

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

FINANCIAL STATEMENTS
September 30, 2020 and 2019

SALTMARSH, CLEVELAND & GUND, P.A..
Certified Public Accountants



Public Pension Coordinating Council
Public Pension Standards Award
For Funding and Administration
2020

Presented to

Sunrise Police Officers' Retirement 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 blue ink, reading "Alan H. Winkle".

Alan H. Winkle
Program Administrator

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

September 30, 2020 and 2019

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The Board of Trustees
City of Sunrise Police Officers'
Retirement Plan
Sunrise, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of City of Sunrise Police Officers' Retirement Plan (Plan), which comprise the statements of fiduciary net position as of September 30, 2020 and 2019, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The Board of Trustees
City of Sunrise Police Officers'
Retirement Plan
Sunrise, Florida

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Sunrise Police Officers' Retirement Plan as of September 30, 2020 and 2019, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements present only the City of Sunrise Police Officers' Retirement Plan, a pension trust fund of the City of Sunrise (City), and are not intended to present fairly the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Trustees
City of Sunrise Police Officers'
Retirement Plan
Sunrise, Florida

The City of Sunrise Police Officers' Retirement Plan has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The additional information on pages 43 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Tampa, Florida
January 25, 2021

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

STATEMENTS OF FIDUCIARY NET POSITION

September 30, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Receivables:		
Plan members	\$ 63,272	\$ 59,045
Interest	204,285	270,320
Dividends	42,216	42,107
Broker-dealers	<u>425,222</u>	<u>25,584</u>
Total receivables	734,995	397,056
Prepaid expenses	684,366	642,146
Investments at fair value:		
U.S. Government obligations	4,248,290	13,789,350
U.S. Government agency obligations	19,696,274	5,512,799
Corporate bonds	26,076,405	29,218,063
Domestic stocks	64,056,143	60,253,422
Domestic equity investment funds	29,160,875	20,364,444
International equity investment funds	16,437,381	13,867,277
Real estate investment funds	12,881,489	12,749,281
Temporary investment fund	<u>1,764,310</u>	<u>2,020,964</u>
Total investments	<u>174,321,167</u>	<u>157,775,600</u>
Total assets	175,740,528	158,814,802
	<u>Liabilities</u>	
Accounts payable	212,120	177,388
Accounts payable, broker-dealers	<u>342,346</u>	<u>1,999</u>
Total liabilities	<u>554,466</u>	<u>179,387</u>
Net position restricted for pensions	<u>\$ 175,186,062</u>	<u>\$ 158,635,415</u>

See Notes to Financial Statements.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Additions:		
Contributions:		
Employer	\$ 11,187,132	\$ 10,207,194
Plan members	1,583,622	1,686,187
	<hr/>	<hr/>
Total contributions	12,770,754	11,893,381
Intergovernmental revenue:		
State excise tax rebate	856,666	858,107
Investment income:		
Net appreciation (depreciation) in fair value of investments	10,131,428	1,980,974
Interest	1,753,453	2,225,178
Dividends	1,232,037	1,531,954
Commission recapture	4,132	355
Class action revenue	15,668	2,834
Other	2,939	2,939
	<hr/>	<hr/>
Investment income	13,139,657	5,744,234
Less investment expenses	531,074	528,897
	<hr/>	<hr/>
Net investment income	12,608,583	5,215,337
	<hr/>	<hr/>
Total additions	26,236,003	17,966,825
Deductions:		
Benefits:		
Age and service	7,174,672	6,726,616
Disability	451,850	451,850
DROP	1,664,957	3,092,882
Refunds of contributions	108,173	13,426
Administrative expenses	285,704	292,849
	<hr/>	<hr/>
Total deductions	9,685,356	10,577,623
	<hr/>	<hr/>
Net increase in net position	16,550,647	7,389,202
Net position restricted for pensions:		
Beginning of year	158,635,415	151,246,213
	<hr/>	<hr/>
End of year	\$ <u>175,186,062</u>	\$ <u>158,635,415</u>

See Notes to Financial Statements.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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 2006, 2008, 2009, 2015 and 2019, 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 are 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.

