



CITY OF SUNRISE, FLORIDA

POLICE OFFICERS' RETIREMENT PLAN

**13790 NW 4 Street, Suite 105
Sunrise, Florida 33325**



Telephone: (954) 845-0298

Fax: (954) 845-9852

February 25, 2015

Richard Salamon
City of Sunrise, City Manager
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Dear Mr. Salamon:

The Board of Trustees would like to invite you to our May 07, 2015 Meeting, which begins at 10:00 AM. The purpose is to re-establish a dialog with regard to the item(s) listed below. Additional supporting documents are enclosed herein. The Board was working with Mr. Cohen on these matters prior to his departure. As the new Manager, the Board would again like to address and move forward with your assistance.

To date, we have the following issues still open.

- **Payroll Deductions for Buybacks**
- **Payroll Deductions for DROP Loans**
- **Real Estate Investing**
- **Average Final Compensation (AFC):**

Respectfully,

A handwritten signature in blue ink, appearing to read "D Williams".

Dave Williams, Plan Administrator
FOR THE BOARD

c: Mayor Michael J. Ryan
Deputy Mayor Donald K. Rosen
Assistant Deputy Mayor Joseph A. Scuotto
Commissioner Neil C. Kerch
Commissioner Lawrence A. Sofield
Board of Trustees
Richelle Levy, Board Attorney
Jeff Amrose, Board Actuary
John McCann, Investment Monitor

Please visit us at www.sunrisepolicepension.com

Thistle Asset Consulting

To Whom It May Concern:

Thistle Asset Consulting is the Consultant to the Board of the Sunrise Police Pension Plan. Interest rates are at historically low levels, and are likely to begin rising sometime in the relatively near future. With such low yields, and the prospect of rising rates potentially leading to negative returns, we have been recommending real estate portfolios (diversified commercial real estate) as a viable alternative to fixed income investing. Usually investing between 10% to 15% in real estate coming from the fixed income allocation. There are two main components to real estate returns:

appreciation of the property which is typically 1-4% annually depending upon the inflationary environment;

the income generated from the leases or rents which is normally between 5% and 8% per year.

We recommend taking this income out every quarter, i.e. not reinvesting, as this would be used to pay benefits and expenses. It creates a realized gain and is similar to the interest earned by the bonds, although three times larger in this interest rate environment. We have 12 of our 35 clients with a real estate allocation, example: Hollywood Police, Miami Beach Fire & Police, North Miami Police, Palm Beach Gardens Police, West Palm Beach Police, North Palm Beach Fire & Police etc.

We believe this type of investment is very necessary to the well-being and funding of the Plan. We also believe that not being allowed to make such an investment is tying the hands off the Board and jeopardizing their fiduciary responsibility to the Plan. **In fact if the Plan had been invested in a 10% allocation to real estate, taken from their fixed income portfolio, from 10/01/2012 to 9/30/2014, they would have earned more than \$1,700,000 extra!**

Any questions please contact me at (954) 873-4511, my cell phone, or john.mccann@thistleasset.com.

Sincerely,



John McCann, CIMA

January 30, 2015



CITY OF SUNRISE, FLORIDA

POLICE OFFICERS' RETIREMENT PLAN

**13790 NW 4 Street, Suite 105
Sunrise, Florida 33325**



Telephone: (954) 845-0298

Fax: (954) 845-9852

October 16, 2013

Alan Cohen
City of Sunrise, City Manager
10770 West Oakland Park Blvd
Sunrise, FL 33351

Dear Mr. Cohen:

The Board of Trustees would like to take this opportunity to invite you to a City of Sunrise Police Officers' Retirement Plan Meeting on November 7, 2013 (10:00 AM). An alternative date would be January 9, 2014, at the same time. First and foremost, the purpose of the invitation is to introduce you to the Board and their representatives. Secondly, there are several outstanding issues that the Board would like to address and resolve.

To help you better understand the situation, I have enclosed back-up material for your review. The issues are as follows:

Payroll Deductions for Buybacks: The pension ordinance permits members to buy time in the system, but does not consider the mechanism to allow a member to pay for the buyback over time. This has limited the members to lump sum payments only. As such it has not been widely used. The Board asked the city to do payroll deductions so that a member could pay over time instead of one lump sum. It is felt that accepting payments over time would increase participation in this program. City representatives declined to participate.

Payroll Deductions for DROP Loans: The Board was approached concerning DROP Loans. The Board learned that loans were permitted and would be a benefit to the members participating in the DROP. The loans would be similar to 457 deferred compensation loans currently available to members who have 457 accounts. The only mechanism missing was the repayment of the loan. The Board felt that a payroll deduction would be the best method and would ensure timely & seamless repayment. The Board communicated that request to city representatives and we were told the city was not inclined to participate.

Real Estate Investing: The Board through its advisors has determined that real estate is a viable compliment to our bond portfolio. The Board would like to pursue real estate, but it is prohibited by ordinance. Having the ability to seek other alternatives would allow the Board to apply the prudent investor rule and fulfill its fiduciary responsibilities.

Please visit us at www.sunrisepolicepension.com

Average Final Compensation (AFC): The finance department has always accepted the responsibility to complete the AFC's for members who are retiring or entering the DROP. In 2012 the Board learned that the city was using a different definition than what the ordinance said for the police plan. That has reportedly been resolved, but the Board learned that the finance department still in part manually calculates the AFC. Additionally, there is a question about how pay is factored. For example should pay be counted when it was paid or when it was earned? The finance department backs out time in the AFC if the time was earned prior to or after the average period. According to the Board Actuary, manually backing out this time could possibly negate the AFC itself. Another issue is the 300 hour overtime contribution. Is it based on the first 300 hours per calendar year, fiscal year or a continuous year like the AFC is factored?

On behalf of the Board of Trustees, I look forward to your response. If you wish to meet prior to the meeting(s) cited, kindly let me know. I could also arrange for our Board Actuary and Investment Monitor to attend as well. Thank you in advance for your time and attention in this matter of mutual concern.

Respectfully,

A handwritten signature in black ink, appearing to read "Michael West", with a stylized flourish at the end.

Michael West, Chairman
FOR THE BOARD

c: Board of Trustees
Ron Cohen, Board Attorney
Jeff Amrose, Board Actuary
John McCann, Investment Monitor
Dave Williams, Plan Administrator

Payroll Deductions for Buybacks



CITY OF SUNRISE, FLORIDA

POLICE OFFICERS' RETIREMENT PLAN



**13790 NW 4 Street, Suite 105
Sunrise, Florida 33325**

Telephone: (954) 845-0298

Fax: (954) 845-9852

March 4, 2013

Sent via E-Mail

Mayor Michael J. Ryan
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Deputy Mayor Joseph A. Scuotto
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Assistant Deputy Mayor Lawrence A. Sofield
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Commissioner Donald K. Rosen
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Dear Honorable Mayor & Commissioners:

I am writing on behalf of the Board of Trustees, City of Sunrise Police Officers' Retirement Plan. The purpose of this communication is to bring to your attention the Board's standing request to allow Members of the Plan the ability to purchase prior service through payroll deductions. Our prior request of January 3, 2013, resulted in a one line negative response from Ms. Kisslan.

The Ordinance (and State Law) currently permits Members of the Plan the ability to purchase prior police and/or military credit. All of the costs for the service credit is paid for by the Member. However, the only mechanism in place today is to purchase the service by paying in one lump sum. There has only been one member that I recall that was able to do that. So in short, we have a benefit in place that is financially prohibitive. Many cities throughout the State of Florida allow for payroll deductions. Essentially, this would allow Members the ability to payoff the cost of the service purchase over time and at full actuarial cost. I attached the initial request and response for your review. Further I have also attached a letter from the Union endorsing this effort.

In closing, The Board of Trustees would like to thank you in advance for your sincere consideration in this matter.

Respectfully,

David M. Williams, *Plan Administrator*
FOR THE BOARD

c: Board of Trustees

Please visit us at www.sunrisepolicepension.com



Ms. Kimberly Kisslan
Office of the City Attorney
10770 West Oakland Park Boulevard
Sunrise, FL 33351

Re: City of Sunrise Police Retirement Plan

We represent the City of Sunrise Police Retirement Plan. As permitted under Section 185.02, Florida Statutes, the City of Sunrise Ordinance Article II Section 11-3 allows for members of the Police Retirement Plan to purchase credit for prior police and military service. As of now, the only payment option for members purchasing prior credit is to do so through a cash lump sum payment or a direct transfer from the City's 457 Plan. The Board believes that this benefit is underutilized due to the cost-prohibitive nature of requiring lump sum payments for purchasing prior service credit. We were directed by the Board to inquire whether the City would allow for payroll deductions for active members purchasing prior service credit. Please let us know as soon as possible.

Very truly yours,

Full

Richelle Levy

cc: David Williams, Plan Administrator

Office of the City Attorney
Kimberly A. Kisslan
City Attorney



Phone: (954) 746-3300
Fax: (954) 746-3307

Thomas P. Moss
Assistant City Attorney

March 1, 2013

Richelle Levy, Esq.
Ronald J. Cohen, P.A.
Attorneys At Law
8100 Oak Lane, Suite 403
Miami Lakes, Florida 33016

Re: City of Sunrise Police Retirement Plan
§ 11-3 Buy Back and Payroll Deduction

Dear Ms. Levy:

This letter follows up on your letter dated January 3, 2013 and my prior letter acknowledging receipt of that letter.

I am advised that the City does not wish to allow payroll deductions for active members purchasing prior service at this time.

Very truly yours,

Kimberly A. Kisslan
City Attorney

cc: Alan J. Cohen, City Manager
Laura Toebe, Finance Manager

Payroll Deductions for DROP Loans



RONALD J. COHEN, P.A.

ATTORNEYS AND COUNSELORS AT LAW

09-047

January 25, 2012

Kimberly Kisslan
Office of the City Attorney
10770 West Oakland Park Boulevard
Sunrise, FL 33351

Re: City of Sunrise Police Retirement Plan

Dear Ms. Kisslan:

We represent the City of Sunrise Police Retirement Plan. The Board of Trustees is considering offering its members the benefit of DROP loans similar to what the City offers under its IRC Sec. 457 plan. We were directed by the Board to inquire whether the City would allow the Police Plan the same repayment method as the City Plan employs and allow for payroll deductions for active members with outstanding DROP loans. Please let us know as soon as possible.

Very truly yours,

Richelle Levy, Esq.

09-047

Office of the City Attorney
Kimberly A. Kisslan
City Attorney



Phone: (954) 746-3300
Fax: (954) 746-3307

Thomas P. Moss
Assistant City Attorney

February 21, 2012

Richelle Levy, Esq.
Ronald J. Cohen, P.A.
8100 Oak Lane, Suite 403
Miami Lakes, Florida 33016

Re: City of Sunrise Police Retirement Plan

Dear Ms. Levy,

I have received and thank you for your letter dated January 25, 2012. I have forwarded your letter to appropriate City representatives. At this time, I have been instructed to advise you that the City is not inclined to allow payroll deductions for employees with outstanding DROP loans.

Very truly yours,

CITY OF SUNRISE

Kimberly A. Kisslan
City Attorney

Real Estate Investing



RONALD J. COHEN, P.A.

ATTORNEYS AND COUNSELORS AT LAW

October 10, 2012

RECEIVED

OCT 15 2012

Sunrise Police Retirement Plan

Kimberly Kisslan
Office of the City Attorney
10770 West Oakland Park Boulevard
Sunrise, FL 33351

Re: City of Sunrise Police Retirement Plan

Dear Ms. Kisslan:

We represent the City of Sunrise Police Retirement Plan. The Board of Trustees for this plan devote much of their time and energy on investments of the plan assets. They have engaged fund professionals in the form of investment managers and an investment consultant who makes recommendations as to the types of investments and managers. It has been recommended to the Board of Trustees by the Plan's independent investment consultant, Thistle Asset Management, that the Plan invest in real estate. I am enclosing a letter from John McCann of Thistle Asset Management explaining the basis for this recommendation. Currently, the ordinance does not allow for investment in real estate and would need to be amended to all for such. I have enclosed a proposed ordinance amendment for your consideration. Please feel free to contact me to discuss further.

Very truly yours,

Richelle Levy

cc: David Williams, Plan Administrator

P:\Documents\2009\09-047\Correspondence\real estate investments ltr to Kisslan.docx

SUNRISE, FLORIDA
ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF SUNRISE,
FLORIDA, AMENDING CHAPTER 11, ARTICLE 11,
SECTION 11-15, INVESTMENT POLICY; PROVIDING
FOR CONFLICT; PROVIDING FOR SEVERABILITY;
PROVIDING FOR INCLUSION IN THE CITY CODE;
AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Board of Trustees of the City of Sunrise Police Officers' Retirement Plan has recommended an amendment to Chapter 11 of the City Code to allow the Plan to invest in real estate;

NOW, THEREFORE BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF SUNRISE , FLORIDA;

Section 1. That section 11-15 of the Code of the City of Sunrise, Florida is hereby amended to read as follows:

Sec. 11-15. - Investment policy.

- (a) Trust funds may be invested in:

(6) Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; open and closed end partnerships and interests in collective investment funds.

Section 2. Conflict. All ordinances or parts of ordinances, all City Code Sections or parts of City Code Sections, and all resolutions or parts of resolutions in conflict with this ordinance are hereby repealed to the extent of such conflict.

Section 3. Severability. Should any provision of this Ordinance be declared by a court of competent jurisdiction to be invalid, the same shall not affect the validity of the Ordinance as a whole, nor any part thereof, other than the part declared to be invalid.

Section 4. Inclusion in the City Code. It is the intention of the City Commission, and it is hereby ordained that the provisions of this Ordinance shall become and be made a part of the Code of the City of Sunrise, Florida.

Section 5. Effective Date. This Ordinance shall be effective immediately upon its passage.

PASSED AND ADOPTED upon this first reading the ____ Day of _____, 2012.

PASSED AND ADOPTED upon this second reading the ____ Day of _____, 2012.



August 24, 2012

Board of Trustees
Sunrise Police Retirement Plan
13790 NW 4 Street, Suite 105
Sunrise, FL 33325

Board of Trustees:

Thistle Asset Consulting is recommending an allocation to Real Estate for the Sunrise Police Retirement Plan.

