55.0% | 65.0% | 65.0% | 65.0% | 65.0% | 100.0% |
| 11 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| 12 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| 13 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| S 14 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| e 15 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| r 16 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| v 17 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| i 18 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| c 19 | 0.0% | 0.0% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 7.5% | 10.0% | 47.5% | 57.5% | 60.0% | 60.0% | 60.0% | 100.0% |
| e 20 | 20.0% | 22.5% | 22.5% | 22.5% | 22.5% | 25.0% | 27.5% | 30.0% | 40.0% | 45.0% | 70.0% | 80.0% | 80.0% | 80.0% | 80.0% | 100.0% |
| 21 | 5.0% | 5.0% | 5.0% | 10.0% | 10.0% | 12.5% | 12.5% | 12.5% | 15.0% | 15.0% | 47.5% | 65.0% | 65.0% | 65.0% | 65.0% | 100.0% |
| 22 | 5.0% | 5.0% | 5.0% | 10.0% | 10.0% | 12.5% | 12.5% | 12.5% | 15.0% | 15.0% | 47.5% | 65.0% | 65.0% | 65.0% | 65.0% | 100.0% |
| 23 | 5.0% | 5.0% | 5.0% | 10.0% | 10.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 47.5% | 65.0% | 65.0% | 65.0% | 65.0% | 100.0% |
| 24 | 5.0% | 5.0% | 5.0% | 10.0% | 10.0% | 15.0% | 15.0% | 15.0% | 15.0% | 15.0% | 47.5% | 65.0% | 65.0% | 65.0% | 65.0% | 100.0% |
| 25 | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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. Further, the Actuarial Value of Assets was written down to Market Value as of September 30, 2009. Subsequent valuations reflect the smoothing method used previously.

I. Inflation

4.0% per year.

J. Increase in Covered Payroll

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

K. Post Retirement Benefit Increase

2.5% per year starting five years after retirement for members who terminate or enter the DROP on or after October 1, 2008; 2.0% per year starting five years after retirement for members who terminate or enter the DROP from January 1, 2006 through September 30, 2008; 0.0% for all other members.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Actuarial Assumptions and Methods (Continued)

I. Cost Methods

Actuarial Cost Method - Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using the **Individual Entry-Age Normal Actuarial Cost Method** with the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains/(losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Financing of Unfunded Actuarial Accrued Liabilities - Unfunded Actuarial Accrued Liabilities (full funding credit if assets exceed liabilities) were amortized by level (principal & interest combined) percent-of-payroll contributions over a reasonable period of future years.

M. Changes Since Previous Valuation

- The assumed investment rate of return is lowered from 8.4% to 8.3%. The rate will continue to be lowered by 0.1% each year until the rate is 8.0%.
- The mortality table was updated from the 1983 Group Annuity Mortality Table to the RP-2000 Generational Mortality Table starting with the October 1, 2009 actuarial valuation report. The change in the mortality rates is being phase-in over five years, this being the second year.

N. 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. The funding method, asset valuation method, investment return assumption, and mortality assumption were adopted as of October 1, 2009. The retirement and disability rates were adopted as of October 1, 2005, and the remaining 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 | | | | |
| 10/01/2004 | 163 | 10,894,352 | 66,837 | 6.0 | | | | |
| 10/01/2005 | 158 | 11,323,389 | 71,667 | 7.2 | | | | |
| 10/01/2006 | 154 | 11,686,231 | 75,885 | 5.9 | | | | |
| 10/01/2007 | 158 | 12,497,032 | 79,095 | 4.2 | | | | |
| 10/01/2008 | 157 | 13,475,617 | 85,832 | 8.5 | | | | |
| 10/01/2009 | 154 | 13,936,365 | 90,496 | 5.4 | | | | |
| 10/01/2010 | 142 | 13,237,919 | 93,225 | 3.0 | | | | |

| 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 |
| 10/01/2004 | 0 | 0 | 73 | 5,978 ** | -- | 2,236,700 | 0.3 | 30,640 |
| 10/01/2005 | 1 | 0 | 74 | 45,871 | -- | 2,282,571 | 2.1 | 30,846 |
| 10/01/2006 | 10 | 0 | 84 | 543,972 | -- | 2,826,543 | 23.8 | 33,649 |
| 10/01/2007 | 5 | 0 | 89 | 294,549 | -- | 3,121,092 | 10.4 | 35,068 |
| 10/01/2008 | 9 | 2 | 96 | 551,333 | 38,987 | 3,633,438 | 16.4 | 37,848 |
| 10/01/2009 | 5 | 0 | 101 | 384,389 | -- | 4,017,827 | 10.6 | 39,780 |
| 10/01/2010 | 11 | 1 | 111 | 828,829 | 35,558 | 4,811,098 | 19.7 | 43,343 |

