SUNRISE POLICE OFFICERS' RETIREMENT PLAN
13790 N.W. 4th Street, Suite 105
Sunrise, FL 33325
May 13, 2024
10:00 A.M.

Call to Order
On behalf of the Board, Mr. Dave Williams called the meeting to order at 10:01 A.M.

Public Discussion
None.

Roll Call
Present were Mr. Michael West – Chairman, Mr. Timothy McGovern – Secretary, Mr. Lou Berman, Mr. Eric Goldstein and Mr. Michael Wilds.

Absent & Excused
None

Others Present
Mrs. Richelle Levy – Lorium Law; Ms. Emilie Smith - Deputy City Manager; Mr. Sean Dineen – Assistant City Manager; Mr. Mark Lubelski – City Manager (left at 11:25 A.M.); Ms. Susan Nabors – Finance & Administrative Services Director; Mr. Thomas Moss – City Attorney; Mr. Jeff Amrose – Gabriel Roeder Smith; Mr. Chad Little Freiman Little Actuaries[1]; Mr. Brendon Vavrica – AndCo Consulting; Mr. Anthony Xuereb and Mr. Stephen Atkins – Polen Capital; Mr. Darwin Arroyo – Training Trustee and Mr. Dave Williams – Plan Administrator.

Approval of Minutes
Motion to approve the minutes February 12, 2024 by Mr. Berman, seconded by Mr. Goldstein. Motion passed 5-0.

Approval of Payables
After review and consideration of the payables of February 12, 2024 through May 12, 2024 a motion to approve was made by Mr. Berman, seconded by Mr. West. Motion passed 5-0. Mr. Williams reported to the Board that he has received public records request asking years of bills and payments. He expressed concern that the basis for the city requesting the documents was in response to their belief that the Plan's expenses were unreasonable. Based upon the Plan audit which is reviewed and provided to the City each year, that is not the case however Mr. Williams spoke with Saltmarsh, our Independent Auditor, and they provided documentation as to the reasonableness of the Plan's expenses[2]. The Plan Actuary, Mr. Amrose also prepared a historical study of all GRS' clients and concluded that the average plan expense was 28 basis points and that all the other plans have 75% higher expenses than what we have. Mr. West stated that our basis points have actually gone down over the years. Mr. Berman stated that since he has been on the board, and based on the reports, we have always been below the average. Mr. Williams felt it was his duty to let the Board and new trustees know that everything is reasonable and prudent.

[1] Attended remotely
[2] The information in the below table has been abstracted from the City of Sunrise Police Officers' Retirement Plan's (the "Plan") audited financial statements for the fiscal year ended September 30, 2023, which we audited and issued our report dated February12, 2024. The annual administrative expenses as a percentage of the Plan's net position restricted for pensions appear to be reasonable and consistent with other plans we have experience auditing. Our audit did not reveal any instances of fraud, waste, or abuse.

Gabriel Roeder Smith
Actuarial Assumption Report Review – Mr. Chad Little from Frieman Little Actuaries was retained by the Board and agreed to by the City to act as the Third Actuary in accordance with the procedure in the CBA Appendix D.

That procedure is triggered when the City Actuary and the Plan Actuary cannot come to an agreement on assumptions. Mr. Little reported to the Board and the City representatives present that he reviewed the proposed assumptions from the City and Plan Actuaries. Mr. Little said that the City Actuary used the forward-looking Capital Market Assumptions. Ther Plan Actuary's 50th percentile rate for short term geometric return is 6.55% (5-15 years) and its 50th percentile rate for long term geometric return is 6.72% (20-30 years). Based on these projections, the Plan Actuary has recommended a rate of 6.50%, which Mr. Little said is reasonable according to the requirements of ASOP 27.

Conversely, the City's Actuary has proposed a 7.00% Assumed Investment Return, citing that this rate falls below the historical average. However, relying solely on historical averages does not comply with ASOP 27.

According to State Statutes, an unfunded liability amortization schedule that includes a payroll growth assumption and is in existence on 09-30-1996, or is established thereafter, may be continued using the same payroll growth assumption, or one not exceeding the payroll growth assumption established at the start of the schedule, regardless of the actual 10-year average payroll grown rate, provided that:

1. The assumptions underlying the payroll growth rate are consistent with the actuarial assumptions used to determine unfunded liabilities, including, but not limited to, the inflation assumption; and
2. The payroll growth rate is reasonable and consistent with future expectations of payroll growth.