Enclosed with this letter is an asset allocation showing the impact of taking 10% of the fund assets from fixed income and allocating it to Real Estate. All the important information is contained on page 6. You can see near the bottom of the page, the current policy has an expected return of 8.16% with a standard deviation (risk or volatility) of 10.73%. By taking 10% from fixed income and allocating to Real Estate, the return expectation increases to 8.52% while the standard deviation increases to 11.08%.

Furthermore, in this low interest rate environment, investing a portion of the plan assets in Real Estate should increase the cash yield as well as provide some protection against potential future inflation.

Sincerely,

A handwritten signature in black ink, appearing to read "Brendon Vavrica".

Brendon Vavrica, CFP®

Asset Allocation Analysis

August 24, 2012

Asset Allocation Analysis
for
Sunrise Police
by
Thistle Asset Consulting

Asset Allocation Analysis

Scenario Assumptions

August 24, 2012

Sunrise Police

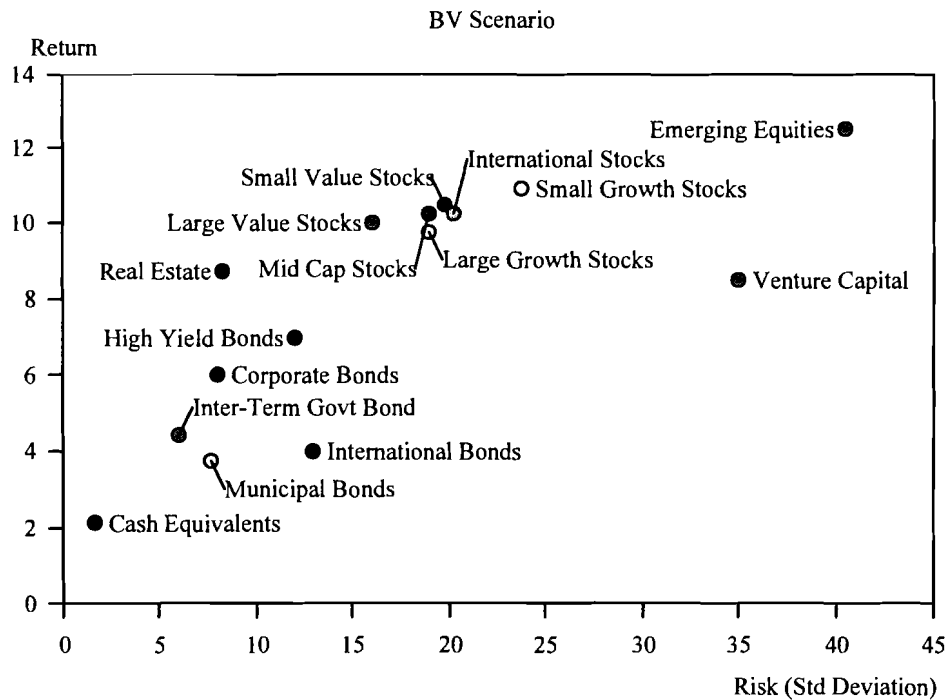
BV Scenario

Asset Class	Proxy	Return	Risk	Yield
Cash Equivalents	FED 3-Mo T-Bill (S)	2.10%	1.75%	2.10%
Inter-Term Govt Bond	CITI Treas/Agy 1-10y	4.40	6.00	4.40
Municipal Bonds	BarCap MunicipalBond	3.75	7.75	3.75
Corporate Bonds	BarCap Credit Bond	6.00	8.00	6.00
High Yield Bonds	BarCap High Yield	7.00	12.00	9.10
Large Value Stocks	RUSS 1000 Value	10.00	16.00	2.20
Large Growth Stocks	RUSS 1000 Growth	9.75	19.00	1.55
Small Value Stocks	RUSS 2000 Value	10.50	19.75	2.15
Small Growth Stocks	RUSS 2000 Growth	10.95	23.75	1.50
Mid Cap Stocks	RUSS MidCap Index	10.25	19.00	1.90
Real Estate	Wilshire RESI	8.75	8.25	6.65
Venture Capital	CAMB US Venture Cap	8.50	35.00	0.00
International Stocks	MSCI EAFE Index-\$	10.25	20.25	1.70
International Bonds	CITI World Bnd-All \$	4.00	13.00	4.00
Emerging Equities	MSCI Emerg Free-\$	12.50	40.50	0.75
Inflation		2.50		

Scenario Assumptions

August 24, 2012

Sunrise Police



Asset Allocation Analysis

Scenario Correlation Matrix

August 24, 2012

Sunrise Police

Asset Class	BV Scenario										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Cash Equivalents	1.00	0.14	0.00	0.06	0.02	0.15	0.13	0.10	0.08	0.11	0.03
(2) Inter-Term Govt Bond	0.14	1.00	0.72	0.91	0.10	-0.06	-0.11	-0.12	-0.18	-0.09	-0.02
(3) Municipal Bonds	0.00	0.72	1.00	0.72	0.17	0.11	0.07	0.04	0.00	0.09	0.09
(4) Corporate Bonds	0.06	0.91	0.72	1.00	0.22	0.14	0.10	0.06	0.01	0.12	0.12
(5) High Yield Bonds	0.02	0.10	0.17	0.22	1.00	0.53	0.53	0.45	0.45	0.52	0.35
(6) Large Value Stocks	0.15	-0.06	0.11	0.14	0.53	1.00	0.95	0.81	0.82	0.93	0.60
(7) Large Growth Stocks	0.13	-0.11	0.07	0.10	0.53	0.95	1.00	0.82	0.83	0.93	0.60
(8) Small Value Stocks	0.10	-0.12	0.04	0.06	0.45	0.81	0.82	1.00	0.72	0.80	0.51
(9) Small Growth Stocks	0.08	-0.18	0.00	0.01	0.45	0.82	0.83	0.72	1.00	0.81	0.52
(10) Mid Cap Stocks	0.11	-0.09	0.09	0.12	0.52	0.93	0.93	0.80	0.81	1.00	0.59
(11) Real Estate	0.03	-0.02	0.09	0.12	0.35	0.60	0.60	0.51	0.52	0.59	1.00
(12) Venture Capital	0.11	-0.27	-0.15	-0.18	0.20	0.42	0.44	0.38	0.40	0.42	0.26
(13) International Stocks	0.08	-0.05	0.07	0.10	0.37	0.65	0.65	0.56	0.57	0.64	0.41
(14) International Bonds	0.04	0.61	0.45	0.57	0.07	-0.03	-0.06	-0.07	-0.10	-0.04	0.00
(15) Emerging Equities	0.09	-0.21	-0.05	-0.06	0.37	0.69	0.70	0.61	0.62	0.68	0.43

Asset Allocation Analysis

Scenario Correlation Matrix

August 24, 2012

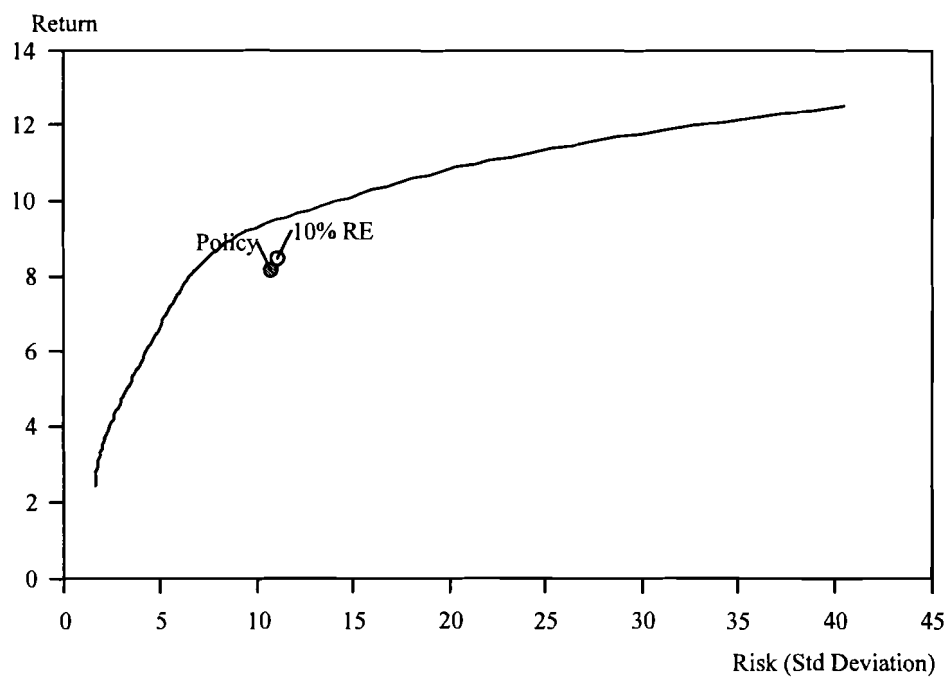
Sunrise Police

Asset Class	BV Scenario			
	(12)	(13)	(14)	(15)
(1) Cash Equivalents	0.11	0.08	0.04	0.09
(2) Inter-Term Govt Bond	-0.27	-0.05	0.61	-0.21
(3) Municipal Bonds	-0.15	0.07	0.45	-0.05
(4) Corporate Bonds	-0.18	0.10	0.57	-0.06
(5) High Yield Bonds	0.20	0.37	0.07	0.37
(6) Large Value Stocks	0.42	0.65	-0.03	0.69
(7) Large Growth Stocks	0.44	0.65	-0.06	0.70
(8) Small Value Stocks	0.38	0.56	-0.07	0.61
(9) Small Growth Stocks	0.40	0.57	-0.10	0.62
(10) Mid Cap Stocks	0.42	0.64	-0.04	0.68
(11) Real Estate	0.26	0.41	0.00	0.43
(12) Venture Capital	1.00	0.29	-0.17	0.35
(13) International Stocks	0.29	1.00	-0.02	0.47
(14) International Bonds	-0.17	-0.02	1.00	-0.12
(15) Emerging Equities	0.35	0.47	-0.12	1.00

Efficient Frontier

August 24, 2012

Sunrise Police



	Return	Risk		Return	Risk
Policy	8.16%	10.73%	10% RE	8.52%	11.08%

Asset Allocation Analysis

Investment Alternatives

August 24, 2012

Sunrise Police

<u>Asset Class</u>	<u>Policy</u>	<u>10% RE</u>
Cash Equivalents	0.00%	0.00%
Inter-Term Govt Bond	20.00	15.00
Municipal Bonds	0.00	0.00
Corporate Bonds	20.00	15.00
High Yield Bonds	0.00	0.00
Large Value Stocks	15.50	15.50
Large Growth Stocks	15.50	15.50
Small Value Stocks	5.00	5.00
Small Growth Stocks	5.00	5.00
Mid Cap Stocks	10.00	10.00
Real Estate	0.00	10.00
Venture Capital	0.00	0.00
International Stocks	9.00	9.00
International Bonds	0.00	0.00
Emerging Equities	0.00	0.00
Return	8.16%	8.52%
Std Deviation	10.73%	11.08%
Yield	3.19%	3.33%
Sharpe Ratio	0.53	0.54

Asset Allocation Analysis

Target Returns

August 24, 2012

Sunrise Police

Probability of Exceeding Target Return					
	Year 1	Year 20	Year 25	Year 30	Year 40
Target Return 7.80%					
Policy	49.37%	47.20%	46.87%	46.57%	46.04%
10% RE	50.56	52.51	52.80	53.07	53.54
Target Return 8.30%					
Policy	47.51	39.00	37.74	36.62	34.64
10% RE	48.75	44.42	43.77	43.18	42.14
Target Return 8.80%					
Policy	45.66	31.30	29.29	27.53	24.53
10% RE	46.95	36.60	35.09	33.75	31.41

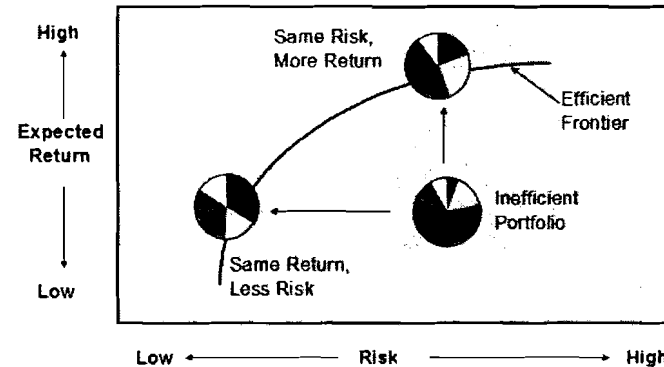
The Efficient Frontier

August 24, 2012

Sunrise Police

The Efficient Frontier traces out the portfolios that offer the greatest amount of return for given levels of risk. All portfolios on the frontier are efficient and selection of the proper portfolio depends upon the investor's goals and tolerance for risk.

The diagram below illustrates the concept of efficiency. The "Inefficient Portfolio" does not lie on the frontier because an alternate portfolio can be found that offers more return for the same amount of risk. A second portfolio can be found that offers the same return, but less risk. Both of these "efficient" portfolios are more desirable to investors trying to maximize return and minimize risk.



When calculating the efficient frontier, multiple factors are considered:

- Market expectations for return, risk and correlation of assets
- Constraints limiting investment in particular asset classes
- Your tax rates

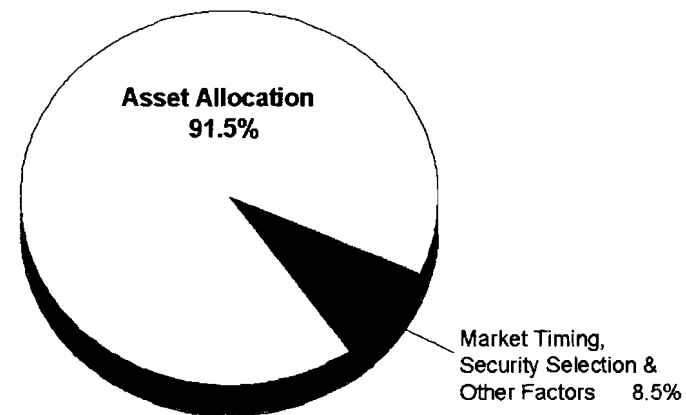
Portfolio optimization is a mathematical technique for finding the portfolios that lie along the efficient frontier. These ideas were developed by Dr. Harry Markowitz and earned him a Nobel Prize in Economics in 1990. These theories are collectively known as Modern Portfolio Theory.

Importance of Asset Allocation

August 24, 2012

Sunrise Police

Asset allocation policy is the main determinant of total return.