* Due to adjustments in records

** Due to change in status

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Demographics of Active and Retiree Valuation Data

Retired Members

| Ages | Retirees | | | Beneficiaries | | |
|--------------|----------|--------|-------|---------------|--------|-------|
| | Male | Female | Total | Male | Female | Total |
| Under 55 | 43 | 7 | 50 | 0 | 0 | 0 |
| 55 to 59 | 23 | 2 | 25 | 0 | 0 | 0 |
| 60 to 64 | 17 | 2 | 19 | 0 | 0 | 0 |
| 65 to 69 | 11 | 0 | 11 | 0 | 1 | 1 |
| 70 to 74 | 0 | 0 | 0 | 0 | 0 | 0 |
| 75 to 79 | 1 | 0 | 1 | 0 | 2 | 2 |
| 80 to 84 | 1 | 0 | 1 | 0 | 1 | 1 |
| 85 to 89 | 0 | 0 | 0 | 0 | 0 | 0 |
| 90 to 94 | 0 | 0 | 0 | 0 | 0 | 0 |
| 95 to 99 | 0 | 0 | 0 | 0 | 0 | 0 |
| 100 and over | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 96 | 11 | 107 | 0 | 4 | 4 |

Active Members

| Ages | Active Members | | | Percentage Distribution | | |
|-------------|----------------|--------|-------|-------------------------|--------|--------|
| | Male | Female | Total | Male | Female | Total |
| Under 20 | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% |
| 20 to 29 | 13 | 3 | 16 | 9.2% | 2.1% | 11.3% |
| 30 to 39 | 63 | 10 | 73 | 44.4% | 7.0% | 51.4% |
| 40 to 49 | 47 | 2 | 49 | 33.1% | 1.4% | 34.5% |
| 50 to 54 | 2 | 1 | 3 | 1.4% | 0.7% | 2.1% |
| 55 to 59 | 1 | 0 | 1 | 0.7% | 0.0% | 0.7% |
| 60 to 69 | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% |
| 70 and over | 0 | 0 | 0 | 0.0% | 0.0% | 0.0% |
| Total | 126 | 16 | 142 | 88.7% | 11.3% | 100.0% |