During the fiscal year ended September 30, 2020 the Plan's membership consisted of:

Retirees and beneficiaries:

Currently receiving benefits	145
DROP Retirees	38
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>

Total 184

Current employees:

Vested	64
Nonvested	<u>77</u>

Total 141

Tier I	102
Tier II	<u>39</u>

Total 141

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

1. Description of Plan (Continued)

At September 30, 2019, the date of the most recent actuarial valuation, there were 145 retirees and beneficiaries receiving benefits.

Pension Benefits - Pension benefits are summarized as follows:

Benefits	Sunrise Police - Tier 1 (Hired Before September 30, 2015)	Sunrise Police - Tier 2 (Hired on or After September 30, 2015)
Benefit Formula	3% of FAE for first 10 years of service 4% of FAE for next 10 years of service 2% of FAE for each year thereafter (80% of FAE maximum)	3% of FAE for first 20 years of service 2% of FAE for each year thereafter (70% of FAE maximum; no less than 2.75% per year of service)
Monthly Supplemental Benefit	\$25 x service (max \$500) until age 65 \$15 x service (max \$300) after age 65	None from pension plan but \$350 for life outside of pension plan
Pensionable Earnings	Regular pay plus overtime (up to 300 hours), holiday and other payroll incentives and general expense allowances, but excluding lump sum payouts of accrued benefits upon termination of employment, auto and uniform allowances, travel reimbursements and special detail pay	Same as current definition but excluding all overtime
Final Average Earnings (FAE)	Highest 3 years of service (does not need to be consecutive)	Highest 5 non-consecutive years of service out of last 10 years
Normal Retirement Date (NRD)	Age 53 with 10 years of service 20 years of service regardless of age	Age 55 with 10 years of service Age 52 with 25 years of service
Early Retirement Date (ERD)	Age 47 with 10 years of service	Age 50 with 10 years of service
Early Retirement Reduction	3% per year early No COLA	3% per year early No COLA
Cost of Living Adjustment ("COLA")	2.5% annual COLA starting 5 years after retirement	None
13 th Check	None	13 th check for years of investment gains if plan is 100% funded
Normal Form of Benefit	10-Year Certain and Life Annuity	10-Year Certain and Life Annuity
Employee Contribution Rate	9.84% of Earnings	8% of earnings
Vesting Years	10 years of service	10 years of service

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS
September 30, 2020 and 2019

1. Description of Plan (Continued)

Pension Benefits (Continued)

Benefits	Sunrise Police - Tier 1 (Hired Before September 30, 2015)	Sunrise Police - Tier 2 (Hired on or After September 30, 2015)
DROP Maximum Years of Participation	7 years (reduced if DROP entry is delayed more than 5 years after NRD)	4 years (must elect within 6 months of NRD)
DROP Interest Rate	6% per year (or self-directed DROP option)	0% until plan is 100% funded Actual plan return with minimum of 0% and maximum of 4% after plan is 100% funded
Service Connected Disability Benefits	75% of salary in effect on the date of disability, less offsets (42% of FAE minimum)	70% of salary in effect on the date of disability, less offsets (42% of FAE minimum)
Non-Service Connected Disability Benefits	Accrued benefit (25% of FAE minimum) 10-year eligibility requirements	Accrued benefit (25% of FAE minimum and 50% of FAE maximum) 10-Year eligibility requirement
Service Connected Death Benefit	Accrued benefit (75% of FAE minimum)	Accrued benefit Actuarially adjusted for beneficiary's age
Non-Service Connected Death Benefit	Accrued benefit (deferred to NRD or ERD) 10-year eligibility requirement	Accrued benefit (deferred to NRD or ERD) Actuarially adjusted for beneficiary's age 10-year eligibility requirement

Purchase of Credited Service - Members may purchase Credited Service as provided for in the ordinance. A member who has not yet vested may be permitted to purchase Credited Service as a conditional purchase whereby the purchased service will not be credited until the member has vested. Should the member separate from service prior to vesting, he may choose to receive a return of the employee contributions, including those attributable to the purchased service, without interest or may leave the contribution in the Plan for up to five years in accordance with the ordinance provisions.

