

Saltmarsh

Saltmarsh, Cleaveland & Gund

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2022***

Presented to

***City of 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 black ink, reading "Alan H. Winkle".

Alan H. Winkle
Program Administrator

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the City of Sunrise Police Officers' Retirement Plan (the "Plan"), which comprise the statements of fiduciary net position as of September 30, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, information regarding the fiduciary net position of the Plan as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the plan, and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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, Florida (the "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.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 27 through 32 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 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 page 33 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
March 6, 2023

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022 AND 2021

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| Assets: | | |
| Receivables: | | |
| Plan members | \$ 98,354 | \$ 60,272 |
| Interest | 392,948 | 222,207 |
| Dividends | - | 55,606 |
| Broker-dealers | 2,343,026 | 416,006 |
| Other | 337 | - |
| Total receivables | 2,834,665 | 754,091 |
| Prepaid expenses | 749,049 | 708,290 |
| Investments, at fair value: | | |
| U.S. Government obligations | 5,165,923 | 24,013,558 |
| U.S. Government agency obligations | 32,441,356 | 17,195,834 |
| Corporate bonds | 8,815,113 | 10,452,152 |
| Domestic stocks | 53,517,757 | 71,472,330 |
| Domestic equity investment funds | 31,784,241 | 54,567,502 |
| International equity investment funds | 17,419,191 | 9,506,868 |
| Real estate investment funds | 21,223,978 | 17,267,459 |
| Temporary investment funds | 10,186,470 | 12,060,067 |
| Total investments | 180,554,029 | 216,535,770 |
| Total Assets | 184,137,743 | 217,998,151 |
| Liabilities: | | |
| Accounts payable | 123,769 | 121,585 |
| Accounts payable, broker-dealers | 975,669 | 2,508,388 |
| Total Liabilities | 1,099,438 | 2,629,973 |
| Net Position Restricted for Pensions | \$ 183,038,305 | \$ 215,368,177 |

The accompanying notes are an integral
part of these financial statements.

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

| | 2022 | 2021 |
|--|----------------|----------------|
| Additions to Net Position Attributed to: | | |
| Contributions: | | |
| Employer | \$ 10,479,815 | \$ 10,397,058 |
| Plan members | 1,372,686 | 1,422,792 |
| Total contributions | 11,852,501 | 11,819,850 |
| Intergovernmental revenue: | | |
| State excise tax rebate | 919,969 | 838,995 |
| Total intergovernmental revenue | 919,969 | 838,995 |
| Investment income (loss): | | |
| Net appreciation (depreciation) in fair value of investments | (38,936,237) | 34,202,370 |
| Interest | 1,327,405 | 1,096,983 |
| Dividends | 2,385,003 | 1,943,551 |
| Commission recapture | - | 3,817 |
| Class action revenue | - | 5,556 |
| Other | 23,380 | 2,923 |
| Total investment income (loss) | (35,200,449) | 37,255,200 |
| Less investment expenses | 740,721 | 689,544 |
| Net investment income (loss) | (35,941,170) | 36,565,656 |
| Total additions (deductions), net | (23,168,700) | 49,224,501 |
| Deductions from Net Position Attributed to: | | |
| Benefits: | | |
| Age and service | 8,067,145 | 7,749,557 |
| Disability | 533,010 | 451,850 |
| DROP | 256,886 | 557,133 |
| Refunds of contributions | 11,591 | 12,135 |
| Administrative expenses | 292,540 | 271,711 |
| Total deductions | 9,161,172 | 9,042,386 |
| Net Increase (Decrease) in Net Position | (32,329,872) | 40,182,115 |
| Net Position Available for Benefits: | | |
| Beginning of year | 215,368,177 | 175,186,062 |
| End of year | \$ 183,038,305 | \$ 215,368,177 |

The accompanying notes are an integral
part of these financial statements.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 1 - DESCRIPTION OF PLAN

The following brief description of the City of Sunrise Police Officers' Retirement Plan (the "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 (the "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 the 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, 2022 the Plan's membership consisted of:

| | |
|---|---------|
| Currently receiving benefits | 151 |
| DROP Retirees | 55 |
| Terminated employees entitled to but not yet receiving benefits | - |
| Total | 206 |
| Currently employees: | |
| Vested | 51 |
| Nonvested | 76 |
| Total | 127 |
| Tier I | |
| Tier II | 77 |
| | 50 |
| Total | 127 |

At October 1, 2021, the date of the most recent Plan actuarial valuation, there were 151 retirees and beneficiaries receiving benefits.