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Solvency Test

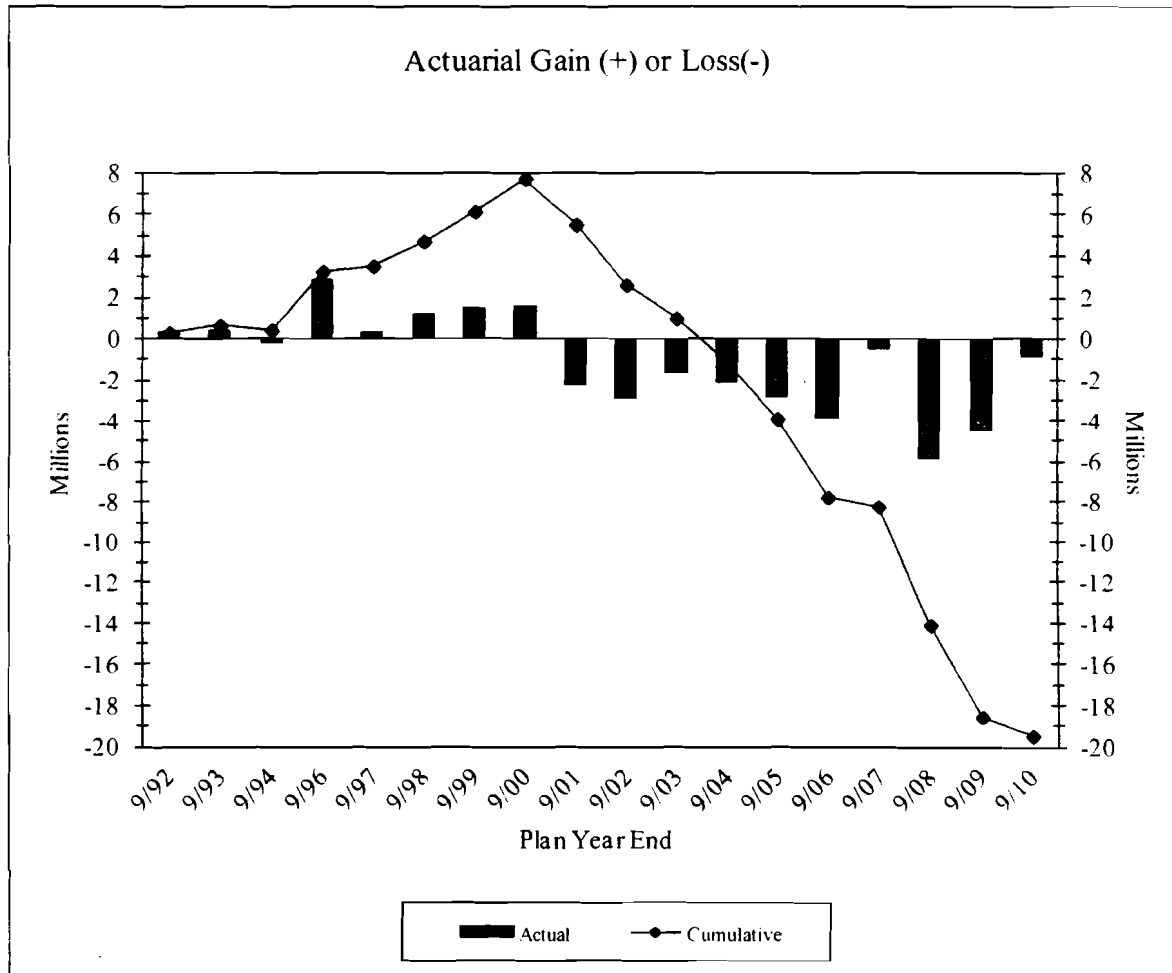
| Valuation Date | Actuarial Accrued Liability | | | Actuarial Value of Assets | (1) | (2) | (3) |
|----------------|------------------------------------|------------------------------------|---|---------------------------|---------|---------|---------|
| | (1) Active Member Contributions | (2) Retirants and Beneficiaries | (3) Active Members (Employer Financed Portion) | | | | |
| 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 | 18,540,166 | 40,191,182 | 100.0 | 100.0 | 64.4 |
| 10/01/2004 | 5,257,166 | 23,791,026 | 19,954,269 | 41,494,126 | 100.0 | 100.0 | 62.4 |
| 10/01/2005 | 6,045,837 | 24,084,468 | 30,681,829 | 42,540,854 | 100.0 | 100.0 | 40.4 |
| 10/01/2006 | 6,295,948 | 30,693,260 | 31,252,028 | 45,227,418 | 100.0 | 100.0 | 26.4 |
| 10/01/2007 | 7,020,645 | 34,231,143 | 34,168,890 | 50,977,275 | 100.0 | 100.0 | 28.5 |
| 10/01/2008 | 7,428,361 | 40,964,029 | 38,823,545 | 54,724,468 | 100.0 | 100.0 | 16.3 |
| 10/01/2009 | 8,171,572 | 47,030,741 | 42,470,584 | 50,805,922 | 100.0 | 90.7 | 0.0 |
| 10/01/2010 | 8,301,841 | 59,575,773 | 40,496,265 | 57,735,928 | 100.0 | 83.0 | 0.0 |

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Analysis of Financial Experience

| Year | Gain (or Loss) During Year from Financial Experience | Gain (or Loss) During Year Due to Liabilities | Composite Gain (or Loss) During Year |
|-------------|---|--|---|
| 1998 | \$ 1,231,383 | \$ (33,257) | \$ 1,198,126 |
| 1999 | 1,597,929 | (163,732) | 1,434,197 |
| 2000 | 1,866,078 | (276,505) | 1,589,573 |
| 2001 | 247,717 | (2,472,765) | (2,225,048) |
| 2002 | (3,704,651) | 792,173 | (2,912,478) |
| 2003 | (1,793,532) | 175,707 | (1,617,825) |
| 2004 | (2,310,919) | 213,662 | (2,097,257) |
| 2005 | (2,626,953) | (164,442) | (2,791,395) |
| 2006 | (1,336,799) | (2,548,045) | (3,884,844) |
| 2007 | 208,697 | (654,670) | (445,973) |
| 2008 | (2,222,593) | (3,650,648) | (5,873,241) |
| 2009 | (2,917,882) | (1,527,880) | (4,445,762) |
| 2010 | 169,297 | (1,081,536) | (912,239) |

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, except the police chief may elect not to participate.