A 1991 study by Brinson, Singer and Beebower investigated the determinants of portfolio performance.¹ By studying the quarterly returns of 82 pension plans over a 10-year period, they concluded that:

- The selection which asset classes to invest in and how much to invest in each explained 91.5% of the variation in the plan's returns.
- Market timing, security selection and other factors combined accounted for only 8.5% of the differences in returns.

¹ Brinson, G.P., Singer, B.D. and G.L. Beebower, "Determinants of Portfolio Performance II: An Update", Financial Analysts Journal, May-June 1991.

Office of the City Attorney
Kimberly A. Kisslan
City Attorney



Phone: (954) 746-3300
Fax: (954) 746-3307

Thomas P. Moss
Assistant City Attorney

November 5, 2012

Richelle Levy, Esq.
Ronald J. Cohen, P.A. Attorneys At Law
8100 Oak Lane, Suite 403
Miami Lakes, Florida 33016

COPY

Re: City of Sunrise Police Retirement Plan

Dear Ms. Levy:

I have received and thank you for your October 10, 2012 letter requesting an amendment to the pension ordinance to allow investment in real estate.

I have been advised that the City does not want to allow this type of investment.

Very truly yours,

Kimberly A. Kisslan

cc: Richard Salamon, Interim City Manager



CITY OF SUNRISE, FLORIDA

POLICE OFFICERS' RETIREMENT PLAN



**13790 NW 4 Street, Suite 105
Sunrise, Florida 33325**

Telephone: (954) 845-0298

Fax: (954) 845-9852

March 18, 2013

Sent via E-Mail

Mayor Michael J. Ryan
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Deputy Mayor Joseph A. Scuotto
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Assistant Deputy Mayor Lawrence A. Sofield
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Commissioner Donald K. Rosen
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Commissioner Neil Kerch
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Dear Honorable Mayor & Commissioners:

I am writing on behalf of the Board of Trustees, City of Sunrise Police Officers' Retirement Plan. The purpose of this communication is to bring to your attention the Board's standing request to include real estate in our investment portfolio. Our prior request of October 10, 2012, resulted in a one line negative response from Ms. Kisslan.

I feel certain you know that real estate investments are commonplace in public funds such as ours. The Board of Trustees feels that it would be a prudent investment, and would supplement our fixed income return.

Our current ordinance (created in the 1980's) does not permit such an allocation, and the Board is formally requesting the Commission to consider this matter. The Board would like to be able to invest 10-15% of the fixed income portion of the portfolio in this investment vehicle. I have attached the original request (and back-up) that was transmitted to Ms. Kisslan. Further I have attached an updated asset allocation dated February 14, 2013 and a letter from Mr. McCann, Plan Performance Monitor of Thistle Asset Consulting. Mr. McCann indicated that he would be pleased to appear before the Commission to discuss his report in detail.

In the best interest of "the Plan" and "the Plan Sponsor" the Board of Trustees would like to thank you for your sincere consideration.

Respectfully,

David M. Williams, *Plan Administrator*
FOR THE BOARD

c: Board of Trustees

Please visit us at www.sunrisepolicepension.com

Office of the City Attorney
Kimberly A. Kisslan
City Attorney



Phone: (954) 746-3300
Fax: (954) 746-3307

Thomas P. Moss
Assistant City Attorney

November 5, 2012

Richelle Levy, Esq.
Ronald J. Cohen, P.A. Attorneys At Law
8100 Oak Lane, Suite 403
Miami Lakes, Florida 33016

COPY

Re: City of Sunrise Police Retirement Plan

Dear Ms. Levy:

I have received and thank you for your October 10, 2012 letter requesting an amendment to the pension ordinance to allow investment in real estate.

I have been advised that the City does not want to allow this type of investment.

Very truly yours,

Kimberly A. Kisslan

cc: Richard Salamon, Interim City Manager



RONALD J. COHEN, P.A.

ATTORNEYS AND COUNSELORS AT LAW



October 10, 2012

Kimberly Kisslan
Office of the City Attorney
10770 West Oakland Park Boulevard
Sunrise, FL 33351

Re: City of Sunrise Police Retirement Plan

Dear Ms. Kisslan:

We represent the City of Sunrise Police Retirement Plan. The Board of Trustees for this plan devote much of their time and energy on investments of the plan assets. They have engaged fund professionals in the form of investment managers and an investment consultant who makes recommendations as to the types of investments and managers. It has been recommended to the Board of Trustees by the Plan's independent investment consultant, Thistle Asset Management, that the Plan invest in real estate. I am enclosing a letter from John McCann of Thistle Asset Management explaining the basis for this recommendation. Currently, the ordinance does not allow for investment in real estate and would need to be amended to all for such. I have enclosed a proposed ordinance amendment for your consideration. Please feel free to contact me to discuss further.

Very truly yours,

Richelle Levy

cc: David Williams, Plan Administrator

P:\Documents\2009\09-047\Correspondence\real estate investments ltr to Kisslan.docx

SUNRISE, FLORIDA
ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF SUNRISE,
FLORIDA, AMENDING CHAPTER 11, ARTICLE 11,
SECTION 11-15, INVESTMENT POLICY; PROVIDING
FOR CONFLICT; PROVIDING FOR SEVERABILITY;
PROVIDING FOR INCLUSION IN THE CITY CODE;
AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Board of Trustees of the City of Sunrise Police Officers' Retirement Plan has recommended an amendment to Chapter 11 of the City Code to allow the Plan to invest in real estate;

NOW, THEREFORE BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF SUNRISE , FLORIDA;

Section 1. That section 11-15 of the Code of the City of Sunrise, Florida is hereby amended to read as follows:

Sec. 11-15. - Investment policy.

- (a) Trust funds may be invested in:

(6) Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; open and closed end partnerships and interests in collective investment funds.

Section 2. Conflict. All ordinances or parts of ordinances, all City Code Sections or parts of City Code Sections, and all resolutions or parts of resolutions in conflict with this ordinance are hereby repealed to the extent of such conflict.

Section 3. Severability. Should any provision of this Ordinance be declared by a court of competent jurisdiction to be invalid, the same shall not affect the validity of the Ordinance as a whole, nor any part thereof, other than the part declared to be invalid.

Section 4. Inclusion in the City Code. It is the intention of the City Commission, and it is hereby ordained that the provisions of this Ordinance shall become and be made a part of the Code of the City of Sunrise, Florida.

Section 5. Effective Date. This Ordinance shall be effective immediately upon its passage.

PASSED AND ADOPTED upon this first reading **the** ____ Day of _____, 2012.

PASSED AND ADOPTED upon this second reading the ____ Day of _____, 2012.



August 24, 2012

Board of Trustees
Sunrise Police Retirement Plan
13790 NW 4 Street, Suite 105
Sunrise, FL 33325

Board of Trustees:

Thistle Asset Consulting is recommending an allocation to Real Estate for the Sunrise Police Retirement Plan.

Enclosed with this letter is an asset allocation showing the impact of taking 10% of the fund assets from fixed income and allocating it to Real Estate. All the important information is contained on page 6. You can see near the bottom of the page, the current policy has an expected return of 8.16% with a standard deviation (risk or volatility) of 10.73%. By taking 10% from fixed income and allocating to Real Estate, the return expectation increases to 8.52% while the standard deviation increases to 11.08%.

Furthermore, in this low interest rate environment, investing a portion of the plan assets in Real Estate should increase the cash yield as well as provide some protection against potential future inflation.

Sincerely,

A handwritten signature in black ink, appearing to read "Brendon Vavrica", is written over a horizontal line.

Brendon Vavrica, CFP®

Asset Allocation Analysis

August 24, 2012

Asset Allocation Analysis
for
Sunrise Police
by
Thistle Asset Consulting

Asset Allocation Analysis

Scenario Assumptions

August 24, 2012

Sunrise Police

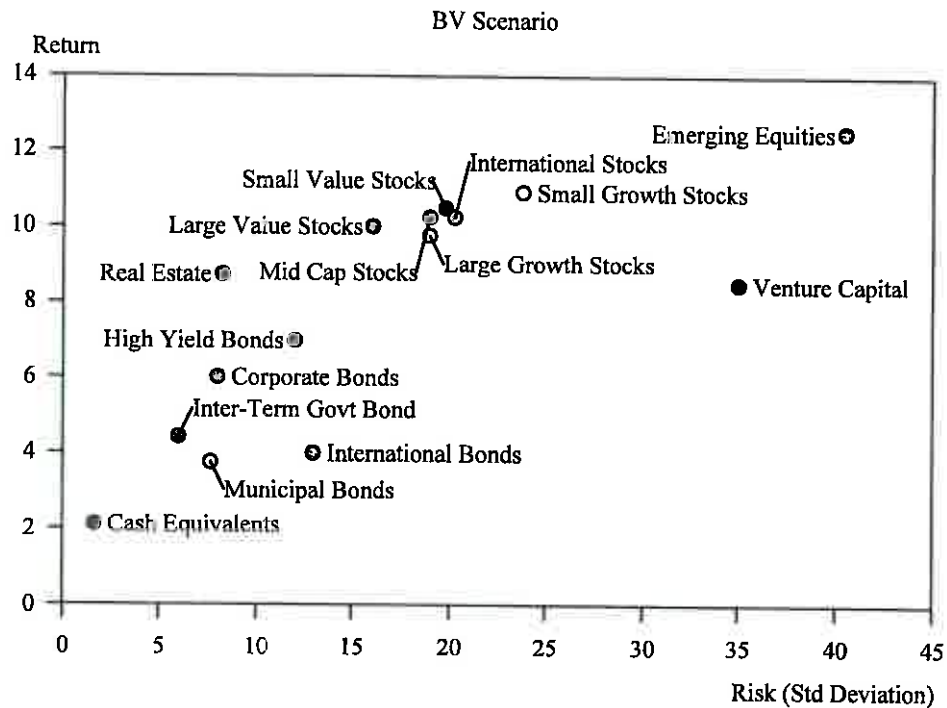
BV Scenario

Asset Class	Proxy	Return	Risk	Yield
Cash Equivalents	FED 3-Mo T-Bill (\$)	2.10%	1.75%	2.10%
Inter-Term Govt Bond	CITI Treas/Agy 1-10y	4.40	6.00	4.40
Municipal Bonds	BarCap MunicipalBond	3.75	7.75	3.75
Corporate Bonds	BarCap Credit Bond	6.00	8.00	6.00
High Yield Bonds	BarCap High Yield	7.00	12.00	9.10
Large Value Stocks	RUSS 1000 Value	10.00	16.00	2.20
Large Growth Stocks	RUSS 1000 Growth	9.75	19.00	1.55
Small Value Stocks	RUSS 2000 Value	10.50	19.75	2.15
Small Growth Stocks	RUSS 2000 Growth	10.95	23.75	1.50
Mid Cap Stocks	RUSS MidCap Index	10.25	19.00	1.90
Real Estate	Wilshire RESI	8.75	8.25	6.65
Venture Capital	CAMB US Venture Cap	8.50	35.00	0.00
International Stocks	MSCI EAFE Index-\$	10.25	20.25	1.70
International Bonds	CITI World Bnd-All \$	4.00	13.00	4.00
Emerging Equities	MSCI Emerg Free-\$	12.50	40.50	0.75
Inflation		2.50		

Scenario Assumptions

August 24, 2012

Sunrise Police



Asset Allocation Analysis

Scenario Correlation Matrix

August 24, 2012

Sunrise Police

Asset Class	BV Scenario										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Cash Equivalents	1.00	0.14	0.00	0.06	0.02	0.15	0.13	0.10	0.08	0.11	0.03
(2) Inter-Term Govt Bond	0.14	1.00	0.72	0.91	0.10	-0.06	-0.11	-0.12	-0.18	-0.09	-0.02
(3) Municipal Bonds	0.00	0.72	1.00	0.72	0.17	0.11	0.07	0.04	0.00	0.09	0.09
(4) Corporate Bonds	0.06	0.91	0.72	1.00	0.22	0.14	0.10	0.06	0.01	0.12	0.12
(5) High Yield Bonds	0.02	0.10	0.17	0.22	1.00	0.53	0.53	0.45	0.45	0.52	0.35
(6) Large Value Stocks	0.15	-0.06	0.11	0.14	0.53	1.00	0.95	0.81	0.82	0.93	0.60
(7) Large Growth Stocks	0.13	-0.11	0.07	0.10	0.53	0.95	1.00	0.82	0.83	0.93	0.60
(8) Small Value Stocks	0.10	-0.12	0.04	0.06	0.45	0.81	0.82	1.00	0.72	0.80	0.51
(9) Small Growth Stocks	0.08	-0.18	0.00	0.01	0.45	0.82	0.83	0.72	1.00	0.81	0.52
(10) Mid Cap Stocks	0.11	-0.09	0.09	0.12	0.52	0.93	0.93	0.80	0.81	1.00	0.59
(11) Real Estate	0.03	-0.02	0.09	0.12	0.35	0.60	0.60	0.51	0.52	0.59	1.00
(12) Venture Capital	0.11	-0.27	-0.15	-0.18	0.20	0.42	0.44	0.38	0.40	0.42	0.26
(13) International Stocks	0.08	-0.05	0.07	0.10	0.37	0.65	0.65	0.56	0.57	0.64	0.41
(14) International Bonds	0.04	0.61	0.45	0.57	0.07	-0.03	-0.06	-0.07	-0.10	-0.04	0.00
(15) Emerging Equities	0.09	-0.21	-0.05	-0.06	0.37	0.69	0.70	0.61	0.62	0.68	0.43