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 1 - DESCRIPTION OF PLAN (Continued)

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 | \$35 x service (max \$700) 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, 2022 AND 2021**

NOTE 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 requirement | 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, 2022 AND 2021

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Refund and Compulsory Contributions (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, 2022 and 2021, 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.

NOTE 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 liabilities are 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 amendments thereto.

Valuation of Investments:

The Plan follows GASB 72, Fair Value Measurement and Application, which 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of Investments (Continued):

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.

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 and Financial Reporting For Derivative Instruments* 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 and 2021. Prior to January 1, 1990, contributions to the System were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code. Contribution requirements of the Plan's participants are established and may be amended by the City of Sunrise, Florida.

A rehired member returning to work 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.

Administrative Cost:

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 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021 have been reclassified to conform to the financial statement presentation for the year ended September 30, 2022.

Subsequent Events:

Management has adopted the provisions set forth in GASB statement No. 56, *Subsequent Events*, and considered subsequent events through March 6, 2023, which is the date that the financial statements were available to be issued.

NOTE 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments:

Vanguard Developing Markets (Vanguard) and the J.P. Morgan International Unconstrained Equity Fund (J.P. Morgan) are alternative investment funds that invest 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 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.

These alternative investment funds expose 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 periods, as well as restrictions for liquidating positions in these funds, that make the investments non-current and non-marketable.

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

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued):

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, 2022 and 2021.

The Plan held the following fixed income investments as of September 30, 2022:

| Investment Type | Fair Value | Rating | Maturity Range (Years) |
|-----------------------------|----------------------|--|------------------------------|
| | | Barclays Aggregate Bond Index | |
| U.S. Government obligations | \$ 5,165,923 | AA+ | 4-16 |
| U.S. Government agencies | 32,441,356 | AA+ | 1-19 |
| Corporate bonds | 8,815,113 | A- | 1-8 |
| Temporary investment funds | <u>10,186,470</u> | Not Rated | 0 |
| Total | <u>\$ 56,608,862</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, 2022 AND 2021

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk:

Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to the following rating criteria:

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

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

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

The Plan's investment policy which conforms to Chapter 185 of the Florida Statutes was adopted in February 2021 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, 2022 AND 2021

NOTE 3 - DEPOSITS AND 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, 2022 AND 2021**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investment Asset Allocation:

The Plan's adopted asset allocation policy as of September 30, 2022 is as follows:

| Asset Class | Target |
|----------------------|--------|
| Domestic equity | 51% |
| International equity | 9% |
| Real estate | 8% |
| Fixed income | 32% |
| Total | 100% |

Rate of Return:

For the years ended September 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -16.31% and 19.98% 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, 2022 AND 2021

NOTE 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, 2022 and 2021 as follows:

| | 2022 | 2021 |
|--|-----------------|---------------|
| Realized appreciation (depreciation) | \$ 4,163,923 | \$ 19,170,871 |
| Unrealized appreciation (depreciation) | (43,100,160) | 15,031,499 |
| | \$ (38,936,237) | \$ 34,202,370 |

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 2022 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

NOTE 5 - INVESTMENTS

The Plan's investments at both fair value and cost or adjusted cost as of September 30, 2022 and 2021 are summarized as follows:

| Investments | 2022 | | 2021 | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | Cost | Fair Value | Cost | Fair Value |
| U.S. Government obligations | \$ 5,713,249 | \$ 5,165,923 | \$ 24,374,886 | \$ 24,013,558 |
| U.S. Government agency obligations | 35,027,209 | 32,441,356 | 17,219,493 | 17,195,834 |
| Corporate bonds | 10,529,586 | 8,815,113 | 10,384,692 | 10,452,152 |
| Domestic stocks | 58,448,467 | 53,517,757 | 57,592,290 | 71,472,330 |
| Domestic equity investment funds | 36,610,012 | 31,784,241 | 42,715,887 | 54,567,502 |
| International equity investment funds | 18,421,203 | 17,419,191 | 5,821,769 | 9,506,868 |
| Real estate investment funds | 16,560,390 | 21,223,978 | 15,357,678 | 17,267,459 |
| Temporary investment fund | 10,186,470 | 10,186,470 | 12,060,067 | 12,060,067 |
| Total investments | \$ 191,496,586 | \$ 180,554,029 | \$ 185,526,762 | \$ 216,535,770 |

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 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, 2022 and 2021 were \$ -0- and \$3,817, respectively.