While the payroll growth assumption is currently close to zero (or level dollar), moving to a level dollar method puts the Plan in a position where the City's contribution always pays down a portion of the Unfunded Liability. Depending on the amortization period selected, a level percent of payroll method would not guarantee this. The City's actuary has stated that it is unreasonable to assume that payroll stays flat in the future. While it is reasonable to assume that payroll will grow in the future, Mr. Little stated that it is also reasonable to believe better practice is to adopt a level dollar approach, so it doesn't need to change in the future and there is always a payment made on the unfunded. It should be noted that the current amortization periods do not appear to cause any negative amortization.

In an actuarial world and in dealing with a lot of clients, when it comes time to explain to your plan sponsor or to show your plan sponsor if the plan contribution went up or went down, gains are a whole lot easier for the sponsor to deal with to adjust budgets or whatever else. When you do it as a level dollar amount, the first thing that happens is every payment that is made, a portion of it goes to pay down the unfunded liability which is the whole point of the payment for the unfunded. If that part of the required contribution doesn't change, it stays the same unless new losses or gains are added, which also helps on the budgeting side of things. The level of percentage of pay is perfectly acceptable and falls under the FGFOA[3].

[3] Florida Government Finance Officers Association.

Mr. Little stated that of his clients he has two that are not level dollar, all the rest are level dollar, because he believes it puts the fund in a better position to be paying down the unfunded every year according to a schedule.

Ms. Emilie Smith stated that from a city standpoint, they would like the assumed rate of return to go down in small increments as opposed to a large increment because of the impact to the city contribution. Mr. Little's response is in an actuarial standard practice world you should be assuming what you think the long-term rate will be based on the capital rate of return assumptions for each of the asset categories you are targeting to invest and your investment policy statement. You shouldn't be taking incremental steps to get there. That being said, this is a very common practice to do that and believes that the common increments are 10, 15 or 25 basis points per year. Mr. Little said that most if not all his clients have done it incrementally. Mr. West commented and asked if this only works if it is needed. Mr. Little stated that all the methods are self-correcting, so if you don't make the assumed rate of return, the funding method will correct for that and you will drive the contribution up to an appropriate level. However under State law, you aren't permitted to put off until tomorrow that which we need to pay for today, so we can't just assume 8% in order to maintain a lower city contribution and let it be fixed in the future. We must make a reasonable assumption about what that return will be going forward. To the extent that if it is not made, it does drive the city's contribution up to cover the difference. The city is then first in line for good news and first in line for bad news when it comes to adjusting the contribution. Mr. Goldstein asked if there is any benefit to the plan itself for keeping the assumption rate high? Mr. Amrose stated that when it comes to the city contribution, there are two parts to the contribution. The first part is the operational expense of the plan, and the second part is the unfunded accrued liability. The second part is where the board is to come up with an assumption which the goal is to have a 50% chance of meeting that in the long run. The more aggressive those assumptions are, the more you are deferring the cost to future generations of taxpayers. This action is termed intergenerational equity. You want today's taxpayers to pay for the Plan. You do not want to defer the cost of today to future taxpayers. Mr. Goldstein asked if we currently are being impacted by the past assumed rates of return. Mr. Amrose stated that we have over $100 million dollars in accrued liability as of October 01st, a big part of that, unfortunately was due to actuarial loss. The biggest event was the investment return in 2022 where we missed the investment return assumption. Mr. Goldstein confirmed that the investment policy is governed by city ordinance and what we can and cannot invest in and questioned whether some of the investment restrictions placed on us have caused us not to meet the assumption rate? Mr. Vavrica spoke about the target allocation. Mr. Vavrica explained the overall restrictions within the ordinance. Mr. West asked whether in Mr. Vavrica's opinion the FRS Plan have a more diversified non correlated portfolio, and he confirmed that it does. Mr. Vavrica said that most plans around the state and cities have a much broader investment authority. Mr. West asked if the City and Commission would approve a change in the ordinance to allow the Board the authority to invest in accordance with the prudent investor standard? Ms. Smith said it would be something to explore. Mr. West asked if the ordinance was changed to allow the prudent investor standard, that would permit the Board to invest in areas currently prohibited. Mr. Vavrica affirmed that position.

With the discussion concluded, Mrs. Levy informed the Board that under Chapter 185, it has the sole authority to set the assumptions, and that as the fiduciaries of the plan they must do so in the best interest of the Plan. She reported how we got to this point and reiterated the procedure as outlined in the CBA[4], which the Board is not a party of. The Board hired Chad Little from Frieman Little Actuaries to review the report from GRS.

[4] Appendix D.

The city actuary did not prepare formal study or a report, but provided Mr. Little with emails that discussed the valuations and assumptions. Once that happens, the Board is then presented with the third Actuary's report.

The Board shall consider the Plan, City and third actuary's report and take the most appropriate, reasonable and final action. The Board shall provide a written detailed explanation of why the action taken is the most appropriate, reasonable and prudent.