Members are allowed to pay for the purchase of prior police or military service through bi-weekly payroll deductions over a period of time not to exceed 60 months, and no later than DROP entry or termination of employment, whichever occurs first.

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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

1. Description of Plan (Continued)

Covered officers are required to contribute 9.84% (8.00% for Tier 2 officers) of their salary to the Plan for the years ended September 30, 2020 and 2019, 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.

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 67, Financial Reporting for Defined Benefit Pension 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 Statements of Changes in Fiduciary Net Position.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

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.

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. Government 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 GASB statement No. 53, *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 either 9.84% (Tier 1) or 8% (Tier 2) of their annual earnings to the Plan for the fiscal years ended September 30, 2020 and 2019. 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

A rehired member returning to work within a ninety day period 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.

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, 2020 was 54.90%. This rate consists of 21.66% of member salaries to pay normal costs plus 33.24% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2019 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 Entry Age Normal 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.

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CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

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

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 Fiduciary Net Position. .

Reclassification - Certain figures for the year ended September 30, 2019 have been reclassified to conform to the financial statement presentation for the year ended September 30, 2020.

GASB 72, Fair Value Measurement and Application, addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

Subsequent Events - In accordance with ASC Topic 855, *Subsequent Events*, the Plan has evaluated events and transactions for potential recognition or disclosure through January 25, 2021, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization (“WHO”) declared that the outbreak of the coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) constituted a Public Health Emergency of International Concern (“PHEIC”), creating risks to the international community as the virus spread globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to significant deterioration and instability in financial markets. As a result, there has been heightened market risk and the Plan’s investment portfolio has incurred significant volatility in fair value since December 31, 2019. Because the values of the Plan’s individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, and the related impact on the Plan’s liquidity cannot be determined at this time.

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

Vanguard Developing Markets (Vanguard) and the J.P. Morgan International Unconstrained Equity Fund (J.P. Morgan) are alternative investment funds that invests primarily in the equity securities of foreign companies and investment funds. The Rhumblin R-1000G Fund and the ARK Disruptive Technology ETC Fund are domestic equity investment funds. These investments are generally valued at fair value as determined by the management of the fund by reference to the

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

3. Deposits and Investments (Continued)

Investments (Continued)

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.

The Barings Core Property Fund, L.P. and the ASB Allegiance Real estate Fund, L.P. are reported as NAV investments.

This alternative investment fund exposes the Plan to certain risks, including liquidity risks, counterparty risks, foreign political, economic, 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

3. Deposits and Investments (Continued)

Investments (Continued)

The Plan's security investments are segregated into six separate accounts and managed under separate investment agreements with Ceredex Value Advisors, LLC, Mutual of America Capital Management Corporation, Garcia Hamilton and Associates, Polen Capital Management, and Great Lakes Advisors. These accounts give Fiduciary Trust International of the South (FTIOS) the custodianship, but give Ceredex Value Advisors, LLC, Mutual of America Capital Management Corporation, Garcia Hamilton and Associates, Polen Capital Management and Great Lakes Advisors the authority to manage the investments. 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.

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 bond or stock investments that individually represented 5% or more of the Plan's net assets available for benefits as of September 30, 2020 and 2019.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

3. Deposits and Investments (Continued)

Investments (Continued)

The Plan held the following fixed income investments as of September 30, 2020:

Investment Type	Fair Value	Rating Barclays Aggregate Bond Index	Effective Average Duration (Years)
U.S. Government obligations	\$ 4,248,290	AA	4.80
U.S. Government agencies	19,696,274	AA	6.90
Corporate bonds	26,076,405	A-AAA	7.20
Temporary investment funds	<u>1,764,310</u>	Not Rated	0.0
Total fixed investments	<u>\$ 51,785,279</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 & Associates 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 Barclays Capital 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, 2020 and 2019

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 of Standard and Poor's A1.