NOTE 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, 2022 and 2021 are presented below as determined and reported by the Plan's actuary.

| | 2022 | 2021 |
|-------------------------------|----------------|----------------|
| Designated net position for | | |
| DROP accounts (fully funded) | \$ 15,095,231 | \$ 9,927,961 |
| Undesignated net position | 167,943,074 | 205,440,216 |
| Total designated net position | \$ 183,038,305 | \$ 215,368,177 |

NOTE 8 - PLAN AMENDMENTS

There were no Plan amendments for the fiscal years ended September 30, 2022 and 2021.

NOTE 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.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 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.

NOTE 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. The portion of these contributions which are refundable to participants who may terminate with less than ten years of service has not been determined.

NOTE 12 - CHANGES IN ACTUARIAL ASSUMPTIONS

The investment return assumption was lowered to 7.15% from 7.25% effective for the October 1, 2021 Actuarial Valuation.

In addition, the mortality assumption was changed as follows:

PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Safety Healthy Retiree Female 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).

NOTE 13 - SELF-DIRECTED DROP ACCOUNTS

During the fiscal year ended September 30, 2013, the Board entered into a group annuity contract with ING Life Insurance and Annuity Company (ILIAC). The 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, 2022 and 2021.

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 14 - 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.

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 I 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 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, 2022 AND 2021

NOTE 14 - 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, 2022 and 2021:

- *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, 2022 AND 2021

NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Fair Value Hierarchy (Continued)

| Investment by fair value level | (Level 1) | (Level 2) | (Level 3) | 2022 |
|---------------------------------------|-----------------------|----------------------|-------------|--------------------|
| U.S. Government obligations | \$ - | \$ 5,165,923 | \$ - | \$ 5,165,923 |
| U.S. Government agency obligations | - | 32,441,356 | - | 32,441,356 |
| Corporate bonds | - | 8,815,113 | - | 8,815,113 |
| Domestic stocks | 53,517,757 | - | - | 53,517,757 |
| Domestic equity investment funds | 31,784,241 | - | - | 31,784,241 |
| International equity investment funds | 17,419,191 | - | - | 17,419,191 |
| Temporary investment funds | 10,186,470 | - | - | 10,186,470 |
| Total investments by fair value level | <u>\$ 112,907,659</u> | <u>\$ 46,422,392</u> | <u>\$ -</u> | <u>159,330,051</u> |

Investments Measured at Net Asset Value (NAV):

| | |
|-----------------------------------|-------------------|
| Real estate investment funds | <u>21,223,978</u> |
| Total investments measured at NAV | <u>21,223,978</u> |

Total, September 30, 2022 \$ 180,554,029

| Investment by fair value level | (Level 1) | (Level 2) | (Level 3) | 2021 |
|---------------------------------------|-----------------------|----------------------|-------------|--------------------|
| U.S. Government obligations | \$ - | \$ 24,013,558 | \$ - | \$ 24,013,558 |
| U.S. Government agency obligations | - | 17,195,834 | - | 17,195,834 |
| Corporate bonds | - | 10,452,152 | - | 10,452,152 |
| Domestic stocks | 71,472,330 | - | - | 71,472,330 |
| Domestic equity investment funds | 54,567,502 | - | - | 54,567,502 |
| International equity investment funds | 9,506,868 | - | - | 9,506,868 |
| Temporary investment funds | 12,060,067 | - | - | 12,060,067 |
| Total investments by fair value level | <u>\$ 147,606,767</u> | <u>\$ 51,661,544</u> | <u>\$ -</u> | <u>199,268,311</u> |

Investments Measured at Net Asset Value (NAV):

| | |
|-----------------------------------|-------------------|
| Real estate investment funds | <u>17,267,459</u> |
| Total investments measured at NAV | <u>17,267,459</u> |