Asset Allocation Analysis

Scenario Correlation Matrix

August 24, 2012

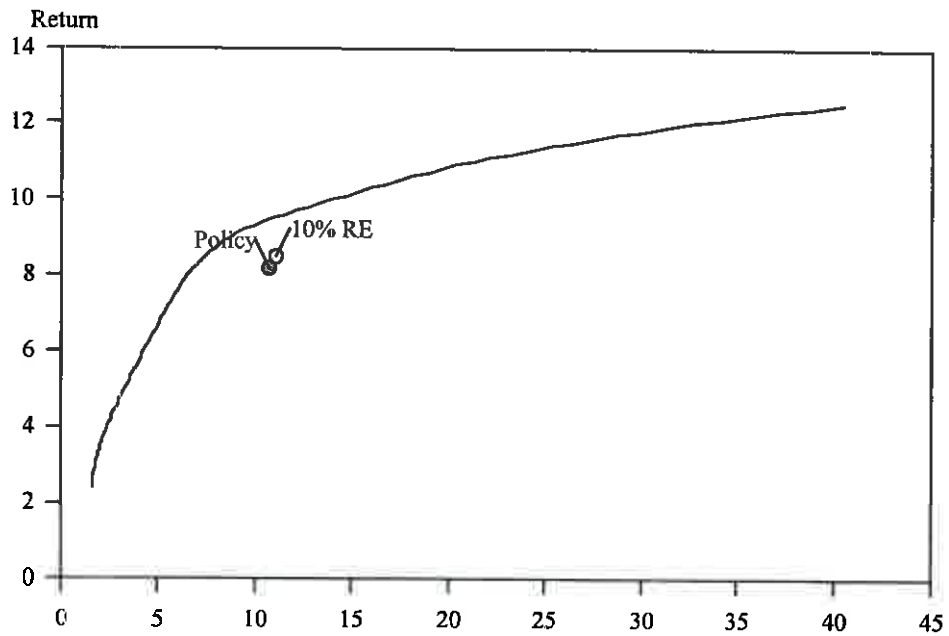
Sunrise Police

Asset Class	BV Scenario			
	(12)	(13)	(14)	(15)
(1) Cash Equivalents	0.11	0.08	0.04	0.09
(2) Inter-Term Govt Bond	-0.27	-0.05	0.61	-0.21
(3) Municipal Bonds	-0.15	0.07	0.45	-0.05
(4) Corporate Bonds	-0.18	0.10	0.57	-0.06
(5) High Yield Bonds	0.20	0.37	0.07	0.37
(6) Large Value Stocks	0.42	0.65	-0.03	0.69
(7) Large Growth Stocks	0.44	0.65	-0.06	0.70
(8) Small Value Stocks	0.38	0.56	-0.07	0.61
(9) Small Growth Stocks	0.40	0.57	-0.10	0.62
(10) Mid Cap Stocks	0.42	0.64	-0.04	0.68
(11) Real Estate	0.26	0.41	0.00	0.43
(12) Venture Capital	1.00	0.29	-0.17	0.35
(13) International Stocks	0.29	1.00	-0.02	0.47
(14) International Bonds	-0.17	-0.02	1.00	-0.12
(15) Emerging Equities	0.35	0.47	-0.12	1.00

Efficient Frontier

August 24, 2012

Sunrise Police



	Return		Risk (Std Deviation)	
	Risk		Risk	
Policy	8.16%	10.73%	10% RE	8.52%
				11.08%

Asset Allocation Analysis

Investment Alternatives

August 24, 2012

Sunrise Police

<u>Asset Class</u>	<u>Policy</u>	<u>10% RE</u>
Cash Equivalents	0.00%	0.00%
Inter-Term Govt Bond	20.00	15.00
Municipal Bonds	0.00	0.00
Corporate Bonds	20.00	15.00
High Yield Bonds	0.00	0.00
Large Value Stocks	15.50	15.50
Large Growth Stocks	15.50	15.50
Small Value Stocks	5.00	5.00
Small Growth Stocks	5.00	5.00
Mid Cap Stocks	10.00	10.00
Real Estate	0.00	10.00
Venture Capital	0.00	0.00
International Stocks	9.00	9.00
International Bonds	0.00	0.00
Emerging Equities	0.00	0.00
Return	8.16%	8.52%
Std Deviation	10.73%	11.08%
Yield	3.19%	3.33%
Sharpe Ratio	0.53	0.54

Asset Allocation Analysis

Target Returns

August 24, 2012

Sunrise Police

	Probability of Exceeding Target Return				
	Year 1	Year 20	Year 25	Year 30	Year 40
Target Return 7.80%					
Policy	49.37%	47.20%	46.87%	46.57%	46.04%
10% RE	50.56	52.51	52.80	53.07	53.54
Target Return 8.30%					
Policy	47.51	39.00	37.74	36.62	34.64
10% RE	48.75	44.42	43.77	43.18	42.14
Target Return 8.80%					
Policy	45.66	31.30	29.29	27.53	24.53
10% RE	46.95	36.60	35.09	33.75	31.41

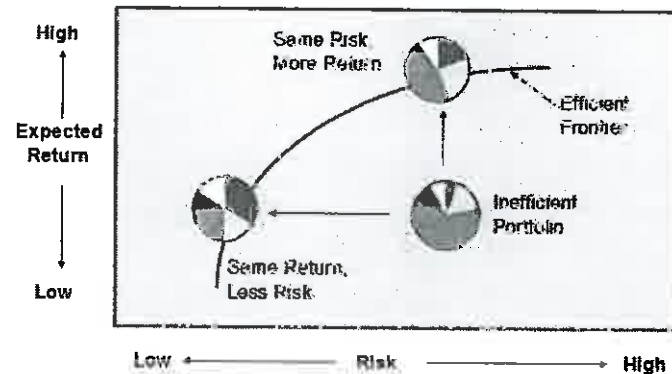
The Efficient Frontier

August 24, 2012

Sunrise Police

The Efficient Frontier traces out the portfolios that offer the greatest amount of return for given levels of risk. All portfolios on the frontier are efficient and selection of the proper portfolio depends upon the investor's goals and tolerance for risk.

The diagram below illustrates the concept of efficiency. The "Inefficient Portfolio" does not lie on the frontier because an alternate portfolio can be found that offers more return for the same amount of risk. A second portfolio can be found that offers the same return, but less risk. Both of these "efficient" portfolios are more desirable to investors trying to maximize return and minimize risk.



When calculating the efficient frontier, multiple factors are considered:

- Market expectations for return, risk and correlation of assets
- Constraints limiting investment in particular asset classes
- Your tax rates

Portfolio optimization is a mathematical technique for finding the portfolios that lie along the efficient frontier. These ideas were developed by Dr. Harry Markowitz and earned him a Nobel Prize in Economics in 1990. These theories are collectively known as Modern Portfolio Theory.

Importance of Asset Allocation

August 24, 2012

Sunrise Police

Asset allocation policy is the main determinant of total return.



A 1991 study by Brinson, Singer and Beebower investigated the determinants of portfolio performance.¹ By studying the quarterly returns of 82 pension plans over a 10-year period, they concluded that:

- The selection which asset classes to invest in and how much to invest in each explained 91.5% of the variation in the plan's returns.
- Market timing, security selection and other factors combined accounted for only 8.5% of the differences in returns.

¹ Brinson, G.P., Singer, B.D. and G.L. Beebower, "Determinants of Portfolio Performance II: An Update", Financial Analysts Journal, May-June 1991.



February 14, 2013

To Whom It May Concern:

Thistle Asset Consulting is the Consultant to the Board of the Sunrise Police Pension Plan. Interest rates are at historically low levels, and are likely to begin rising sometime in the relatively near future. With such low yields, and the prospect of rising rates potentially leading to negative returns, we have been recommending real estate portfolios (diversified commercial real estate) as a viable alternative to fixed income investing. Usually investing between 10% to 15% in real estate coming from the fixed income allocation. There are two main components to real estate returns. First is the appreciation of the property which is typically 1-4% annually but could be lower or much higher in an inflationary environment. The second, and more significant component, is the income generated which is normally between 5% and 8% per year. We recommend taking the income out every quarter, i.e. not reinvesting, as this would be used to pay benefits and expenses. It creates a realized gain and is similar to the interest that was earned by the bonds, although approximately three times larger in this interest rate environment. We have 12 of our clients (out of 35) with a real estate allocation, example: Hollywood Police, Miami Beach Fire & Police, Palm Beach Gardens Police, North Palm Beach Fire & Police, North Miami Police etc.

We believe this type of investment is very necessary to the well-being and funding of the Plan. We believe that not being allowed to make such an investment is tying the hands of the Board and jeopardizing their fiduciary responsibility to the Plan.

Attached to this document is an Asset Allocation. Page 6 shows that the projected return increases from 8.50% now to 9.07% and the risk decreases from 10.69% to 10.62%.

I would be happy to discuss this matter with anyone at the City of Sunrise or to make a short presentation to the City Commission if that would be helpful.

Sincerely,

John McCann, CIMA

Consultant

February 14, 2013

Asset Allocation Analysis
for
Sunrise Police
by
Thistle Asset Consulting

Scenario Assumptions

February 14, 2013

Sunrise Police

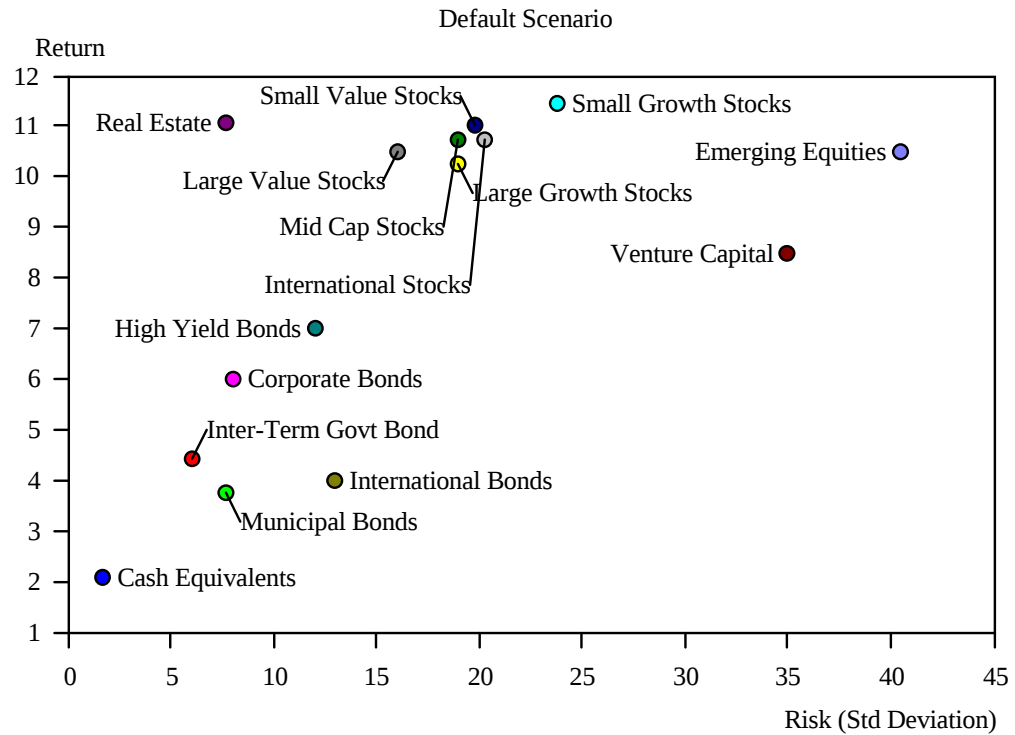
Default Scenario

Asset Class	Proxy	Return	Risk	Yield
Cash Equivalents	FED 3-Mo T-Bill (S)	2.10%	1.75%	2.10%
Inter-Term Govt Bond	CITI Treas/Agy 1-10y	4.40	6.00	2.00
Municipal Bonds	BarCap MunicipalBond	3.75	7.75	3.75
Corporate Bonds	BarCap Credit Bond	6.00	8.00	3.00
High Yield Bonds	BarCap High Yield	7.00	12.00	9.10
Large Value Stocks	RUSS 1000 Value	10.50	16.00	2.20
Large Growth Stocks	RUSS 1000 Growth	10.25	19.00	1.55
Small Value Stocks	RUSS 2000 Value	11.00	19.75	2.15
Small Growth Stocks	RUSS 2000 Growth	11.45	23.75	1.50
Mid Cap Stocks	RUSS MidCap Index	10.75	19.00	1.90
Real Estate	NCRF Property Index	11.08	7.72	6.00
Venture Capital	CAMB US Venture Cap	8.50	35.00	0.00
International Stocks	MSCI EAFE Index-\$	10.75	20.25	1.70
International Bonds	CITI World Bnd-All \$	4.00	13.00	4.00
Emerging Equities	MSCI Emerg Free-\$	10.50	40.50	0.75
Inflation		2.50		

Scenario Assumptions

February 14, 2013

Sunrise Police



Asset Allocation Analysis

Scenario Correlation Matrix

February 14, 2013

Sunrise Police

Asset Class	Default Scenario										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) Cash Equivalents	1.00	0.14	0.00	0.06	0.02	0.15	0.13	0.10	0.08	0.11	0.31
(2) Inter-Term Govt Bond	0.14	1.00	0.72	0.91	0.10	-0.06	-0.11	-0.12	-0.18	-0.09	-0.11
(3) Municipal Bonds	0.00	0.72	1.00	0.72	0.17	0.11	0.07	0.04	0.00	0.09	-0.10
(4) Corporate Bonds	0.06	0.91	0.72	1.00	0.22	0.14	0.10	0.06	0.01	0.12	-0.10
(5) High Yield Bonds	0.02	0.10	0.17	0.22	1.00	0.53	0.53	0.45	0.45	0.52	0.05
(6) Large Value Stocks	0.15	-0.06	0.11	0.14	0.53	1.00	0.95	0.81	0.82	0.93	0.16
(7) Large Growth Stocks	0.13	-0.11	0.07	0.10	0.53	0.95	1.00	0.82	0.83	0.93	0.17
(8) Small Value Stocks	0.10	-0.12	0.04	0.06	0.45	0.81	0.82	1.00	0.72	0.80	0.14
(9) Small Growth Stocks	0.08	-0.18	0.00	0.01	0.45	0.82	0.83	0.72	1.00	0.81	0.14
(10) Mid Cap Stocks	0.11	-0.09	0.09	0.12	0.52	0.93	0.93	0.80	0.81	1.00	0.15
(11) Real Estate	0.31	-0.11	-0.10	-0.10	0.05	0.16	0.17	0.14	0.14	0.15	1.00
(12) Venture Capital	0.11	-0.27	-0.15	-0.18	0.20	0.42	0.44	0.38	0.40	0.42	0.13
(13) International Stocks	0.08	-0.05	0.07	0.10	0.37	0.65	0.65	0.56	0.57	0.64	0.11
(14) International Bonds	0.04	0.61	0.45	0.57	0.07	-0.03	-0.06	-0.07	-0.10	-0.04	-0.08
(15) Emerging Equities	0.09	-0.21	-0.05	-0.06	0.37	0.69	0.70	0.61	0.62	0.68	0.14