The Plan's investment policy which conforms to Chapter 185 of the Florida Statutes was adopted in February, 2018 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, 2020 and 2019

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 Fiduciary Net Position. 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.

Investing in Real Estate - The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

3. Deposits and Investments (Continued)

Investment Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2020 is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	51%
International equity	9
Real estate	8
Fixed income	<u>32</u>
Total	<u><u>100%</u></u>

Rate of Return - For the years ended September 30, 2020 and 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.46 percent and 3.21 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2020 and 2019 as follows:

	2020		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government obligations	\$ 2,114,229	\$ (231,911)	\$ 1,882,318
U.S. Government agency obligations	(75,310)	37,791	(37,519)
Corporate bonds	488,218	972,182	1,460,400
Domestic stocks	630,240	1,907,220	2,537,460
Domestic equity investment funds	950,478	2,577,481	3,527,959
International equity investment funds	-	852,060	852,060
Real estate investment funds	-	(91,250)	(91,250)
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 4,107,855</u>	<u>\$ 6,023,573</u>	<u>\$ 10,131,428</u>
	2019		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:			
U.S. Government obligations	\$ 401,012	\$ 698,723	\$ 1,099,735
U.S. Government agency obligations	26,124	128,615	154,739
Corporate bonds	154,366	144,812	299,178
Domestic stocks	1,308,833	(629,316)	679,517
Domestic equity investment funds	125,237	(504,468)	(379,231)
International equity investment funds	-	(91,475)	(91,475)
Real estate investment funds	-	218,511	218,511
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 2,015,572</u>	<u>\$ (34,598)</u>	<u>\$ 1,980,974</u>

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

14. 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 2020 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

5. Investments

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2020 and 2019 are summarized as follows:

Investment	2020		2019	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligations	\$ 4,254,506	\$ 4,248,290	\$ 12,450,413	\$ 13,789,350
U.S. Government agency obligations	19,717,228	19,696,274	5,571,543	5,512,799
Corporate bonds	24,906,357	26,076,405	29,020,197	29,218,063
Domestic stocks	54,754,702	64,056,143	52,860,204	60,253,422
Domestic equity investment funds	25,526,656	29,160,875	19,307,706	20,364,444
International equity investment funds	14,100,735	16,437,381	12,382,690	13,867,277
Real estate investment funds	12,241,278	12,881,489	12,017,819	12,749,281
Temporary investment fund	1,764,310	1,764,310	2,020,964	2,020,964
Total	<u>\$ 157,265,772</u>	<u>\$ 174,321,167</u>	<u>\$ 145,631,536</u>	<u>\$ 157,775,600</u>

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

6. Commission Recapture

The Plan has entered commission recapture agreements with certain commission rebate broker-dealers. Terms of these agreements provide that the Plan agrees to direct its investment managers to effect certain trades through these broker-dealers consistent with best execution. These broker-dealers agree to refund an agreed upon percentage of the total of such brokerage commissions to the Plan. Commission recapture revenues for the years ended September 30, 2020 and 2019 were \$4,132 and \$355, respectively.

7. Designations

A portion of the net position 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, 2020 and 2019 are presented below as determined and reported by the Plan's actuary.

	<u>2020</u>	<u>2019</u>
Designated net position for DROP accounts (fully funded)	\$ 6,208,733	\$ 4,630,821
Undesignated net position	<u>168,977,329</u>	<u>154,004,320</u>
Total net position	<u>\$ 175,186,062</u>	<u>\$ 158,635,141</u>

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

8. Plan Amendments

The Plan was not amended during the fiscal year ended September 30, 2020.

The Plan was amended during the fiscal year ended September 30, 2019 as follows:

The ordinance amends the City of Sunrise Police Officers' Retirement System as follows:

- The monthly supplemental benefit payable before age 65 will increase from \$25 per year of service (maximum of \$500) to \$35 per year of service (maximum of \$700). The monthly supplemental benefit payable at age 65 is unchanged.
- Members will be allowed to pay for the purchase of prior police or military service through bi-weekly payroll deductions over a period of time not to exceed 60 months, and no later than DROP entry or termination of employment, whichever occurs first.