Total, September 30, 2021 \$ 216,535,770

CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 14 - INVESTMENT MEASUREMENT AT FAIR VALUE (Continued)

Fair Value Hierarchy (Continued)

The real estate investment funds are open end, commingled private equity real estate portfolios. These real estate investment trust (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 trust's 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.

| <u>Investments measured at NAV</u> | <u>2022 Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (if Currently Eligible)</u> | <u>Redemption Notice Period</u> |
|------------------------------------|-----------------------|---------------------------------|---|---|
| Real estate investment funds: | | | | |
| ASB Allegiance Real Estate Fund | \$ 11,314,981 | \$ - | Quarterly | 60 days |
| Barings Core Property Fund L.P. | <u>9,908,997</u> | <u>-</u> | Quarterly | 60 days |
| Total investments measured at NAV | <u>\$ 21,223,978</u> | | | |
| | | | | |
| <u>Investments measured at NAV</u> | <u>2021 Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency (if Currently Eligible)</u> | <u>Redemption Notice Period</u> |
| Real estate investment funds: | | | | |
| ASB Allegiance Real Estate Fund | \$ 9,529,883 | \$ - | Quarterly | 60 days |
| Barings Core Property Fund L.P. | <u>7,737,576</u> | <u>-</u> | Quarterly | 60 days |
| Total investments measured at NAV | <u>\$ 17,267,459</u> | | | |

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 15 - NET PENSION LIABILITY OF THE CITY

The components of net position liability of the City of Sunrise (City) as of September 30, 2022 were as follows:

| | |
|---|-----------------------------|
| Total Pension Liability | \$ 282,126,137 |
| Plan Fiduciary Net Position | <u>183,038,305</u> |
| City's Net Pension Liability | <u><u>\$ 99,087,832</u></u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | <u><u>64.88%</u></u> |

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2021 using the following actuarial assumptions applied to all measurement periods.

| | |
|---------------------------|--|
| Inflation | 2.50% |
| Salary increases | 4.20% to 7.50% depending on including inflation |
| Investment Rate of Return | 7.15% |

PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Safety Healthy Retiree Female 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, 2020 Actuarial Valuation of the Florida Retirement System (FRS).

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 15 - 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, 2022 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic equity | 51% | 7.50% |
| Fixed income | 32% | 2.50% |
| International equity | 9% | 8.50% |
| Real estate | 8% | 4.50% |

Discount Rate:

The discount rate used to measure the total pension liability was 7.15%. 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.

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 7.15%, 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 (6.15%) or 1-percentage-point higher (8.15%).

| | 1% Decrease 6.15% | Current Single Discount Rate Assumption 7.15% | 1% Increase 8.15% |
|------------------------------|-----------------------|--|----------------------|
| City's net pension liability | <u>\$ 135,763,317</u> | <u>\$ 99,087,832</u> | <u>\$ 69,429,798</u> |

REQUIRED SUPPLEMENTAL SCHEDULES

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CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
LAST NINE FISCAL YEARS *