Asset Allocation Analysis

Scenario Correlation Matrix

February 14, 2013

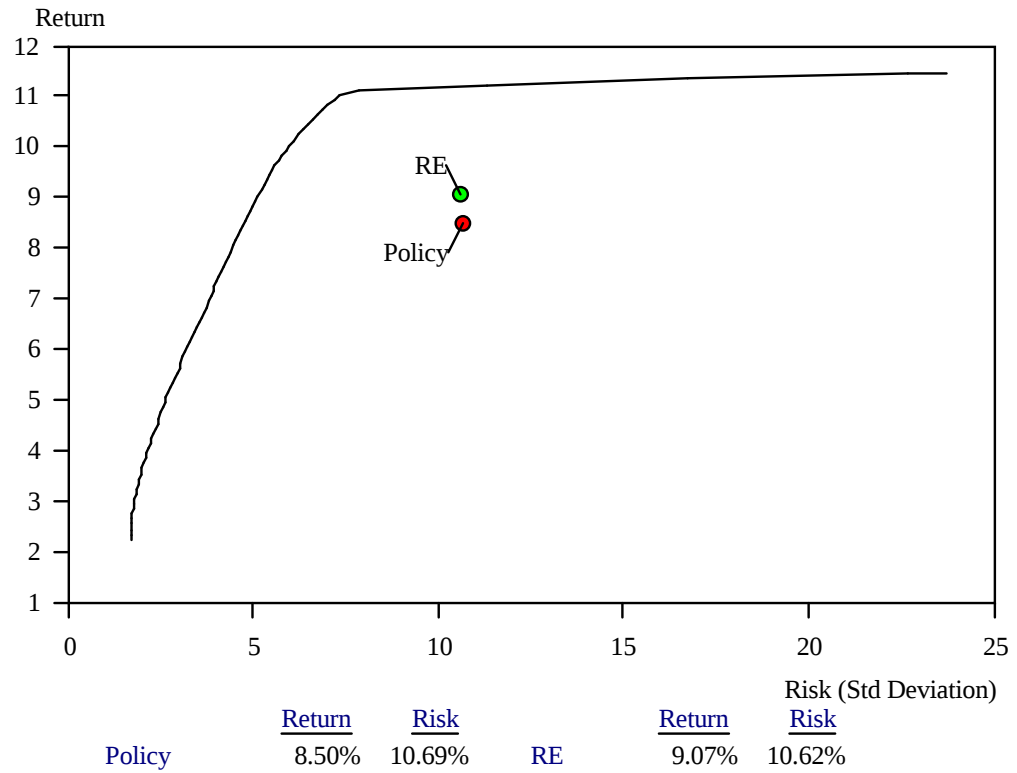
Sunrise Police

Asset Class	(12)	(13)	(14)	Default Scenario (15)
(1) Cash Equivalents	0.11	0.08	0.04	0.09
(2) Inter-Term Govt Bond	-0.27	-0.05	0.61	-0.21
(3) Municipal Bonds	-0.15	0.07	0.45	-0.05
(4) Corporate Bonds	-0.18	0.10	0.57	-0.06
(5) High Yield Bonds	0.20	0.37	0.07	0.37
(6) Large Value Stocks	0.42	0.65	-0.03	0.69
(7) Large Growth Stocks	0.44	0.65	-0.06	0.70
(8) Small Value Stocks	0.38	0.56	-0.07	0.61
(9) Small Growth Stocks	0.40	0.57	-0.10	0.62
(10) Mid Cap Stocks	0.42	0.64	-0.04	0.68
(11) Real Estate	0.13	0.11	-0.08	0.14
(12) Venture Capital	1.00	0.29	-0.17	0.35
(13) International Stocks	0.29	1.00	-0.02	0.47
(14) International Bonds	-0.17	-0.02	1.00	-0.12
(15) Emerging Equities	0.35	0.47	-0.12	1.00

Efficient Frontier

February 14, 2013

Sunrise Police



Asset Allocation Analysis

Investment Alternatives

February 14, 2013

Sunrise Police

<u>Asset Class</u>	<u>Policy</u>	<u>RE</u>
Cash Equivalents	0.00%	0.00%
Inter-Term Govt Bond	16.00	12.00
Municipal Bonds	0.00	0.00
Corporate Bonds	24.00	18.00
High Yield Bonds	0.00	0.00
Large Value Stocks	15.50	15.50
Large Growth Stocks	15.50	15.50
Small Value Stocks	10.00	10.00
Small Growth Stocks	0.00	0.00
Mid Cap Stocks	10.00	10.00
Real Estate	0.00	10.00
Venture Capital	0.00	0.00
International Stocks	9.00	9.00
International Bonds	0.00	0.00
Emerging Equities	0.00	0.00
Return	8.50%	9.07%
Std Deviation	10.69%	10.62%
Yield	2.18%	2.52%
Sharpe Ratio	0.56	0.62

Asset Allocation Analysis

Target Returns

February 14, 2013

Sunrise Police

Probability of Exceeding Target Return					
	Year 10	Year 20	Year 30	Year 35	Year 40
Target Return 7.70%					
Policy	53.33%	54.71%	55.76%	56.22%	56.65%
RE	60.22	64.30	67.32	68.61	69.79
Target Return 8.20%					
Policy	47.39	46.32	45.49	45.13	44.80
RE	54.32	56.09	57.45	58.04	58.58
Target Return 8.70%					
Policy	41.54	38.12	35.56	34.46	33.45
RE	48.34	47.65	47.13	46.90	46.68



CITY OF SUNRISE, FLORIDA

POLICE OFFICERS' RETIREMENT PLAN



**13790 NW 4 Street, Suite 105
Sunrise, Florida 33325**

Telephone: (954) 845-0298

Fax: (954) 845-9852

June 20, 2013

[Sent via E-Mail](#)

Mayor Michael J. Ryan
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Deputy Mayor Neil C. Kerch
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Assistant Deputy Mayor Lawrence A. Sofield
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Commissioner Donald K. Rosen
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Commissioner Joseph A. Scuotto
City Commission Office
10770 West Oakland Park Blvd.
Sunrise, FL 33351

Dear Honorable Mayor & Commissioners:

Please find the attached excellent REAL ESTATE article for your interest. Additionally, please accept this correspondence as a follow-up to my March 18, 2013 communication.

Thank you for your time and consideration in this matter of mutual concern.

Respectfully,

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

David M. Williams, *Plan Administrator*
FOR THE BOARD

c: Board of Trustees

Please visit us at www.sunrisepolicepension.com

May 2013

Connecting you with our global network of investment experts

Today, interest rates are lower than they have been in over six decades. At the same time, global equity market uncertainty—and correlations—remain elevated, while GDP growth prospects for the developed markets are low-to-moderate at best. And the specter of inflation looms on the horizon in the wake of unprecedented monetary and fiscal stimulus packages.

In short, investors face a perfect storm of challenges to their portfolio:

- How to generate sufficient income when rates are so low
- How to reduce portfolio risk when public market uncertainty and correlations are so high
- How to achieve growth when developed market economies are so stunted
- How to be ready for inflation when it comes

The Realization: A perfect storm of challenges for investors

EXHIBIT 1A: LOW YIELDING BONDS...FOR THE FORESEEABLE FUTURE^A

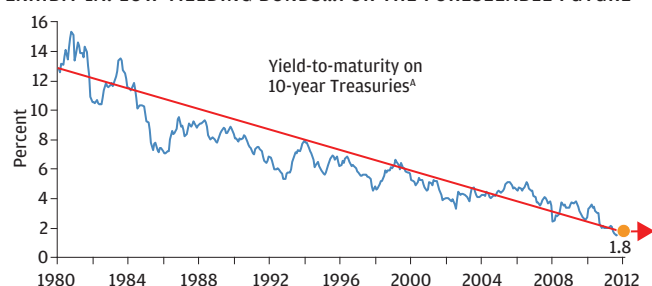


EXHIBIT 1B: VOLATILE EQUITIES AND HIGH CORRELATIONS^B

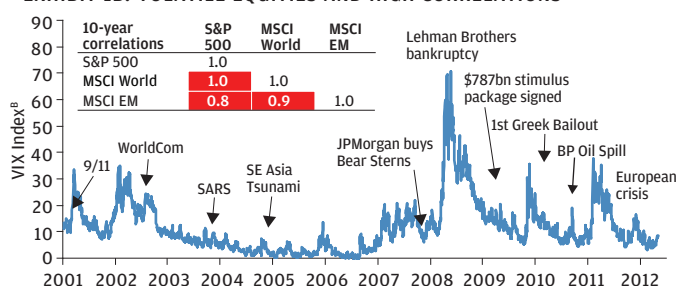


EXHIBIT 1C: HIGH GDP GROWTH IN DEVELOPED MARKETS A THING OF THE PAST^C

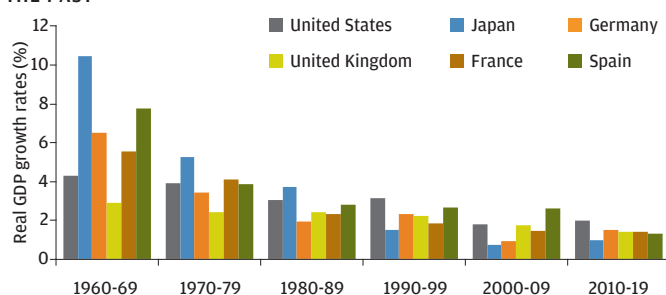
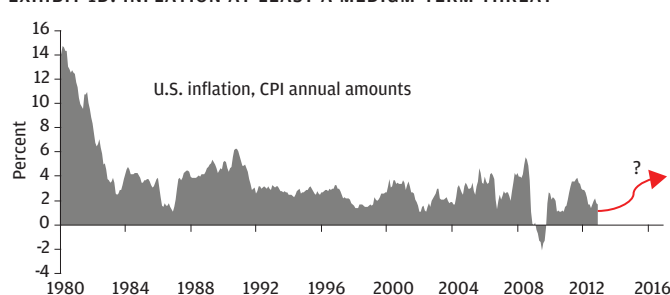


EXHIBIT 1D: INFLATION AT LEAST A MEDIUM-TERM THREAT^D



Sources: Bloomberg, J.P. Morgan Asset Management.

^A 10-year U.S. Treasury; data as of December 2012.

^B VIX Index (S&P 500 Volatility Index); data as of December 2012.

^C IMF data. Estimates for 2010-2019 are forecasts from J.P. Morgan Asset Management-Global Real Assets; data as of June 2012.

^D U.S. Consumer Price Index (CPI) year-over-year; data as of December 2012.

Real solutions from real assets: Higher and more diversified allocations

In a research paper entitled *The Realization* (May 2012), the J.P. Morgan Asset Management–Global Real Assets (GRA) team proposed that, to address these fundamental challenges, institutional investors will need to increase allocations to real assets to as high as 25% or more of their portfolios. While this figure will vary by investor (and certainly be lower for portfolios with liquidity and/or regulatory restrictions), the rationale for higher and more diversified allocations is that real assets provide real solutions to the challenges facing investors today. Real assets include real estate, infrastructure (e.g., regulated utilities, power generation, transportation assets), timberland, farmland, shipping and other large-scale, long-life tangible investments that deliver what investors are looking for.

- **Income:** Core real estate and infrastructure typically yield 5%-7% per year, or 300-500 basis points above 10-year Treasuries.
- **Stability:** Returns for these assets are less volatile than for equities, particularly when part of a diversified real assets portfolio, due to low correlations between and among different real assets categories.
- **Growth:** Real assets provide a direct link to higher growth Asian economies, offering a “pure play” on local GDP growth.
- **Inflation sensitivity:** These assets, particularly core infrastructure, can enhance inflation sensitivity through their ability to provide positive real returns, even during periods of rising or elevated inflation.

The Realization: Real solutions from real assets

EXHIBIT 2A: HIGHER CURRENT INCOME POTENTIAL THAN TRADITIONAL ASSETS^A

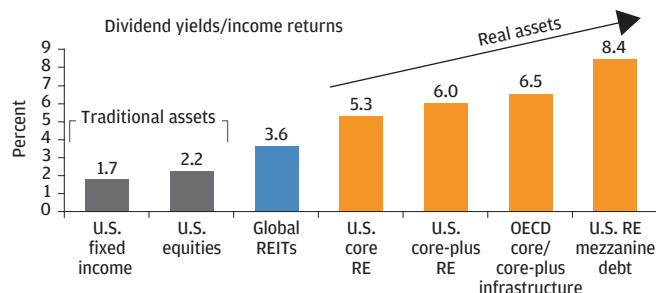


EXHIBIT 2B: LOWER VOLATILITY THAN EQUITIES^B

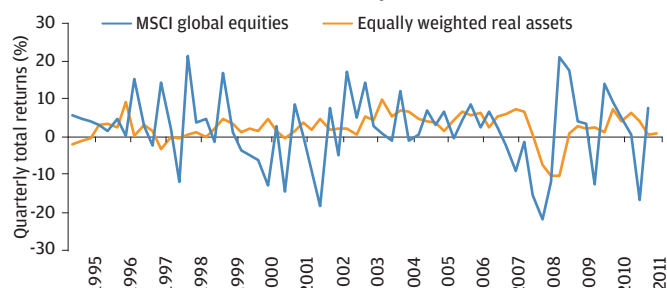


EXHIBIT 2C: LINK TO EMERGING MARKET GROWTH^C

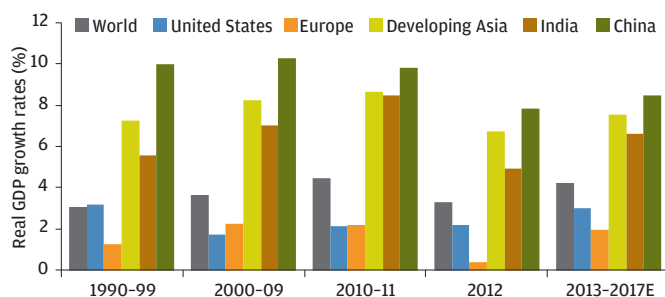
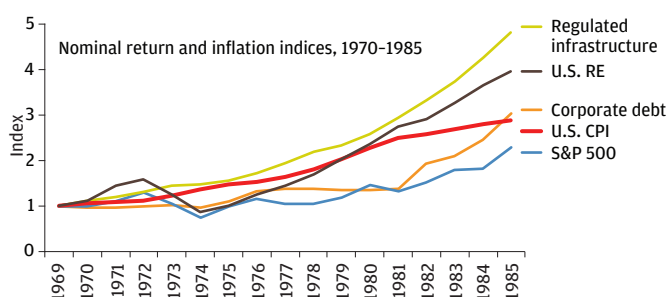


EXHIBIT 2D: INFLATION PROTECTION WHEN IT MATTERS^D



^A Barclays U.S. Agg Yield-to-Worst, S&P 500 Dividend Yield, FTSE/EPRA NAREIT Global REITs Dividend Yield, J.P. Morgan U.S. Core RE strategy trailing 12-month income return, J.P. Morgan U.S. Core-plus RE strategy trailing 12-month income return, J.P. Morgan OECD Infrastructure strategy trailing 12-month cash yield; as of December 2012.