This amendment increased the City's contribution by 0.92% of covered payroll.

9. Mortgage-Backed Securities

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

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

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

10. Plan Termination

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

11. Commitments

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2020, aggregate contributions from active members of the Plan were approximately \$25,452,000. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

12. Lease Agreement

The Plan was obligated under noncancelable operating lease agreements on certain equipment and its office facilities during the year ended September 30, 2020. The lease terms cover the period from October 1, 2014 through April 22, 2022. Future minimum annual maturities under these lease agreements are summarized as follows:

Year Ended	
<u>September 30</u>	
2021	\$ 19,043
2022	<u>9,000</u>
Total	<u>\$ 28,043</u>

Equipment and office rent expense, which includes CAM maintenance costs, for the years ended September 30, 2020 and 2019 was \$31,465 and \$30,473, respectively.

The Plan also entered a noncancelable month-to-month sublease agreement of certain office space. Rent income for the fiscal years ended September 30, 2020 and 2019 was \$2,939 and \$2,939, respectively.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

13. Changes in Actuarial Assumptions

The investment return assumption was lowered from 7.80% to 7.75% effective October 1, 2016. This rate was lowered to 7.35% effective October 1, 2019.

In addition, the mortality assumption was changed as follows:

RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB for males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment, for females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement system (FRS) in the July 1, 2019 FRS Valuation, as mandated by Chapter 112.63, Florida Statutes.

14. Self-Directed DROP Accounts

During fiscal year ended September 30, 2013, the Board entered a group annuity contract with the ING Life Insurance and Annuity Company (ILIAC). Terms of this investment agreement provide for the investment of DROP assets in a participant self-directed investment program under Section 401(a) of the Internal Revenue Code. The twenty-two investment alternatives have been approved by the Plan's Board of Trustees. There were no self-directed DROP accounts established as of September 30, 2020.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value

Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative reinvestment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2020 and 2019:

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by Interactive Data Pricing and Reference Data, LLC to value securities based on the securities' relationship to benchmark quoted prices.
- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

	September 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government obligations	\$ 4,248,290	\$ -	\$ 4,248,290	\$ -
U.S. Government agency obligations	19,696,274	-	19,696,274	-
Corporate bonds	26,076,405	-	26,076,405	-
Domestic stocks	64,056,143	64,056,143	-	-
Domestic equity investment funds	29,160,875	29,160,875	-	-
International equity investment funds	16,437,381	16,437,381	-	-
Temporary investment funds	<u>1,764,310</u>	<u>1,764,310</u>	-	-
Total investments be fair value level	\$ 161,439,678	\$ <u>111,418,709</u>	\$ <u>50,020,969</u>	\$ -
Investments measured at the Net Asset Value (NAV):				
Real estate investment funds	<u>12,881,489</u>			
Total investments measured at the NAV	<u>12,881,489</u>			
Total investments measured at fair value	\$ <u>174,321,167</u>			

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Investments measured at NAV	2020 Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Real estate investment funds:				
ASB Allegiance Real Estate Fund	\$ 5,913,532	\$ -	Quarterly	60 days
Barings Core Property Fund, L.P.	<u>6,967,957</u>	<u>-</u>	Quarterly	60 days
Total investments measured at NAV	<u>\$ 12,881,489</u>			