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability | | | | |
| Service cost | \$ 4,387,274 | \$ 4,623,944 | \$ 5,139,970 | \$ 4,985,444 |
| Interest | 19,044,653 | 17,986,706 | 17,500,417 | 16,247,834 |
| Benefit changes | - | 78,534 | - | 1,620,550 |
| Difference between actual and expected experience | 1,578,327 | 1,285,718 | (151,036) | 3,218,834 |
| Assumption changes | 3,252,600 | 3,049,207 | 3,065,310 | 1,367,814 |
| Benefit payments | (8,857,041) | (8,758,540) | (9,291,479) | (10,271,348) |
| Refunds | (11,591) | (12,135) | (108,173) | (13,426) |
| Net change in total pension liability | <u>19,394,222</u> | <u>18,253,434</u> | <u>16,155,009</u> | <u>17,155,702</u> |
| Total pension liability, beginning | <u>262,731,915</u> | <u>244,478,481</u> | <u>228,323,472</u> | <u>211,167,770</u> |
| Total pension liability, ending | <u>\$ 282,126,137</u> | <u>\$ 262,731,915</u> | <u>\$ 244,478,481</u> | <u>\$ 228,323,472</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$ 10,479,815 | \$ 10,397,058 | \$ 11,187,132 | \$ 10,207,194 |
| Contributions - employer (from State) | 919,969 | 838,995 | 856,666 | 858,107 |
| Contributions - members | 1,372,686 | 1,422,792 | 1,583,622 | 1,679,931 |
| Net investment income (loss) | (35,941,170) | 36,565,656 | 12,608,583 | 5,221,593 |
| Benefit payments | (8,857,041) | (8,758,540) | (9,291,479) | (10,271,348) |
| Refunds | (11,591) | (12,135) | (108,173) | (13,426) |
| Administrative expense | (292,540) | (271,711) | (285,704) | (292,849) |
| Other | - | - | - | - |
| Net change in plan fiduciary net position | <u>(32,329,872)</u> | <u>40,182,115</u> | <u>16,550,647</u> | <u>7,389,202</u> |
| Plan fiduciary net position - beginning (a) | <u>215,368,177</u> | <u>175,186,062</u> | <u>158,635,415</u> | <u>151,246,213</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 183,038,305</u> | <u>\$ 215,368,177</u> | <u>\$ 175,186,062</u> | <u>\$ 158,635,415</u> |
| Net pension liability (asset) (a) - (b) | <u>\$ 99,087,832</u> | <u>\$ 47,363,738</u> | <u>\$ 69,292,419</u> | <u>\$ 69,688,057</u> |

* Information prior to 2014 was not readily available.

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ | 4,857,819 | \$ 4,599,186 | \$ 4,415,243 | \$ 4,068,061 | \$ 3,784,863 |
| | 15,162,272 | 14,481,168 | 13,727,142 | 12,756,539 | 12,056,017 |
| | - | - | - | - | - |
| | 4,093,499 | 2,023,747 | 560,558 | (417,253) | (58,354) |
| | 1,265,641 | (1,393,066) | - | 6,918,969 | - |
| | (9,924,857) | (9,946,162) | (8,399,112) | (5,761,251) | (8,760,460) |
| | <u>(66,853)</u> | <u>(29,030)</u> | <u>(65,487)</u> | <u>(56,610)</u> | <u>(40,078)</u> |
| | 15,387,521 | 9,735,843 | 10,238,344 | 17,508,455 | 6,981,988 |
| | <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> |
| \$ | <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> |
| \$ | 9,431,736 | \$ 9,199,456 | \$ 8,834,348 | \$ 8,194,759 | \$ 7,472,477 |
| | 785,047 | 724,891 | 693,248 | 639,176 | 620,714 |
| | 1,698,916 | 1,664,869 | 1,510,667 | 1,524,051 | 1,293,252 |
| | 11,384,925 | 14,258,027 | 10,187,217 | 366,132 | 8,705,647 |
| | (9,924,857) | (9,946,162) | (8,399,112) | (5,761,251) | (8,760,460) |
| | (66,853) | (29,030) | (65,487) | (56,610) | (40,078) |
| | (279,917) | (316,694) | (338,086) | (231,098) | (222,848) |
| | - | - | - | - | - |
| | <u>13,028,997</u> | <u>15,555,357</u> | <u>12,422,795</u> | <u>4,675,159</u> | <u>9,068,704</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> |
| \$ | <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>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
SCHEDULE OF RATIOS
LAST NINE FISCAL YEARS ***

| Fiscal Year Ended September 30, | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | Covered Payroll | Net Pension Liability as a Percentage of Covered Payroll |
|--|--|--------------------|--|
| 2014 | 66.69% | \$ 13,142,805 | 401.24% |
| 2015 | 62.70% | 15,488,323 | 423.33% |
| 2016 | 65.93% | 15,886,876 | 398.96% |
| 2017 | 70.60% | 16,985,178 | 338.90% |
| 2018 | 71.62% | 17,508,583 | 342.24% |
| 2019 | 69.48% | 17,491,218 | 398.42% |
| 2020 | 71.66% | 16,444,446 | 421.37% |
| 2021 | 81.97% | 15,095,331 | 313.76% |
| 2022 | 64.88% | 14,144,667 | 700.53% |

* Information prior to 2014 was not readily available.