^B MSCI World Index; Equally weighted real assets is an equally weighted portfolio of: U.S. Core RE (NCREIF–ODCE), OECD Infrastructure (J.P. Morgan GRA Research modeled), Europe Non-core RE (DTZ Research), and Emerging Market RE (China–Jones Lang LaSalle). All returns are U.S. Dollar denominated; as of December 31, 2011.

^C Bloomberg, J.P. Morgan Asset Management, IMF. Estimates for 2013 through 2017 are from IMF.

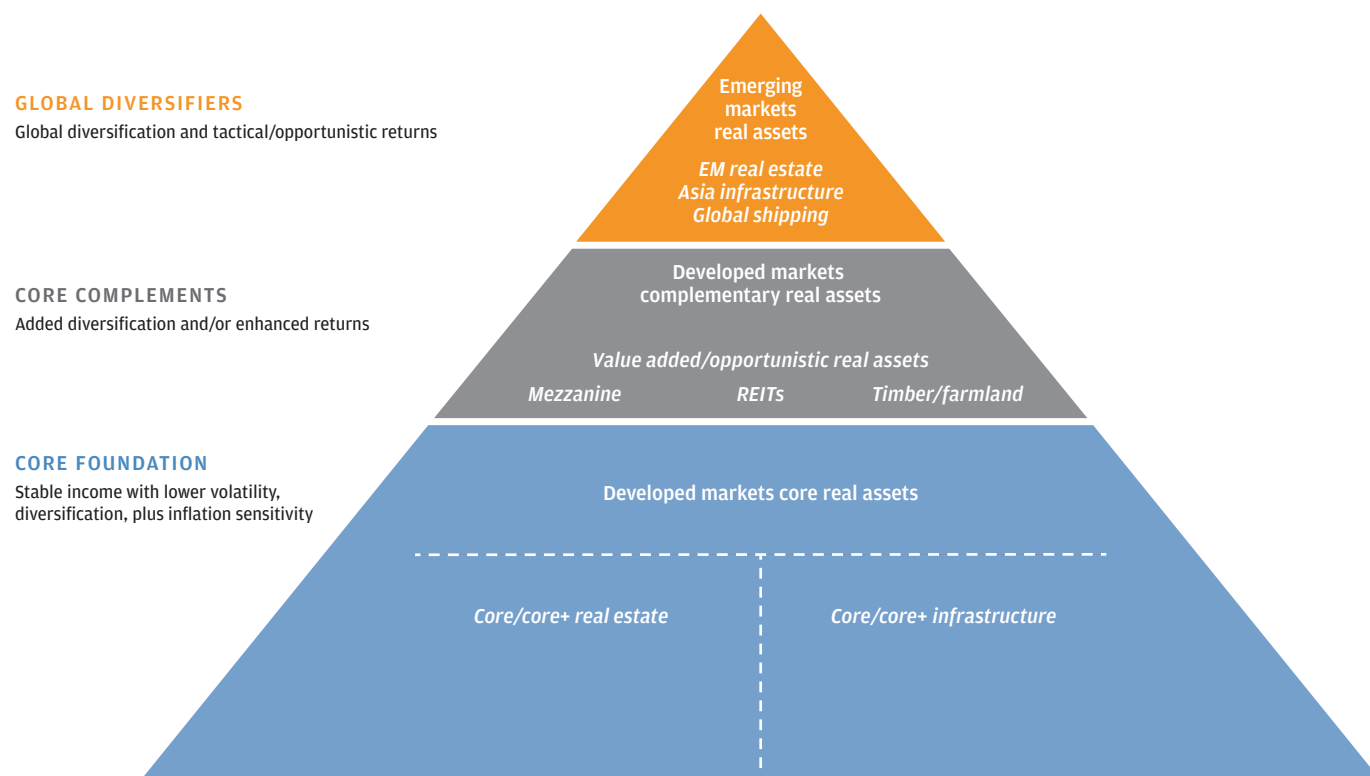
^D Bloomberg, Barclays, Standard & Poors, NCREIF, Global Financial Data, and J.P. Morgan Asset Management–GRA Research. Past performance is no guarantee of future results.

The Realization Solutions Pyramid: Finding the appropriate mix of real assets for your needs

Institutional investors tend to broadly diversify their equity portfolios (e.g., large cap, mid cap, small cap, growth, value, domestic, international, emerging, etc.) and fixed income portfolios (e.g., government, corporate and high yield—by different rating levels, etc.). Investors need to consider doing the same for their real assets portfolios. Traditionally, when investing in real assets, investors have turned first to real estate and, more often than not, to home country core real estate. A key point of the Realization is that while core real estate is a prudent first step, it should not be the last one. When planning to implement the Realization through a higher allocation to real assets, it is important to:

- Think strategically about building a foundation that is diversified across both core real estate and core infrastructure in developed markets for steady income, reduced volatility, inflation sensitivity and relative liquidity.
- Consider augmenting this foundation with complementary non-core real assets in developed markets for enhanced returns and diversification.
- Explore adding global diversification and total return opportunities through emerging market real assets.

Stable structure: The Realization Solutions Pyramid divides a real assets allocation into categories with unique and complementary benefits



Source: J.P. Morgan Asset Management-Global Real Assets; as of March 2013.

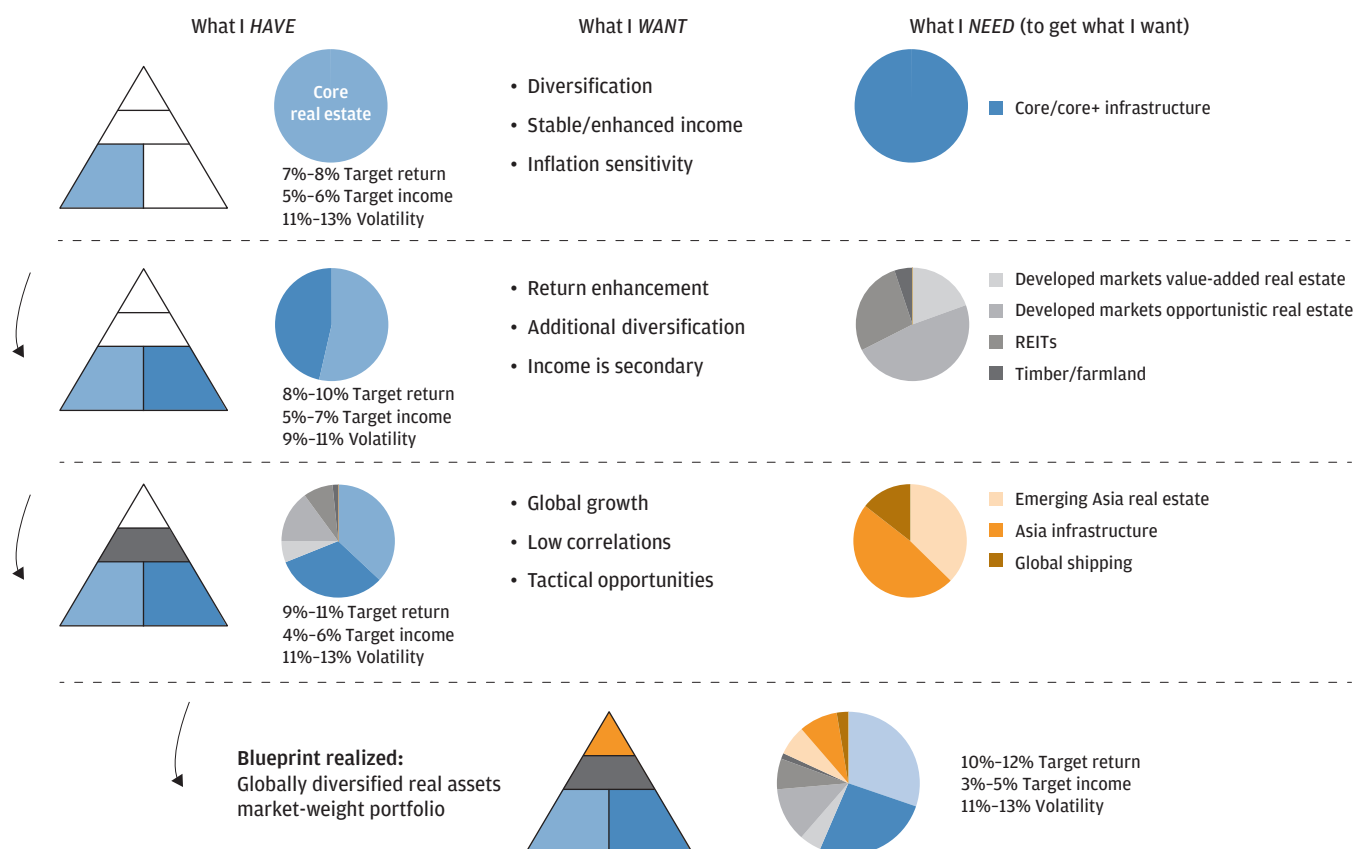
Implementing the Realization

Realization Solutions Step 1:

The blueprint for putting together a diversified real assets portfolio

Investors can follow the blueprint below to build diversified portfolios at all three levels of the Realization Solutions Pyramid. For example, for the investor who starts with no allocation or a basic allocation to core real estate in their own country, the next step is to consider adding core plus real estate (essentially, an investment in core real estate with slightly higher leverage to enhance yields and total returns) and developed market (i.e., OECD) infrastructure. These investments offer similar characteristics: stable total returns, attractive income yields and sensitivity to inflation. However, in combination they have the potential to provide even more, with core plus generating enhanced core-like returns and infrastructure offering, not only attractive IRRs, but also proven inflation-hedging capability. The blueprint below provides suggestions for real assets components at every level of the pyramid. Additionally, the resulting global real assets portfolio at the end provides an example of the final construction—in this case, a market-weight portfolio that is fully diversified by geography and purpose.

The Realization Solutions blueprint: Building to a market-weight portfolio



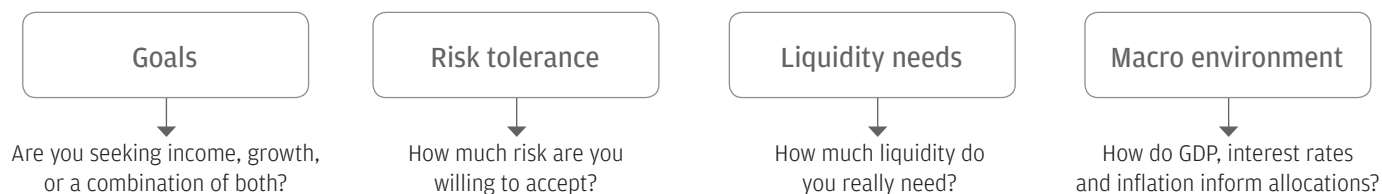
Source: NCREIF, DTZ Research, FTSE/EPRA NAREIT, RBI, PropEquity, Jones Lang LaSalle, UBS, Clarkson Research, and J.P. Morgan Asset Management-GRA Research; as of December 2011.

Notes: (1) The return ranges are derived from J.P. Morgan Asset Management-GRA's internal estimates by the investment teams for each of the respective strategies. (2) The portfolio attributes stated in the above table are estimates within ranges and are for illustration purposes only. (3) Volatility is calculated using the standard deviation of annual data for the 20-year time period from 1992-2011. (4) Portfolios assume annual re-balancing.

Of course, diversified Realization Solutions may incorporate other approaches to setting allocation weights, including risk-based approaches or a traditional mean-variance approach. And depending on the starting point, the solution may represent a “complete” portfolio—where the investor goes from a 0% allocation to real assets to a fully-diversified portfolio—or a “completion” portfolio—where the analysis helps select new investments and set allocations for a portfolio that builds on an existing allocation to real assets. In any scenario, it is important to recognize the particular goals for the allocation.