The real estate investment funds are open end, commingled private equity real estate portfolios. These REIT-based funds are structured as limited partnerships. Their primary focus is to invest in well-based income producing properties within major U.S. markets. The fair values of the investments in these funds have been determined using the NAV per unit of the trusts ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 60 days in advance and may be paid in one or more installments.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Investments by fair value level	September 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government obligations	\$ 13,789,350	\$ -	\$ 13,789,350	\$ -
U.S. Government agency obligations	5,512,799	-	5,512,799	-
Corporate bonds	29,218,063	-	29,218,063	-
Domestic stocks	60,253,422	60,253,422	-	-
Domestic equity investment funds	20,364,444	20,364,444	-	-
International equity investment funds	13,867,277	13,867,277	-	-
Temporary investment funds	2,020,964	2,020,964	-	-
Total investments by fair value level	\$ 145,026,319	\$ 96,506,107	\$ 48,520,212	\$ -
Investments measured at the Net Asset Value (NAV):				
Real estate investment funds	12,749,281			
Total investments measured at the NAV	12,749,281			
Total investments measured at fair value	\$ 157,775,600			

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

15. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Investments measured at NAV	2019 Fair Value	Unfunded Commitment	Redemption Frequency (if currently eligible)	Redemption Notice Period
Real estate investment funds:				
ASB Allegiance Real Estate Fund	\$ 5,834,716	\$ -	Quarterly	60 days
Barings Core Property Fund, L.P.	<u>6,914,565</u>	<u>-</u>	Quarterly	60 days
Total investments measured at NAV	<u>\$ 12,749,281</u>			

The real estate investment funds are open end, commingled private equity real estate portfolios. These REIT-based funds are structured as limited partnerships. Their primary focus is to invest in well-based income producing properties within major U.S. markets. The fair values of the investments in these funds have been determined using the NAV per unit of the trusts ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 60 days in advance and may be paid in one or more installments.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

16. Net Pension Liability of the City

The components of net position liability of the City of Sunrise (City) as of September 30, 2020 were as follows:

Total Pension Liability	\$	244,478,481
Plan Fiduciary Net Position		<u>175,186,062</u>
City's Net Pension Liability	\$	<u><u>69,292,419</u></u>
Plan Fiduciary Net Position as a percentage of total pension liability		<u>71.66%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2018 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary increases	4.2% to 7.5% depending on age, including inflation
Investment rate of return	7.35%

RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 2019 FRS Valuation.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

16. Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Target Allocation	Asset Class	Long-Term Expected Real Rate of Return
51 %	Domestic equity	5.43 %
32	Fixed income	3.00
9	International equity	8.50
8	Real estate	4.50

Discount Rate - The discount rate used to measure the total pension liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

16. Net Pension Liability of the City (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the plan's net pension liability of the City, calculated using the discount rate of 7.35%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.35%) or 1-percentage-point higher (8.35%).

<u>1% Decrease</u> <u>6.35%</u>	<u>Current</u> <u>Single Discount</u> <u>Rate Assumption</u> <u>7.35%</u>	<u>1% Increase</u> <u>8.35%</u>
\$ <u>101,447,822</u>	\$ <u>69,292,419</u>	\$ <u>43,158,142</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