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. |
|-------------|--|

| | |
|---------|---|
| Benefit | (a) 3% of AFC for each of the first 10 years of service plus 4% of AFC for the next 10 years of service plus 2% of AFC for each year of service thereafter; subject to a maximum of 80% of AFC. |
|---------|---|

(b) Any Police Officer who was actively employed on October 1, 2003, and retires or enters the DROP on or after January 1, 2006 will receive the greater of (a) above and:

4% of AFC for each of first 10 years of service plus 2% of AFC for each year thereafter. 2% will be added to the total percentage for Officers who were vested as of January 1, 2006. An additional 2% will be added to the total percentage for Officers who are actively employed until age 53 with 10 or more years of credited service.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Plan Provisions and Changes (Continued)

(c) In addition, Police Officers who terminate and begin receiving early or normal retirement benefits on or after January 1, 2006, will receive a supplemental monthly benefit equal to \$25 per year of service with a maximum supplement of \$500 per month until age 65 and \$15 per year with a maximum of \$300 per month thereafter.

Form of Benefit Ten years certain and life annuity, with other options available.

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. 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.

I. Service Incurred Disability

Eligibility A total and permanent disability which impairs a member from his regular and 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 after the first \$10,000 from other sources such as salaries and self-employment income.

J. 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% of AFC.

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Summary of Plan Provisions and Changes (Continued)

K. Preretirement Death Benefit (Service Connected)

In the event of a member's service-connected death, the spouse shall receive a benefit equal to the greater of 75% of the AFC or the accrued pension benefit.

L. Preretirement Death Benefits (Non-Service Connected)

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. Cost of Living Adjustment

For Officers who terminate employment and begin receiving normal retirement benefits (either directly or through the DROP) on or after October 1, 2008, there will be a Cost of Living Adjustment of 2.5% per year starting five years after retirement or upon exiting the DROP, whichever is later. The Cost of Living Adjustment is 2.0% per year starting five years after retirement for members who terminate or enter the DROP from January 1, 2006 through September 30, 2008 and 0.0% for all other members.

O. Contributions

| | |
|---------|--|
| Members | 9.84% of Salary beginning October 1, 2006. |
| 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. |

P. Recent Changes

None since October 1, 2008

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STATISTICAL SECTION

This part of the City of Sunrise, Florida Police Officers' Retirement Plan's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Plan's overall financial health.

| Content | Page |
|---------|------|
|---------|------|

| | |
|------------------|-------|
| Financial Trends | 72-74 |
|------------------|-------|

These schedules contain trend information to help the reader understand how the Plan's financial performance and well-being have changed over time.

| | |
|------------------|----|
| Revenue Capacity | 75 |
|------------------|----|

This schedule contains information to help the reader compare the employer's and participant's contribution rates.

| | |
|-------------------------|----|
| Participant Information | 76 |
|-------------------------|----|

This schedule presents a schedule of member characteristics.

| | |
|-----------------------|-------|
| Operating Information | 77-80 |
|-----------------------|-------|

These schedules contain information about the Plan's types of benefits and benefit payments to help the reader understand how the Plan's financial information relates to the retirement benefits Plan.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Changes in net Assets Last Seven Fiscal Years*

| | Fiscal Year | | | | | | |
|---|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Additions: | | | | | | | |
| Employer contributions | \$ 5,954,543 | \$ 5,152,639 | \$ 3,968,694 | \$ 3,452,721 | \$ 2,630,010 | \$ 1,664,302 | \$ 1,341,822 |
| Plan members | 1,293,749 | 1,304,234 | 1,331,918 | 1,261,700 | 1,157,382 | 1,240,222 | 1,023,732 |
| Plan members buy-back | - | - | - | - | 90,377 | 27,288 | - |
| State excise tax rebate | 508,251 | 552,722 | 578,926 | 567,623 | 559,679 | 512,973 | 503,294 |
| Investment income (loss) (net of expenses) | (223,570) | 5,451,549 | 634,172 | (6,450,015) | 5,693,770 | 2,863,763 | 3,370,326 |
| Total additions to plan net assets | 7,532,973 | 12,461,144 | 6,513,710 | (1,167,971) | 10,131,218 | 6,308,548 | 6,239,174 |
| Deductions (see Schedule 2): | | | | | | | |
| Benefit payments | 3,264,734 | 2,971,478 | 2,854,302 | 3,034,423 | 3,475,978 | 2,382,198 | 2,091,446 |
| Refunds | - | 68,317 | 1,920 | 84,048 | 131,468 | 89,199 | 151,872 |
| Administrative expenses | 245,259 | 230,719 | 214,695 | 219,904 | 234,054 | 236,987 | 172,935 |
| Total deductions from plan net assets | 3,509,993 | 3,270,514 | 3,070,917 | 3,338,375 | 3,841,500 | 2,708,384 | 2,416,253 |
| Change in net assets | <u>\$ 4,022,980</u> | <u>\$ 9,190,630</u> | <u>\$ 3,442,793</u> | <u>\$ (4,506,346)</u> | <u>\$ 6,289,718</u> | <u>\$ 3,600,164</u> | <u>\$ 3,822,921</u> |

*The above schedule presents information as of the date of implementation of Governmental Accounting Standards Board Statement No. 44.