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended September 30, | Actuarially Determined Contribution | Actual Contribution | Covered Payroll ** | Actual Contribution as a Percentage of Covered Payroll |
|--|---|------------------------|-----------------------|--|
| 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 | 11,062,301 | 11,065,301 | 17,491,218 | 63.26% |
| 2020 | 12,043,798 | 12,043,798 | 16,444,446 | 73.24% |
| 2021 | 11,236,053 | 11,236,053 | 15,095,331 | 74.43% |
| 2022 | 11,399,784 | 11,399,784 | 14,144,667 | 80.59% |

** Covered Payroll was calculated based on actual member contributions for the fiscal year divided by the employee contribution rate.

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO SCHEDULE OF NET PENSION LIABILITY
SEPTEMBER 30, 2022**

Valuation date: October 1, 2021
Measurement date: September 30, 2022

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, inflation |
| Investment Rate of Return | 7.15% |
| 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 Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement), and the PUB-2010 Safety Healthy Retiree Female 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, 2020 Actuarial Valuation of the Florida Retirement System (FRS).

Other Information:
Notes

See Discussion of Valuation Results in the October 1, 2021 Actuarial Valuation Report. The investment rate of return was lowered from 7.25% to 7.15%.

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
NOTES TO SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2022**

Valuation Date: October 1, 2020

Notes Actuarially determined contribution rates are calculated as of October 1, which is two year(s) 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, inflation |
| Investment Rate of Return | 7.25% |
| 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 Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement), and the PUB-2010 Safety Healthy Retiree Female 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, 2020 Actuarial Valuation of the Florida Retirement System (FRS). |

Other Information:

Notes See Discussion of Valuation Results in the October 1, 2020 Actuarial Valuation Report. The investment rate of return was lowered from 7.35% to 7.25%. In addition, under Ordinance No. 124-X-20-B, adopted September 23, 2020, two members who were previously in the Tier 2 benefit structure were moved to the Tier 1 benefit structure in accordance with the Letter of Understanding between the City and City of Sunrise Fraternal Order of Police, Inc. ratified by the City Commission on September 23, 2020.

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
 SCHEDULE OF INVESTMENT RETURNS
 LAST NINE YEARS ***

| Fiscal Year Ended September 30, | Annual Money-Weighted Rate of Return Net of Investment Expense |
|--|--|
| 2014 | 10.77% |
| 2015 | 0.37% |
| 2016 | 8.45% |
| 2017 | 11.04% |
| 2018 | 7.78% |
| 2019 | 3.21% |
| 2020 | 7.46% |
| 2021 | 19.98% |
| 2022 | -16.31% |

* Information prior to 2014 was not readily available.

ADDITIONAL INFORMATION

**CITY OF SUNRISE POLICE OFFICERS' RETIREMENT PLAN
SCHEDULE OF INVESTMENT AND ADMINISTRATIVE EXPENSES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

| | 2022 | | 2021 | |
|---|-----------------------|---------------------|-----------------------|---------------------|
| | Expenses | | Expenses | |
| | <u>Administrative</u> | <u>Investment *</u> | <u>Administrative</u> | <u>Investment *</u> |
| Actuary fees | \$ 64,617 | \$ - | \$ 48,772 | \$ - |
| Administrator | 87,142 | - | 71,870 | - |
| Audit fees | 20,200 | - | 23,500 | - |
| Education and dues | 3,870 | - | 4,241 | - |
| Electric | 1,346 | - | 1,272 | - |
| Insurance | 13,935 | - | 12,348 | - |
| Investment management and Custodial fees | - | 672,173 | - | 649,142 |
| Legal | 50,022 | - | 56,537 | - |
| Occupancy | 31,320 | - | 28,880 | - |
| Office supplies and expense | 11,563 | - | 19,889 | - |
| Performance monitor | - | 68,548 | - | 40,402 |
| IME Fees | 4,400 | - | - | - |
| Secretarial | 4,125 | - | 4,402 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total investment and administrative expenses | <u>\$ 292,540</u> | <u>\$ 740,721</u> | <u>\$ 271,711</u> | <u>\$ 689,544</u> |
| Percentage of Plan net position | <u>0.16%</u> | <u>0.40%</u> | <u>0.13%</u> | <u>0.32%</u> |

*Does not include fees withheld from investment funds.