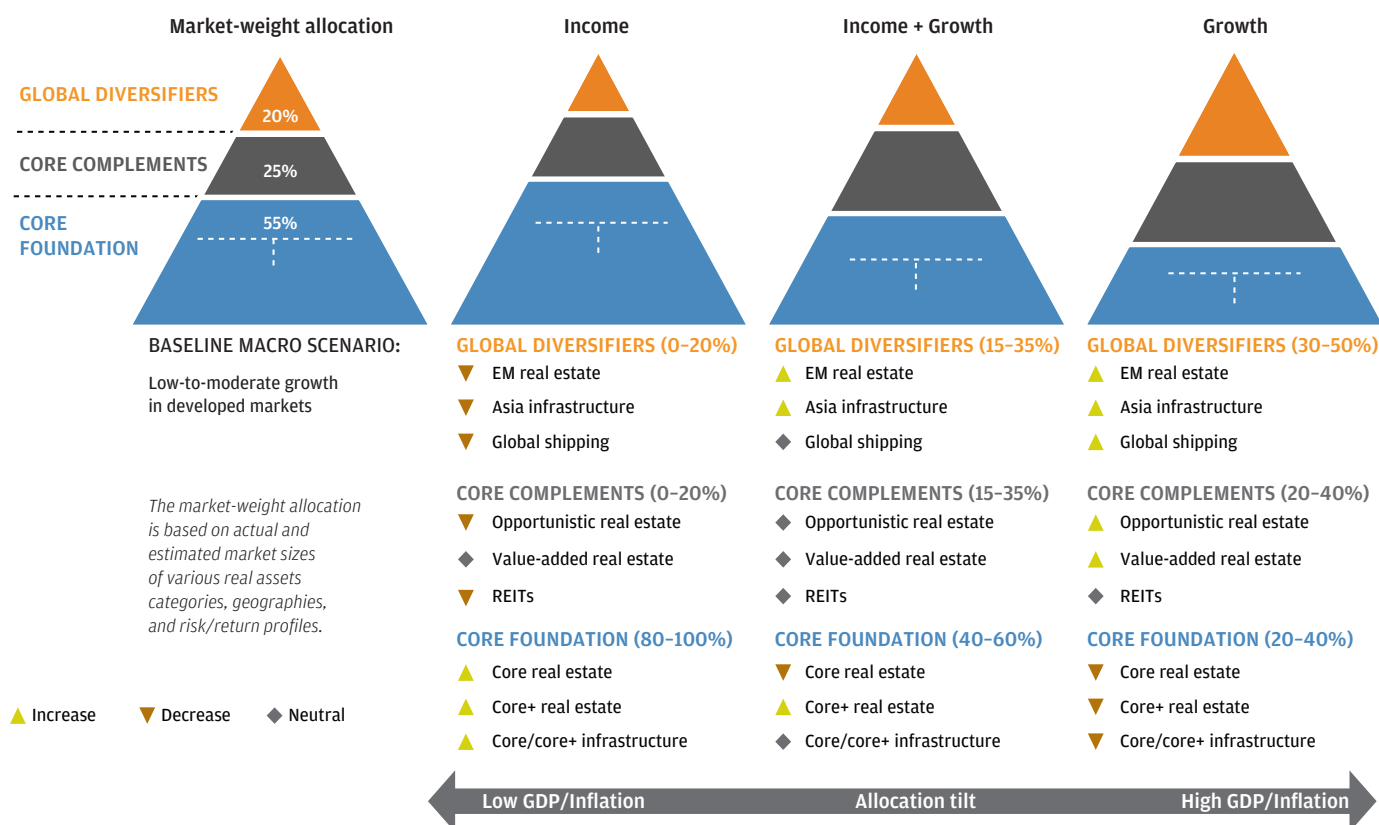
Realization Solutions Step 2:

Recognize goals, preferences and the current investing environment.



Realization Solutions Step 3:

Determine allocation amounts within the Realization Solutions Pyramid according to your investment objectives.



Sources: McKinsey Global Institute, DTZ, Mercer, Barclays, FTSE EPRA NAREIT, UBS Investment Research, RREEF, NCREIF, Townsend Group, J.P. Morgan Asset Management. As of 2011 or see specific dates for reports and data used in the following description of this analysis. We used 2011 estimates of the market sizes, in terms of invested stock, for global real estate and timberland/farmland presented in "The Realization" paper published by J.P. Morgan Asset Management in May 2012 (Exhibit 18) as a base for this analysis. Note, that the Infrastructure total from "The Realization" is an estimate from J.P. Morgan's Asset Management investment team, and we were provided a 2012 update. The maritime (shipping) investment team also presented a 2012 update that excluded government-owned ships as well as non-investment grades ship types (e.g. ferries). To size the Global REIT market, we used Debt to Equity percentage estimates for the UBS Investment Research REIT coverage by global regions to estimate debt totals. These were added to the equity market capitalization from FTSE EPRA NAREIT's Global Index as of December 2012, a representative index but not inclusive of all property companies. To determine the size of core to non-core real estate, we used the ratio of total assets for the NCREIF Property Index to the total assets for the Value Added and Opportunistic indices maintained by the Townsend Group in coordination with NCREIF. This resulted in a 57% core to 43% non-core ratio which was rounded to 60%/40%. This assumption was used for the developed property markets of the U.S. and Europe. For Asia, the ratio was reversed given the larger scale of developing markets in the region. To determine geographical breakdown, we performed two analyses for comparison purposes (a check). The first used McKinsey's estimates of securitized financial stock by region as a market weight allocation. This regional share of global financial stock comes from the report, Mapping Global Capital Markets, August 2011, McKinsey Global Institute. To calculate the regional breakdown used here from McKinsey's data, we used all categories provided (page 11 of that report) except for the Nonsecuritized loans outstanding category. We used the 2010 sub-regional breakdowns from page 16, and apportioned out the "Other Developed" percentage share among the constituent countries of that sector (shown in Exhibit 14, page 26) using relative share calculated by comparing the result of the Financial Depth measure (per Exhibit 14, page 26) and 2010 Gross Domestic Product for each country (source: IMF). Using the resulting regional breakdowns of approximately 43% North America, 32% EMEA, 25% Asia Pacific, we then calculated the size of each real assets sector covered for each region by multiplying the regional share percentage by the global market sizes for each real assets sector mentioned above. We also used the geographical breakdown from "The Realization," Exhibit 18, to do the same calculation (while using McKinsey's market weights for Maritime and the geographical breakdown from FTSE EPRA NAREIT's Global Index for the REITs). Combining the two analyses results in 18%-20% for the Global Diversifiers component of the Realization Solutions Pyramid (both analyses had similar results), 25%-26% for the Core Complements component, and 53%-56% for the Core Foundation component. For the market-weight allocation shown in the Exhibit on this page, we settle on a 20%/25%/55% mix for the three components.

Implementing the Realization

Implementing the Realization through Global Real Assets Omni

The Global Real Assets Omni program has been designed by J.P. Morgan Asset Management to help investors build customized portfolio allocations across different real assets categories, geographies, and structures. The Omni team of dedicated real assets professionals works collaboratively with investors and consultants to design and implement real assets solutions that are tailored to individual risk/return objectives. They do not take a one-size-fits-all approach. The Omni team uses a combination of top-down and bottom-up real assets analytics and research to inform portfolio construction:

- Customized portfolio analysis and design
 - Collaborative and objective-driven
 - Investor preferences and consultant input
- Omni allocation modeling tools
 - Mean-variance
 - Risk-based
 - Inflation sensitivity
 - Other bespoke models
- Omni historical real assets dataset
 - More science, less art

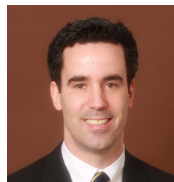


In conclusion: Get started now

Investors are at various stages of the Realization, an expected structural shift toward higher and more diversified real assets allocations. Real assets can diversify vs. your existing holdings of traditional assets, while delivering higher distributable income, reduced volatility, increased inflation sensitivity and higher risk-adjusted return potential. Each real assets category offers a unique set of risk-return characteristics. These risks can be mitigated by constructing a broadly diversified portfolio of real assets categories. Those investors who recognize, embrace and act on these Realization Solutions in their portfolio allocations are likely to have better investment outcomes than those who do not.

CONNECTING YOU

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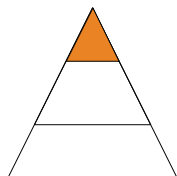


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Appendix: The Real Assets Palette

Real assets offer a spectrum of opportunities spanning real estate, REITs, infrastructure, land and even shipping. Investors can select from these strategies to build a diversified portfolio designed to meet their objectives.

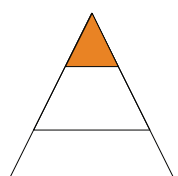
ASIA INFRASTRUCTURE



Attractive risk

- Nearly \$1 trillion in annual infrastructure investment needed in Asia, supported by enabling regulatory environment
- True diversification: accessing the building blocks of Asia's growth via infrastructure
- Entry valuations + sustainability emphasis + local execution = attractive risk adjusted returns

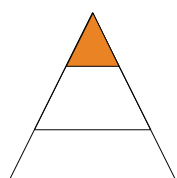
INDIA REAL ESTATE



Capital scarcity

- Massive urbanization trend, expanding middle class, soon to be largest country by population
- Acute shortage of growth capital post financial crisis + huge demand-supply imbalance = an attractive entry point
- Opportunities to partner with high quality Indian developers for infill sites in gateway cities to provide "last mile capital" on compelling terms, especially for mid-income housing

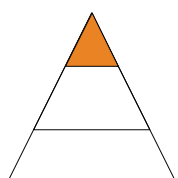
CHINA REAL ESTATE



Aligned JV structures

- China: world's 2nd largest economy and 3rd largest RE market by investable stock
- GDP growth expectations 2-3X OECD countries (2013) + urbanization + domestic consumption = need for office in Tier 1 cities, retail and mass residential
- Keys to success: strong local JV partner structures with aligned interests, sourcing advantages and enhanced asset management

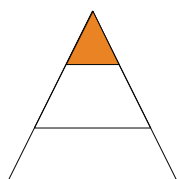
LATIN AMERICA (BRAZIL) REAL ESTATE



Steady growth

- Brazil: macro-economic stability, young and expanding middle-class, low unemployment, steady growth outlook
- Underpenetrated RE market with developers in need of capital, the potential for further yield compression, and solid exit options
- Greenfield development opportunities across office, retail, residential, logistics and distribution centers

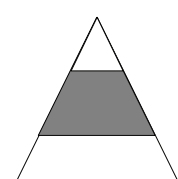
GLOBAL SHIPPING



Industry recapitalization

- Post global financial crisis industry distress continues to present opportunities for discounted purchases and new builds across bulkers, tankers, and containerships
- Recovering global economy and dwindling new supply provide tailwind to charter rates
- Need for new financing/operating structures provides income and growth opportunities

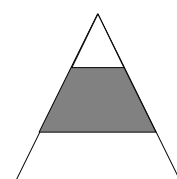
U.S. MEZZANINE/VALUE-ADDED/OPPORTUNISTIC REAL ESTATE



Tactical premium

- Mezz: potential to earn significantly wider spreads vs. historical averages due to first mortgage shortfall
- Value-Add/Opp: significant discounts to core on properties in need of (re)development, recapitalization, or repositioning
- Value-Add/Opp: historically low new construction + low vacancy = opportunities for build-to-core and improve-to-core strategies

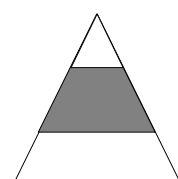
EUROPEAN VALUE-ADDED/OPPORTUNISTIC REAL ESTATE



Extreme risk aversion

- Ongoing distress in Europe causing extreme risk aversion among investors and significant discounts on non-core/trophy assets
- €250 bn of assets in suspended animation
- Broad brush mispricing of risk assets + critical need for recapitalization of properties = opportunity for proven investor-operators with active management

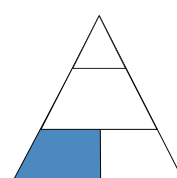
U.S., NON-U.S., AND GLOBAL REITS



Springing strategy

- U.S.: opportunities to invest across the REIT capital stack in the U.S. to take advantage of market movements and mispricings and/or to reduce traditional REIT volatility
- Non-U.S./Global: typically lower volatility than U.S. REITs due to lower leverage on average; ability to tap into growth markets
- Liquidity enables tactical springing strategies

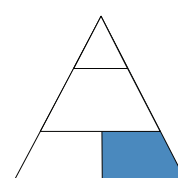
CORE/CORE PLUS REAL ESTATE



Strong fundamentals

- A foundational investment due to steady income, lower volatility, inflation sensitivity and diversification vs. financial assets
- Pricing has rebounded significantly since the bottom but fundamentals remain strong
- Low cost financing makes core plus (moderate leverage) particularly attractive

CORE/CORE PLUS INFRASTRUCTURE



Bridge to The Realization

- Essential, monopolistic services deliver stable, growing, and inflation-sensitive cash flows across regulated utilities, power generation and transportation sectors
- Similar attributes to core RE, but with low correlations for added diversification
- Time is now: discount rates likely to compress

Implementing the Realization

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Real estate and infrastructure investing may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate and infrastructure investing may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower. International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets may not be as politically and economically stable as the United States and other nations. The Fund's investments in emerging markets could lead to more volatility in the value of the Fund. As mentioned above, the normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

An Internal Rate of Return—also sometimes called an Asset Weighted Return—measures the performance of a portfolio or investment between two dates, taking into account the amount of capital invested during each time period. An Internal Rate of Return calculation gives greater weight to those time periods where more capital was invested, and takes into account not only the size of cash flows, but also the length of time that each cash flow affected the portfolio. Essentially, an Internal Rate of Return answers the question, “if all the capital had been invested in a money market account instead (but the same contributions and withdrawals were made), what interest rate would have resulted in the same ending value?” These calculations are used where the timing and size of cash flows are important to the validity of the results, for example, when reviewing the returns on individual investment positions. Internal Rates of Return are also used to compute an unleveraged return in order to illustrate the impact of leverage on performance.

The Target Return has been established by J.P. Morgan Investment Management Inc. “J.P. Morgan” based on its assumptions and calculations using data available to it and in light of current market conditions and available investment opportunities and is subject to the risks set forth herein and to be set forth more fully in the Memorandum. The target returns are for illustrative purposes only and are subject to significant limitations. An investor should not expect to achieve actual returns similar to the target returns shown above. Because of the inherent limitations of the target returns, potential investors should not rely on them when making a decision on whether or not to invest in the strategy. The target returns cannot account for the impact that economic, market, and other factors may have on the implementation of an actual investment program. Unlike actual performance, the target returns do not reflect actual trading, liquidity constraints, fees, expenses, and other factors that could impact the future returns of the strategy. The manager's ability to achieve the target returns is subject to risk factors over which the manager may have no or limited control. There can be no assurance that the Fund will achieve its investment objective, the Target Return or any other objectives. The return achieved may be more or less than the Target Return. The data supporting the Target Return is on file with J.P. Morgan and is available for inspection upon request.

Leverage: Certain of the Fund's investments may be leveraged, which may adversely affect income earned by the Fund or may result in a loss of principal. The use of leverage creates an opportunity for increased net income, but at the same time involves a high degree of financial risk and may increase the exposure of the Fund or its investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the investment collateral. The Fund may be unable to secure attractive financing as market fluctuations may significantly decrease the availability and increase the cost of lever.

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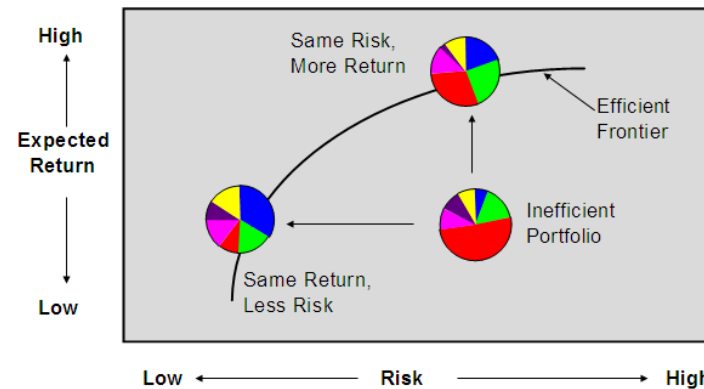
The Efficient Frontier

February 14, 2013

Sunrise Police

The Efficient Frontier traces out the portfolios that offer the greatest amount of return for given levels of risk. All portfolios on the frontier are efficient and selection of the proper portfolio depends upon the investor's goals and tolerance for risk.