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Revenue by Source and Expenses by Type

Revenue by Source

LAST TEN FISCAL YEARS

| Year Ending September 30 | Member Contributions | Employer Contributions | | State Contributions* | Investment Income | Total |
|--------------------------------|-------------------------|------------------------|--------------------------------------|-------------------------|----------------------|----------------|
| | | Dollars | % of Annual Covered Payroll | | | |
| 9/30/2002 | \$ 637,963 | \$ 700,913 | 7.5% | \$ 323,404 | \$ (2,663,147) | \$ (1,000,867) |
| 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 |
| 9/30/2005 | 1,023,732 | 1,341,822 | 12.64 | 503,294 | 3,370,326 | 6,239,174 |
| 9/30/2006 | 1,240,222 | 1,664,302 | 14.69 | 512,973 | 2,863,763 | 6,308,548 |
| 9/30/2007 | 1,247,759 | 2,630,010 | 21.64 | 559,679 | 5,693,770 | 10,131,218 |
| 9/30/2008 | 1,261,700 | 3,452,721 | 28.86 | 567,623 | (6,450,015) | (1,167,971) |
| 9/30/2009 | 1,331,918 | 3,968,694 | 29.45 | 578,926 | 634,172 | 6,513,710 |
| 9/30/2010 | 1,304,234 | 5,152,639 | 36.77 | 552,722 | 5,451,549 | 12,461,144 |
| 9/30/2011 | 1,293,749 | 5,954,543 | 23.12 | 508,251 | (223,570) | 7,532,973 |

Expenses by Type

| Year Ending September 30 | Benefit Payments | Administrative Expenses | Refunds | Miscellaneous | Total |
|--------------------------------|---------------------|----------------------------|-----------|---------------|-----------|
| 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 |
| 9/30/2005 | 2,091,446 | 172,935 | 151,872 | - | 2,416,353 |
| 9/30/2006 | 2,382,198 | 236,987 | 89,199 | - | 2,708,384 |
| 9/30/2007 | 3,475,978 | 234,054 | 131,468 | - | 3,841,500 |
| 9/30/2008 | 3,034,423 | 219,904 | 84,048 | - | 3,338,375 |
| 9/30/2009 | 2,854,302 | 214,695 | 1,920 | - | 3,070,917 |
| 9/30/2010 | 2,971,478 | 230,719 | 68,317 | - | 3,270,514 |
| 9/30/2011 | 3,264,734 | 245,259 | - | - | 3,509,993 |

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

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN

Schedule of Benefit and Refund Deductions from Net Assets by Type Last Ten Fiscal Years

| Year Ending | Age & Service Benefits | | | Disability Benefits | | Refunds | | Total |
|----------------|------------------------|-----------|---------------------------------|---------------------|-----------|---------|------------|--------------|
| | Retirants* | Survivors | Death in Service Benefits | Retirants | Survivors | Death | Separation | |
| 2002 | \$ 1,912,414 | \$ 42,241 | \$ - | \$ 159,586 | \$ - | \$ - | \$ 80,813 | \$ 2,195,054 |
| 2003 | 2,210,059 | - | - | 222,486 | - | - | 41,272 | 2,336,888 |
| 2004 | 2,110,670 | - | - | 159,674 | - | - | 48,270 | 2,318,614 |
| 2005 | 2,178,565 | - | - | 151,226 | - | - | 151,872 | 2,481,663 |
| 2006 | 2,466,935 | - | - | 153,608 | - | - | 89,199 | 2,709,742 |
| 2007 | 3,882,081 | - | - | 174,809 | - | - | 131,468 | 4,188,358 |
| 2008 | 3,591,580 | - | - | 204,490 | - | - | 84,048 | 3,880,118 |
| 2009 | 3,688,230 | - | - | 208,337 | - | - | 1,920 | 3,898,487 |
| 2010 | 4,435,927 | - | - | 214,337 | - | - | 68,317 | 4,718,581 |
| 2011 | 5,752,697 | - | - | 182,951 | - | - | - | 5,935,598 |

* Includes the following DROP Benefits:

Retirement payments to the account of DROP

Retirants recorded as designated plan net assets \$ 2,670,864

DROP account withdrawals 197,552

Total DROP Benefits \$ 2,868,416

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN **Schedule of Employer and Employee Contribution Ratios** **Last Ten Fiscal Years**

| Fiscal Year Ended <u>September 30</u> | Employee Rate <u>(percent)</u> | Employer Rate <u>(percent)</u> |
|--|---|---|
| 2002 | 7.15 % | 7.22 % |
| 2003 | 7.45 | 10.45 |
| 2004 | 9.78 | 12.63 |
| 2005 | 9.29 | 12.64 |
| 2006 | 10.84 | 14.69 |
| 2007 | 9.84 | 21.64 |
| 2008 | 9.84 | 28.86 |
| 2009 | 9.84 | 29.45 |
| 2010 | 9.84 | 36.77 |
| 2011 | 9.84 | 40.78 |

STATISTICAL SECTION

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT SYSTEM

Schedule of Retired Members by Type

October 1, 2010

| Amount of Monthly Benefit | Number of Retirants | Type of Retirement** | | | Option Selected # | | |
|---------------------------------|---------------------------|----------------------|----|----|-------------------|--------|--------|
| | | 1 | 2 | 3 | Life | Opt. 1 | Opt. 2 |
| Deferred | 1 | -- | -- | 1 | -- | -- | 1 |
| \$1-500 | -- | 0 | 0 | -- | 0 | 0 | 0 |
| 501-1,000 | 3 | 3 | 0 | -- | 2 | 1 | 0 |
| 1,001-1,500 | 6 | 6 | 0 | -- | 4 | 2 | 0 |
| 1,501-2,000 | 5 | 5 | 0 | -- | 3 | 2 | 0 |
| 2,001-2,500 | 24 | 21 | 3 | -- | 14 | 9 | 1 |
| 2,501-3,000 | 13 | 12 | 1 | -- | 4 | 9 | 0 |
| 3,001-3,500 | 10 | 10 | 0 | -- | 2 | 7 | 1 |
| 3,501-4,000 | 13 | 12 | 1 | -- | 9 | 4 | 0 |
| Over 4,000 | 37 | 36 | 1 | -- | 12 | 15 | 10 |
| Totals | 112 | 105 | 6 | 1 | 50 | 49 | 13 |

** Type of Retirement

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

Option Selected

- Life Annuity (former normal form)
- Opt. 1 - Joint & Survivor
- Opt. 2 - 10 years certain & life (current normal form)

Schedule of Average Benefit Payments

77

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
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 - a) / 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 | 26,336,308 | (1,494,029) | 105.7 | 7,170,493 | (20.8) |
| 10/1/1998 | 31,671,180 | 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 | 37,216,407 | (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 |
| 10/1/2004 | 41,494,126 | 49,002,461 | 7,508,335 | 84.7 | 10,894,352 | 68.9 |
| 10/1/2005 | 42,540,854 | 60,812,134 | 18,271,280 | 70.0 | 11,323,389 | 161.4 |
| 10/1/2006 (b) | 45,227,418 | 68,241,236 | 23,013,818 | 66.3 | 11,686,231 | 196.9 |
| 10/1/2006 (a) | 45,227,418 | 68,977,917 | 23,750,499 | 65.6 | 11,686,231 | 203.2 |
| 10/1/2007 | 50,977,275 | 75,420,678 | 24,443,403 | 67.6 | 12,497,032 | 195.6 |
| 10/1/2008 (b) | 54,724,468 | 85,722,055 | 30,997,587 | 63.8 | 13,475,617 | 230.0 |
| 10/1/2008 (a) | 54,724,468 | 87,215,935 | 32,491,467 | 62.7 | 13,475,617 | 241.1 |
| 10/1/2009 (b) | 58,437,769 | 95,581,677 | 37,143,908 | 61.1 | 13,936,365 | 266.5 |
| 10/1/2009 (a) | 50,805,922 | 97,672,897 | 46,866,975 | 52.0 | 13,936,365 | 336.3 |
| 10/1/2010 (b) | 57,735,928 | 106,029,138 | 48,293,210 | 54.5 | 13,237,919 | 364.8 |
| 10/1/2010 (a) | 57,735,928 | 108,373,879 | 50,637,951 | 53.3 | 13,237,919 | 382.5 |

