

June 30, 2017

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

Re: City of Sunrise Police Officers' Retirement System

Dear Dave:

As requested, we have prepared the enclosed exhibit which provides an estimate of the maximum DROP period before a member accrues a benefit in excess of the IRC 415 limits. The exhibit should be used for members entering the DROP in 2018. The exhibit provides information under certain age, service, and Average Final Compensation combinations based on the assumption that the IRC 415(b) limit increases by 1.5% or 2.5% per year.

Since the exhibit is for members entering the DROP in 2018 we recommend that this table be updated each year to reflect the updated 415 limit amount. This exhibit should be used for approximation purposes only. Actual 415 testing will be performed on an individual basis when members retire.

The exhibit reflects that the IRC 415 limit is not reduced by the value of the Plan's COLA. In order to exclude the reduction in the 415 limit by the value of the Plan's COLA, it is our opinion that the Ordinance would need to be amended to describe the specific manner in which the COLA provision applies by detailing that the value of the Plan's COLA will not be used to reduce the 415 limit and that the 415 limit will increase each year by the increase in the statutory limit only and will not increase by the Plan's COLA. You may want to discuss this matter with the plan attorney.

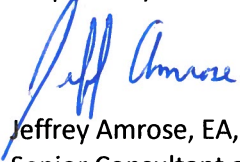
Other than the proposed Plan amendment mentioned above related to the treatment of the Plan's COLA in determining the 415 limit, we assumed no changes in plan provisions, including the Plan's definition of actuarial equivalence, or the current regulations related to 415 calculations.

The calculations were prepared based on what we believe are reasonable approaches to testing benefits under IRC Section 415(b) and the final regulations. However, we are neither tax attorneys nor tax professionals and the above information should not be construed as legal or income tax advice or opinion. There is no guarantee that the IRS would agree with the approaches used. We recommend qualified legal counsel review this report.

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We welcome your questions and comments.

Respectfully submitted,



Jeffrey Amrose, EA, MAAA
Senior Consultant and Actuary

Enclosure

This communication shall not be construed to provide tax advice, legal advice or investment advice.

City of Sunrise Police Officers' Retirement System

Estimated Maximum DROP Participation Period with Benefits under the IRC 415 Limitation

	Average Final Compensation in 2018					
	150,000	160,000	170,000	180,000	20	22.5
Service at DROP Entry	20	22.5	20	22.5	20	22.5
Age at DROP Entry	43	50	43	50	43	50
Age at DROP exit	50	57	50	57	50	57
Annual Benefit	113,625	121,313	120,800	129,000	127,975	136,688
Projected Seven Year DROP Balance	915,200	980,572	976,213	1,045,943	1,037,227	1,111,314
DROP Annuity	79,144	91,345	84,421	97,435	89,697	103,525
					94,973	109,614
<u>Projected 415 Limit at DROP Exit</u>						
1.5% Annual Increase in 415 Limit	240,000	240,000	240,000	240,000	240,000	240,000
<i>Benefit in excess IRC 415 limit</i>	(47,231)	(27,342)	(34,779)	(13,565)	(22,328)	213
Maximum DROP period with						
Benefit Still Under the IRC 415 limit	7	7	7	7	7	6
2.5% Annual Increase in 415 Limit						
<i>Benefit in excess IRC 415 limit</i>	(67,231)	(47,342)	(54,779)	(33,565)	(42,328)	(19,787)
Maximum DROP period with						
Benefit Still Under the IRC 415 limit	7	7	7	7	7	7

The above amounts were estimated based on the 2017 415 limit assumed to increase by 1.5% or 2.5% annually each future year, current Plan provisions (except for the proposed Plan amendment mentioned in the accompanying letter related to the treatment of the Plan's COLA in determining the 415 limit), current regulations related to 415 calculations, and no after-tax member contributions. This exhibit should be used for approximation purposes only. Actual 415 testing will be performed on an individual basis when members retire.