September 30, 2020

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY

Last Seven Fiscal Years

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014
Total pension liability:							
Service cost	\$ 5,139,970	\$ 4,985,444	\$ 4,857,819	\$ 4,599,186	\$ 4,415,243	\$ 4,068,061	\$ 3,784,863
Interest	17,500,417	16,247,834	15,162,272	14,481,168	13,727,142	12,756,539	12,056,017
Benefit changes	-	1,620,550	-	-	-	-	-
Difference between actual and expected experience	(151,036)	3,218,834	4,093,499	2,023,747	560,558	(417,253)	(58,354)
Assumption changes	3,065,310	1,367,814	1,265,641	(1,393,066)	-	6,918,969	-
Benefit payments	(9,291,479)	(10,271,348)	(9,924,857)	(9,946,162)	(8,399,112)	(5,761,251)	(8,760,460)
Refunds	(108,173)	(13,426)	(66,853)	(29,030)	(65,487)	(56,610)	(40,078)
Net change in total pension liability	16,155,009	17,155,702	15,387,521	9,735,843	10,238,344	17,508,455	6,981,988
Total pension liability - beginning	<u>228,323,472</u>	<u>211,167,770</u>	<u>195,780,249</u>	<u>186,044,406</u>	<u>175,806,062</u>	<u>158,297,607</u>	<u>151,315,619</u>
Total pension liability ending (a)	\$ <u>244,478,481</u>	\$ <u>228,323,472</u>	\$ <u>211,167,770</u>	\$ <u>195,780,249</u>	\$ <u>186,044,406</u>	\$ <u>175,806,062</u>	\$ <u>158,297,607</u>
Plan fiduciary net position:							
Contributions - employer	\$ 11,187,132	\$ 10,207,194	\$ 9,431,736	\$ 9,199,456	\$ 8,834,348	\$ 8,194,759	\$ 7,472,477
Contributions - employer (from State)	856,666	858,107	785,047	724,891	693,248	639,176	620,714
Contributions - members	1,583,622	1,686,187	1,698,916	1,664,869	1,510,667	1,524,051	1,293,252
Net investment income	12,608,583	5,215,337	11,384,925	14,258,027	10,187,217	366,132	8,705,647
Benefit payments	(9,291,479)	(10,271,348)	(9,924,857)	(9,946,162)	(8,399,112)	(5,761,251)	(8,760,460)
Refunds	(108,173)	(13,426)	(66,853)	(29,030)	(65,487)	(56,610)	(40,078)
Administrative expense	(285,704)	(292,849)	(279,917)	(316,694)	(338,086)	(231,098)	(222,848)
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	16,550,647	7,389,202	13,028,997	15,555,357	12,422,795	4,675,159	9,068,704
Plan fiduciary net position - beginning	<u>158,635,415</u>	<u>151,246,213</u>	<u>138,217,216</u>	<u>122,661,859</u>	<u>110,239,064</u>	<u>105,563,905</u>	<u>96,495,201</u>
Plan fiduciary net position - ending (b)	\$ <u>175,186,062</u>	\$ <u>158,635,415</u>	\$ <u>151,246,213</u>	\$ <u>138,217,216</u>	\$ <u>122,661,859</u>	\$ <u>110,239,064</u>	\$ <u>105,563,905</u>
Net pension liability (asset) (a) - (b)	\$ <u>69,292,419</u>	\$ <u>69,688,057</u>	\$ <u>59,921,557</u>	\$ <u>57,563,033</u>	\$ <u>63,382,547</u>	\$ <u>65,566,998</u>	\$ <u>52,733,702</u>

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

September 30, 2020

SCHEDULE OF RATIOS

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.66%</u>	<u>69.48%</u>	<u>71.62%</u>	<u>70.60%</u>	<u>65.93%</u>	<u>62.70%</u>	<u>66.69%</u>
Covered employee payroll	\$ <u>16,444,446</u>	\$ <u>17,491,218</u>	\$ <u>17,508,583</u>	\$ <u>16,985,178</u>	\$ <u>15,886,876</u>	\$ <u>15,488,323</u>	\$ <u>13,142,805</u>
Net pension liability as a percentage of covered payroll	<u>421.37%</u>	<u>398.42%</u>	<u>342.24%</u>	<u>338.90%</u>	<u>398.96%</u>	<u>423.33%</u>	<u>401.24%</u>

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years

<u>Fiscal Year Ended September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Covered Payroll*</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2011	\$ 6,462,794	\$ 6,462,794	\$ 13,027,405	49.61%
2012	6,542,571	6,542,571	13,521,139	48.39
2013	7,431,759	7,431,759	13,359,510	55.63
2014	8,093,191	8,093,191	13,142,805	61.58
2015	8,833,935	8,833,935	15,488,323	57.04
2016	9,527,596	9,527,596	15,886,876	59.97
2017	9,924,347	9,924,347	16,985,178	58.43
2018	10,216,783	10,216,783	17,508,583	58.35
2019	11,065,301	11,065,301	17,491,218	63.26
2020	12,043,798	12,043,798	16,444,446	73.24

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO SCHEDULE OF NET PENSION LIABILITY

September 30, 2020

Valuation date: October 1, 2018
Measurement date: September 30, 2020

Methods and Assumptions Used to Determine Net Pension Liability:

Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	4.20% to 7.50% depending on age, including inflation
Investment rate of return	7.35%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.