(a) After Changes
(b) Before Changes

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS BY EMPLOYER
AND THE STATE OF FLORIDA
(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 | 803,587 | 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 |
| 2004 | 1,539,895 | 1,559,803 | 101.3 |
| 2005 | 1,694,795 | 1,694,795 | 100.0 |
| 2006 | 2,017,275 | 2,017,275 | 100.0 |
| 2007 | 3,483,437 | 3,530,143 | 101.3 |
| 2008 | 4,227,050 | 4,180,344 | 98.9 |
| 2009 | 4,547,620 | 4,547,620 | 100.0 |
| 2010 | 5,705,361 | 5,705,361 | 100.0 |

CITY OF SUNRISE, FLORIDA POLICE OFFICERS' RETIREMENT PLAN
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, 2010 |
| Contribution Rates: | |
| Employer (and State) | 50.16% |
| Plan Members | 9.84% |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent, Closed |
| Remaining amortization period | 28 years |
| Asset valuation method | Market Value |
| Actuarial assumptions: | |
| Investment rate of return | 8.3% |
| Projected salary increases | 5.2% to 8.5% depending on age |
| Includes inflation and other general increases at | 4.0% |
| Cost-of-living adjustments | 2.5% after 5 years of retirement |

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SUMMARY OF SEPARATE
MANAGEMENT GUIDELINES
FOR EACH INVESTMENT MANAGER

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SUNRISE POLICE PENSION FUND

INVESTMENT GUIDELINES

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's assets; financial, industrial and economic conditions.

Types of investments 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:

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
- 4) The OTC Exchange
- 5) Appropriate National and International Exchange for International Managers

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.

The individual issue meets 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 all of the following listed services: Moody's, Standard and Poor's or Fitch's Rating Services.

Any issue, if downgraded to the (4th) category by any 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 (4th) category shall be liquidated in a prudent manner and time.

- 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 (except for Mutual of America to equitize their cash holdings only).
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, Garcia, Hamilton & 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 the 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 or greater than the return of the R1000G Index. At times, performance may be compared to other equity indices denoting an appropriate style bias to better explain returns. (e.g. S&P/Citigroup Growth, S&P500, etc.).
 - c. Over a three to five year time horizon, equity performance should be greater than the median (50th percentile) of an appropriate equity universe. Placing above the 50th 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 Barclays Intermediate Government/Credit Index. The new fixed income portfolio performance (inception January 1, 2007) should be equal to or greater than the return of the Barclays Aggregate Bond Index (A rated bonds or better).
 - e. Over a three to five year time horizon, fixed income performance should be greater than the median (50th percentile) of an appropriate fixed income universe. Placing above the 50th 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 R1000G 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 | 33.3% |
| Fixed Income | 33.3% BCIGC & 33.4% BCAB (A+) |
 - 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 | 38.3% | 28.3% |
| Fixed Income | 71.7% | 61.7% |
| Cash | 10.0% | 0.0% |

9. In addition to the above, Cohen & Steers 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. Over a three to five year time horizon, equity performance should be equal or greater than the return of the R1000V 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, S&P 500, etc.).
- b. Over a three to five year time horizon, equity performance should be greater than the median (50th percentile) of an appropriate equity universe. Placing above the 50th percentile is not a condition of retention.
- c. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% Equities.
- d. Up to 15% of the market value of the portfolio may be invested in securities issued by entities organized outside of the United States, including those denominated in currencies other than the US Dollar. Consultant to review that this international allocation remains below the 10% allocation of the Total Fund set by Statute.
- 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% | 90.0% |
| Cash | 10.0% | 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 R1000V Index.
 - g. No equity investments shall be made in companies with a market capitalization less than \$1 billion at the time of purchase.
10. In addition to the above, Kayne Anderson Rudnick (KAR)(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 (50th percentile) of an appropriate equity universe. Placing above the 50th 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. Up to 15% of the market value of the portfolio may be invested in securities issued by entities organized outside of the United States, including those denominated in currencies other than the US Dollar. Consultant to review that this international allocation remains below the 10% allocation of the Total Fund set by Statute.
- f. 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% | 85.0% |
| Cash | 15% | 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. (Kayne Anderson Rudnick does not monitor to the Beta but the Consultant will review quarterly)
- 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 \$4 billion at the time of purchase.

11. In addition to the above, Mutual of America Capital Management (S&P400 MidCap Index Fund) is subject to the following specific guidelines:

- a. The manager has been retained to pursue a portfolio featuring a MidCap Index Fund Equity style. The manager's particular style is generally characterized by a portfolio with price to earnings, price to book ratios and dividend yields exactly the same as the S&P 400 Index.
- b. Over a three to five year time horizon, gross equity performance should be consistent with the return of the S&P400 MidCap Index.

