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October 10, 2006

Ms. Laura Toebe, Finance Director  
City of Sunrise  
10770 W. Oakland Park Blvd.  
Sunrise, FL 33351-6889

Re: City of Sunrise Police Officers' Retirement Plan Board of Trustees - Approval of  
10-01-05 Actuarial Valuation Report presented by the plan actuary

Dear Ms. Toebe:

This shall respond to your correspondence dated September 8, 2006 to Mr. Gerald Eddy concerning the designated matter. I am enclosing for your reference the following:

1. Memorandum dated September 12, 2006 from David Lokaj to you;
2. Correspondence dated September 13, 2006 from Dick Brinkman to you;
3. Correspondence dated September 15, 2006 from J. Stephen Palmquist to me; and
4. Correspondence dated September 22, 2006 from J. Stephen Palmquist to me.

I shall review the discussion and action taken by the Board at its meeting on August 3, 2006 at which you were present because your correspondence shows a misunderstanding of what occurred and the reasons for the Board's decisions.

In referring to the increase in member contributions, you state, "This unnecessary increase in member contributions was caused by the Board's decision to hold excess state premium tax monies in a reserve account rather than applying them toward the cost of pension benefit improvements." Further, you state, "Despite the fact that the City advised the Board that its decision to hold the premium tax monies in reserve was contrary to the plain language in the FOP and PBA collective bargaining agreements, and would result in a significant increase in member contributions, the Board decided to take the action anyway."

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Contrary to the implication of your assertions, the Board does not have the authority to determine whether excess state premium tax monies are used to fund a particular benefit improvement. As I stated at the meeting, the position of the Division of Retirement on the use of excess monies pursuant to §185.35(1) is that it is determined by the bargaining parties. I confirmed this with the Division prior to the Board meeting. Clearly, the enclosed correspondence, which reiterates the information provided to the Board at the meeting by the actuary and the FOP Lodge 80 President, show that the negotiated benefits were not intended to be funded with excess state monies with the exception of those required to meet minimum Chapter 185 benefits. Thus, the Board did not cause the increase in member contributions.

Pursuant to §185.05(1) and §185.06(4), Florida Statutes, the Board is vested with the sole and exclusive authority and responsibility for the proper administration and operation of the retirement plan. The action taken by the Board at the August 3, 2006 meeting complied with statutory mandates. §112.63(1), Florida Statutes requires the Board to have regularly scheduled actuarial reports prepared and certified by an enrolled actuary. §112.63(2) and §185.221(2)(b)3. require the Board to furnish a copy of the certified actuarial report to the Department of Management Services. §112.63(3) and §185.35(2) require the issuance of a statement of the actuarial impact of a proposed change on the retirement plan and submission of such statement to the Division.

In summary, under the circumstances, the Board had no authority to reallocate the use of the excess state premium tax monies and it complied with its legal responsibility by approving the actuarial report incorporating the actuarial impact of the benefit improvements, the statement of which was the basis of the adoption of the ordinance implementing the changes, as certified by the plan's actuary.

With respect to Mr. Palmquist's correspondence dated September 15, 2006, it is my opinion that the ordinance amending the plan is not necessary. In addition, I agree with Mr. Palmquist that any future adjustments should be added to the 10.15% not the 14.30% and the ordinance should be interpreted accordingly.

Yours very truly,

H. Lee Dehner

HLD\noc  
Enclosures

cc: Dave Williams, without enclosures  
Steve Palmquist, without enclosures