The diagram below illustrates the concept of efficiency. The "Inefficient Portfolio" does not lie on the frontier because an alternate portfolio can be found that offers more return for the same amount of risk. A second portfolio can be found that offers the same return, but less risk. Both of these "efficient" portfolios are more desirable to investors trying to maximize return and minimize risk.



When calculating the efficient frontier, multiple factors are considered:

- Market expectations for return, risk and correlation of assets
- Constraints limiting investment in particular asset classes
- Your tax rates

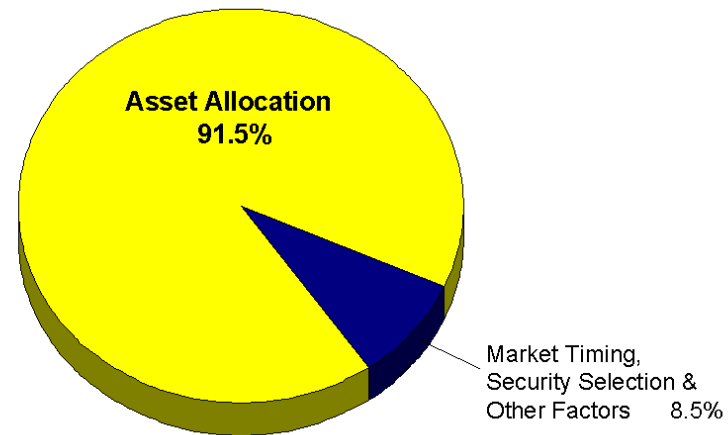
Portfolio optimization is a mathematical technique for finding the portfolios that lie along the efficient frontier. These ideas were developed by Dr. Harry Markowitz and earned him a Nobel Prize in Economics in 1990. These theories are collectively known as Modern Portfolio Theory.

Importance of Asset Allocation

February 14, 2013

Sunrise Police

Asset allocation policy is the main determinant of total return.



A 1991 study by Brinson, Singer and Beebower investigated the determinants of portfolio performance.¹ By studying the quarterly returns of 82 pension plans over a 10-year period, they concluded that:

- The selection which asset classes to invest in and how much to invest in each explained 91.5% of the variation in the plan's returns.
- Market timing, security selection and other factors combined accounted for only 8.5% of the differences in returns.

¹ Brinson, G.P., Singer, B.D. and G.L. Beebower, "Determinants of Portfolio Performance II: An Update", Financial Analysts Journal, May-June 1991.

Average Final Compensation (AFC)

March 22, 2012 Minutes:

Average Final Compensation Calculation (City Programming Error)

Mr. Williams explained the background of the situation. In short, the city has always maintained complete control and authority in determining the (AFC) average final calculation for our members. When a member leaves (or requires a calculation) the AFC is calculated by the city and provided to the Board. That data is provided to the Board Actuary who derives the final benefit and the pension options. The final calculation is provided to the member to make a selection (if applicable). Recently a member was provided a benefit estimate. That member raised a concern about the formulation of the AFC. Mr. Williams explained the foregoing procedure to the member, provided him all the back-up material (to include the definition of AFC) and directed him to the city. Mr. Williams learned that as a result of that discussion, the city acknowledged that their definition was incorrectly programmed in their system since apparently October 1, 2000.

Mr. Williams suggested three options: Option 1 – The City sends all the historical data on everyone to the administrator. He has a system in place and can do the calculations internally and have them reviewed by the Fund Actuary. Option 2 – The City transfer the payroll data directly to the Actuary who will do the calculations, or Option 3 – The Actuary and his staff audit the city system and confirm it is accurately calculating the AFC and then the city recalculate everyone who retired since October 1, 2000. Finally, Mr. Williams stated that all the retirees from October 01, 2000 need to be notified.

Ms. Toebe stated for the record that there was no malicious intent at all in doing the calculations. It was strictly an error. She defined what the AFC was prior to October 2000. What the City was using was the best consecutive three years which is how the program was done by MIS and administered by Finance Department. For the most part those best three consecutive years are the last years just as they would be for the best three years. She talked about VIN and overtime and stated that it would not be the last three years. It was brought to her attention and she talked to Mr. Eddy and stated that the calculations were incorrect in situations other than VIN. She stated that she would like to do it on a case by case basis for going forward and they would be doing the best three years as the ordinance states. If anyone wants calculations reviewed that would be no problem, but to go back and look at every single member that retired since October 2000 *“really serves no purpose because for the most part their calculations will be accurate”*.

She stated that it would be impossible for the Board or the Actuary to calculate the benefit because of retroactive payments, etc. She stated that it belongs in payroll to do this. The programming was set up to use consecutive years because that is how the general employees plan is set up. Mr. Berman asked if there is a system in place now that will fix this and Ms. Toebe stated yes – going forward the program has been done and they are utilizing that new program now. Discussion was held on spot checking retirees vs. re-checking all retirees since October 2000. Mr. Amrose feels that all AFC's will have to be recalculated and if a change is noted, the benefit will be re-calculated. The Board asked Ms. Toebe if it can be done to recalculate all retirees possibly affected. She stated it can be done, but it will take a while.

Due to this city error, Mr. Berman asked about the cost involved for Mr. Amrose to sample check. He stated that it will be at their billable rate. He can't predict how long it will take. Ms. Toebe stated that GRS would have to come on site and it can take an hour per re-calculation. Mr. Amrose stated that to re-check 5 members, it would cost approximately \$1,500.00.

Mr. Williams stated that the Board should hear from the Attorney. Mr. Cohen stated that he feels that the issue goes to the Trustees' Fiduciary responsibility. He feels that this raises some very serious concerns because now we know that the calculations may not have been happening correctly. The Trustees did not breach their fiduciary responsibility but need to use prudence and diligence in examining the issue, determining who has been affected and then looking at what would be the appropriate remedy. He thinks to start by doing a random sampling is fine. At some point, the Board will need to look at all of the affected retirees. Mr. Berman confirmed that he expects the City to look at all of them and our Actuary will look at random sampling. Mr. Cohen stated that once the system is understood by the Fund Actuary and how it is happening, where the problems have been and what to look for, it may not mean that it requires someone at Jeff's level to look at the rest. Someone might be at a lesser rate. Mr. Cohen stated that this remedying this issue could require a procedural change. Generally speaking for Pension Plans, he likes the final calculation (particularly smaller plans like ours and where the Administrator is not getting the raw data in a way in which it can be manipulated) done by somebody who is beholden to only the Fund. We want to make sure that this is the last time we deal with this issue. Mr. Cohen stated that what the Board is doing is reasonable and diligent. It is ultimately the Fund's responsibility to pay benefits to the people who are entitled to benefits in the amount in which they are entitled. This is a serious matter, we need to look at it carefully and understand exactly what happened, to make sure it is not going to happen again and we need to make a decision on how to remedy this. Mr. Ransone asked if this request needs to go to the City from Mr. Cohen. Mr. Cohen stated that as long as the minutes reflect the same, it is sufficient. Ms. Toebe stated that she does not feel a letter is necessary.

Ms. Toebe stated that if we are looking to change so that everything is done independently, then we would be the only pension plan in the city doing that. This was clearly an inaccuracy that was made because the department was looking at the best consecutive years like it is required to in the other City Pension plans. This plan is unique in that it is the best years, not necessarily consecutive, so that was not picked up in accordance with the ordinance. Now that they know that what they did was incorrect, they are going back and looking at approximately 81 people. She stated that if they send the hard copy to the administrator, he cannot manipulate the data and neither can the Fund actuary. There are payment issues in which years are crossed over and no one would know how to apply them. Mr. Williams clarified that this is her definition of payroll in terms of retroactive payments and how they are applied (when earned not paid). She stated that this was "*hammered out*" with the previous City Attorney before and she did not want to "*go there*".

Mr. Berman asked what she meant. Ms. Toebe went on to say that what happened in the past, guys would work a lot of overtime or get retroactive payments and it was decided by the City in conjunction with the pension plan that that retro payment if it crossed over three fiscal years was gonna be applied to the correct fiscal year, not have a big lump sum in the one year because that is not right either. Mr. Williams stated that they are attributing the retroactive to when it was earned and not when it was paid. Mr. Amrose stated that he would need the information carved out and then he can spread it out. Mr. Berman asked who agreed to this definition. Ms. Toebe stated it was when Former City Attorney Jeff Olson was here. Mr. Eddy stated that he was on the Board then. Mr. Olson was the City Attorney and he remembers changing the calculations on four or five people in the DROP by minimal amounts. Afterwards, the City sent a letter (Klausner or Linn) to the Board saying that if we did not change it back, they would sue the Board. Our Attorney at the time asked if it was really worth the fight for a few dollars for these guys and if they have an individual problem with it, let the PBA go ahead and contact the City.

November 20, 2012

Mr. Dave Williams, Administrator
Sunrise Police Officers Pension Board
13790 N. W. 4th Street, Suite 105
Sunrise, Florida 33325

**Re: Sunrise Police Officers' Retirement System
Recommendations for Average Final Compensation Calculation**

Dear Dave:

As requested, we have reviewed the City's methodology for the calculation of Average Final Compensation as detailed in our September 11, 2012 e-mail and are providing a summary of our recommendations.

Under the City's methodology, the highest three-year total of earnings is first calculated using unadjusted salaries. After the highest total is selected, there are several adjustments that are made to the earnings to account for retro pay and other pay adjustments, and a proration is made to ensure the total represents exactly three years. If the selection of the three best years of earnings were made after these adjustments rather than before, the highest three-year total of earnings could be different. We recommend that the determination of the highest three-year total be performed using earnings that already reflect the pay adjustments.

Under the new methodology, the City develops the highest non-consecutive three-year total of earnings by first selecting the greatest 12-month total, then manually selecting the next two greatest non-overlapping 12-month totals. We recommend that a computer program be developed to perform this determination.

We welcome your questions and comments.

Sincerely yours,



J. Stephen Palmquist, ASA
Senior Consultant & Actuary



Jeffrey Amrose, EA
Senior Consultant & Actuary

JSP/ta

Ms. Toebe stated that they knew where the breakdown was and why it broke down now so they are correcting it now and they will go back and look at the other people and they will apply the new definition to those estimated 81 people.

Mr. Eddy asked Mr. Amrose if they do this for other Cities and he said that one other city where the definition of average final compensation is like this, but not exactly like this. They built a program and it is complicated.

Mr. Cohen stated that it bothered him when Ms. Toebe mentioned that Mr. Williams or Mr. Amrose would not have the intimate knowledge to be able to do the calculation. Mr. Cohen said we need to understand exactly how the calculations are being done and have confidence that they are being done correctly.

Motion to have the city re-calculate all retirees from October 01, 2000 to date and have the Actuary and staff come in and look at the programming and methodology comparing the old AFC's to the new AFC's, by Mr. Ransone, seconded by Mr. Bettencourt. Motion passed 4-0.

Motion to have Dave send out a letter updating members (from October 01, 2000) that may be affected, by Mr. Ransone, seconded by Mr. Berman. Motion passed 4-0.

November 1, 2012 Minutes:

AFC Update – Mr. Jeff & Mrs. Trisha Amrose - GRS

Mr. Amrose briefed the Board regarding the review of the city's procedures determining the Average Final Compensation. During the onsite inspection at the City of Sunrise Finance Department it was determined that the City is now using the following method: The City is finding the highest twelve month period via the computer system. Years two and three are being identified manually. Further, it was learned that once the AFC was identified by the City, any retroactive payments that were earned outside of the three year period were being backed out. Because of that action the AFC may not be accurate. Mr. Amrose concluded by saying that the highest three years may not be the best three year average. Mr. Amrose provided a couple of examples for the Board. Mrs. Amrose indicated that the City recalculated every retiree since October 01, 2000. However, the City is holding off on the release of that information until the city's methodology is approved by the Board.

After discussion among the Board, the methodology was still in question and was not approved by the Board. Mr. Amrose will communicate his findings in written form to the Board Attorney.

July 30, 2013

Mr. Dave Williams, Administrator
Sunrise Police Officers Pension Board
13790 N. W. 4th Street, Suite 105
Sunrise, Florida 33325

Re: Sunrise Police Officers' Retirement System

Dear Dave:

As requested, we are summarizing the options available to the Board regarding the procedure used to determine a member's Average Final Compensation (AFC). Based on prior discussions, the two main issues the Board has with the current methodology used to calculate the AFC are as follows:

- Under the current methodology the highest three-year total of earnings is first calculated using unadjusted salaries. After the highest total is selected, there are several adjustments that are made to the earnings to account for retro pay and other pay adjustments, and a proration is made to ensure the total represents exactly three years. If the selection of the three best years of earnings were made after these adjustments rather than before, the highest three-year total of earnings could be different.
- The highest non-consecutive three-year total of earnings is determined by first selecting the greatest 12-month total, then manually selecting the next two greatest non-overlapping 12-month totals.

The first option available to the Board is to continue the current procedure. The Plan attorney will need to determine if this procedure is in violation of the method described in the ordinance. If the determination is made that the current procedure is in violation of the ordinance, then this option should not be considered. If this is not the case, the Plan attorney may advise you to document the above methodology as part of the administrative procedure used to determine the AFC.

The second option is to have the City make modifications to their program used to determine the AFC. These modifications may include making the pay adjustments before determining the three highest years of pay. In addition, the modifications may also automate the selection of the highest three years of earnings.

Another option is for the Board to administer the calculation of the AFC. The calculation could be performed by the Plan Administrator or by GRS. The Board would provide input on the administrative policies to be used, and a computer program would need to be created. If we were to perform the calculation we would need all of the information regarding the member's pensionable earnings. This information would include but not be limited to the biweekly pensionable earnings, any retro pay amounts, the start date and end date for the retro pay, and any other pay adjustments including the dates such adjustments are to be applied.

We welcome your questions and comments.

Sincerely yours,



Jeffrey Amrose, EA
Senior Consultant & Actuary