- c. Over a three to five year time horizon, gross equity performance should be consistent with the S&P400 MidCap Index equity universe.
- 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:

| | <u>Maximum</u> | <u>Minimum</u> |
|----------|----------------|----------------|
| Equities | 100.0% | 90.0% |
| Cash | 10.0% | 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 1.0 where 1.0 is equal to the market volatility of the S&P400 MidCap 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 capitalizations that are outside the capitalization range of the S&P400 MidCap Index at the time of purchase.
12. In addition to the above, Thornburg and Wentworth Hauser & Violich (International Equity) are subject to the following specific guidelines:
- a. The manager has been retained to pursue a portfolio featuring an International Equity style.
 - b. Over a three to five year time horizon, gross equity performance should be consistent with the return of the MSCI EAFE Index.
 - c. Over a three to five year time horizon, gross equity performance should be consistent with the International Equity universe.
 - d. The manager shall adhere to the following target asset allocation in investing the funds allocated to it by the Board: 100% International Equities. However, forward currency contracts are permitted in order to actively manage the currency exposure of the portfolio whenever the manager perceives opportunities to enhance returns or reduce risk.
 - e. The actual allocation can, however, vary at any time within ranges specified below, as a result of gains and losses in the portfolio:
- | | <u>Maximum</u> | <u>Minimum</u> |
|----------|----------------|----------------|
| Equities | 100.0% | 90.0% |
| Cash | 10.0% | 0.0% |

(Thornburg may hold more than 10% in cash)
- g. The international equity portion of the manager's portfolio shall not be exposed to risks that exceed an annual average beta coefficient of 1.3 for Wentworth Hauser & Violich, and 1.2 for Thornburg, where 1.0 is equal to

the market volatility of the MSCI EAFE Index. (Thornburg does not monitor to the Beta but the Consultant will review quarterly)

- h. The issuer of international 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. (Thornburg does not monitor the operation record of its holdings)

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 fixed income

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 preference; 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 | 31% |
| Small Cap Stocks | 10% |
| MidCap Stocks | 10% |
| International Stocks | 9% |
| Fixed Income | 40% |

- c. 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.

The asset management structure is currently as follows:

| Asset Class | Target | Minimum | Maximum |
|---|--------|---------|---------|
| Domestic Stocks (at Market Value) | 51% | 41% | 65% |
| Domestic Stocks (at Time of Purchase) | 51% | 41% | 61% |
| Cohen & Steers Capital Management (Large Cap Value) | 15.5% | 10.5% | 20.5% |
| KAR (Small Cap Value) | 10% | 5% | 15% |
| Garcia, Hamilton & Associates (Large Cap Growth) | 15.5% | 10.5% | 20.5% |

Amended February 2011

| | | | |
|---|------|-----|------|
| Mutual of America Capital Management | 10% | 5% | 15% |
| Thornburg (International Equity) | 4.5% | 0% | 9.5% |
| Wentworth Hauser & Violich (International Equity) | 4.5% | 0% | 9.5% |
| Domestic Fixed Income | 40% | 30% | 50% |
| Garcia, Hamilton & Associates (Intermediate) | 20% | 15% | 25% |
| Garcia, Hamilton & Associates (High Quality) | 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. When 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. Instructions: 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

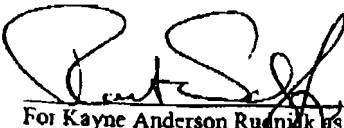
The Trustees will select a professional Investment Manager(s), that meet(s) the definition of that term in Section 3(38) of E.R.I.S.A., who will provide the Trustees with a statement of fiduciary responsibility. The Trustees will provide that Manager(s) certain guidelines, including, but not limited 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.

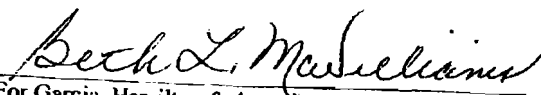
INVESTMENT REVIEW

The Trustees 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.



For Cohen & Steers Capital Management as Investment Manager
2/28/11
Date

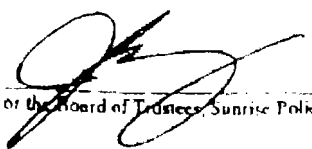

For Kayne Anderson Rudnick as Investment Manager
2/9/2011
Date


For Garcia, Hamilton & Associates as Investment Manager
2/8/2011
Date


For Mutual of America Capital Management as Investment Manager
2/10/11
Date


For Thornburg as Investment Manager
3/2/11
Date


February 3, 2011
Chief Compliance Officer
For Wentworth Hauser & Violich as Investment Manager
Date


For the Board of Trustees, Sunrise Police Officers' Pension Fund
03/16/11
Date

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