Mortality

The PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement). These tables use ages set forward one year and mortality improvements to all future years after 2010 using scale MP-2018. These are the same rates used for Special Risk Class members in the July 1, 2019 Actuarial Valuation of the Florida Retirement System (FRS).

Other information;

Notes

See Discussion of Valuation Results in the October 1, 2019 Actuarial Valuation Report. The investment rate of return was lowered from 7.65% to 7.35%. In addition, the mortality tables were updated from the mortality rates used by the Florida Retirement System (fRS) for Special Risk Class members in the July 1, 2018 FRS Actuarial Valuation to the rates used in the July 1, 2019 FRS Actuarial Valuation.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

NOTES TO THE SCHEDULE OF CONTRIBUTIONS

September 30, 2020

Last Fiscal Year

Valuation date: October 1, 2018
Notes Actuarially determined contributions are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay closed
Remaining Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	4.20% to 7.50% depending on age, including inflation
Investment Rate of Return	7.65%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 Combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for post-retirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates used for Special Risk Class members of the Florida Retirement System (FRS) in the July 1, 2017 FRS Valuation, as mandated by Chapter 112.63, Florida Statutes.

Other Information:

Notes See Discussion of Valuation Results from the October 1, 2018 Actuarial Valuation Report. The investment rate of return was lowered from 7.70% to 7.65%. In addition, Ordinance Number 124-X-19-A amended the City of Sunrise Police Officers' Retirement System by increasing the monthly supplemental benefit payable before age 65 from \$25 per year of service (maximum of \$500) to \$35 per year of service (maximum of \$700). The monthly supplemental benefit payable at age 65 is unchanged.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

SCHEDULE OF INVESTMENT RETURNS

September 30, 2020

Last Seven Fiscal Years

	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expenses	<u>7.46%</u>	<u>3.21%</u>	<u>7.78%</u>	<u>11.04%</u>	<u>8.45%</u>	<u>0.37%</u>	<u>10.77%</u>

ADDITIONAL INFORMATION

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

SCHEDULES OF ADMINISTRATIVE AND INVESTMENT EXPENSES

Years ended September 30, 2020 and 2019

Administrative and investment expenses for the years ended September 30, 2020 and 2019 are summarized as follows:

	2020		2019	
	Expenses		Expenses	
	Administrative	Investment	Administrative	Investment
Actuary	\$ 82,606	\$ -	\$ 56,088	\$ -
Administrator	64,441	-	64,054	-
Audit	22,300	-	20,800	-
Custodial fees	-	66,550	-	64,679
Dues and subscriptions	3,208	-	1,380	-
Education and training*	3,961	-	7,096	-
Electric	1,162	-	1,068	-
Insurance	12,699	-	12,806	-
Investment manager fees:				
Garcia Hamilton and Associates	-	128,009	-	142,218
Ceredex Value Advisors, LLC	-	137,858	-	132,763
Mutual of America Capital Management Corporation	-	13,687	-	7,548
Polen Capital Management, LLC	-	87,872	-	80,123
Rhumblin Advisors, LP	-	7,323	-	6,245
Great Lakes Advisors	-	37,486	-	45,284
Legal	30,000	-	30,000	-
Legal other	5,122	-	18,403	-
Office space rent	18,000	-	18,000	-
CAM fees	11,032	-	10,620	-
Office supplies and expense	16,159	-	37,887	-
Performance monitor	-	52,289	-	50,037
Secretarial	15,014	-	14,647	-
TOTALS	\$ 285,704	\$ 531,074	\$ 292,849	\$ 528,897
Percent of Plan Net Position	<u>0.16%</u>	<u>0.30%</u>	<u>0.18%</u>	<u>0.33%</u>

* It is the Board's policy to pay education and training costs with earnings from the Plan's commission recapture program. Commission recapture revenue for the years ended September 30, 2020 and 2019 was \$4,132 and \$355, respectively.

**Does not include fees withheld from investment funds.