Mrs. Levy reiterated that according to state law, the Board is the sole authority to make this determination as to what are reasonable assumptions they should consider your expert opinions, as always, but the Board is on the hook as they are the fiduciaries.

Actuarial Valuation Report – Mr. Amrose presented the October 01, 2023, Actuarial Valuation Report and recapped the changes in this year's report[5]. Future retirement rates, payroll growth assumption and investment assumption.

- Our Experience Study Report dated November 7, 2023 showed that the plan would have a 50% chance of returning 6.55% in the short term (next 5 – 15 years) and 6.72% in the long term (next 20 – 30 years).
- This analysis was based on capital market forecasts as of January 1, 2023 which market a low point in the financial markets – the S&P 500 is up over 37% from January 1, 2023.
- Due to this, the expectations from the 11 IC's as of January 1, 2023 that we used in our ESR were likely elevated.
- In other words, if we prepared the study again now the expectations would likely be lower than previously reported.
- As stated in our experience study "While we believe the current assumption of 7% is inside a range of reasonableness, the Board may want to consider lowering the assumption to 6.5% to 6.75% which is the approximate range of where the short to long term range of the 50th percentile return is."
- At the November meeting the Board adopted a 6.5% return assumption.
- We do not recommend using the assumptions as a lever to increase or decrease the required city contribution. The goal of the assumptions is to have them all have a 50% probability of being met over the long term.
  - There is likely a 50% probability of meeting the 6.5% return assumption based on running the analysis today.

- The other assumption changes that are reflected in our 10/1/2023 valuation report include
  - Changing to a level dollar amortization method when it comes to paying off the UAL
  - Adopting new retirement rates that were presented in as part of our ESR

- He also discussed the following items in the 10/1/2023 valuation report:
  - The level of the required City contribution in this report and how it compared to last year
  - The reasons the required city contribution increased significantly both as a dollar amount and increased as a percent of payroll compared to last year
  - The funded ratio and how it compares to other plans

[5] http://sunrisepolicepension.com/docs_state/ActuarialValuation/SunrisePolice_20231001_ActuarialValuationReport.pdf#zoom=100

- What we know about the direction of future required city contributions including the impact the current economic landscape is expected to have.
- And finally, we will close with reviewing the asset smoothing method.

Mr. Williams asked Mr. Amrose if he saw and could comment on the City Manager's email regarding the proposed step down. Mr. Amrose stated that 6.72% is at the upper end of the most appropriate investment return range and 7.0% is in the range of reasonableness for the board to consider and going to 6.5%.

Mr. Amrose wants the Board to understand that at 6.72 instead of 6.65 the Plan will have roughly $900,000 less in the fund this year. Mr. West said he thinks this is a good step. He addressed the City Representatives and asked if they are indicating that they are having trouble paying it now, won't it be that much harder paying that bill later. Ms. Smith stated that they are in the process of receiving all the budgetary requests from all the departments right now and they are also unaware at this point of where the revenue is expected to come in at next year, so it depends on what the revenue looks like for next year. Historically we have never taken money out of our saving account to balance the budget. Whether it is 2.3 million dollars or 3.2 million dollars there is certainly a change that they will have to ask the city commission to take money out of their savings account to balance the budget and shore up the extra. They are also going to ask all the departments to buckle down on their expenditure for next year and this will not be an option because last year, their revenues matched their expenditure.

Mr. Goldstein said he would be willing, to see if the city will give us an extension on providing the City the assumption rate. He also asked them to consider expanding on what we can invest in and which would give us a greater opportunity for a higher assumption rate. That would have to go to commission so we would need a little bit of time to talk. He would be willing to come back and vote on it later depending on what the city can figure out. He feels it would help the plan immensely in the future if we had a little bit broader investment policy. Ms. Smith stated that they can certainly extend the extension and meet with the team accordingly. Ms. Smith asked if the Board would hold at 7% until that is addressed. Mrs. Levy interjected this is not up for negotiations. Mr. Berman felt we should not wait to move forward. It was stated that the city sees this as two separate issues (allowable investments and assumptions).

Mr. Goldstein made a motion to accept the third actuaries' report and presentation, seconded by Mr. McGovern. Motion passed 5-0.

Mr. West is concerned about the comment that Ms. Smith made where they have to possibly cut city budgets to pay the Plan contribution. Mr. West said in simple numbers say we go to 6.72% or 6.75% there will be additional unfunded liability that must be amortized. His initial instinct is to go with the 6.5% and he truly believes that the City will save more money over the long term and the plan will make more money. Mr. Amrose recapped the matter at hand by providing examples for the Board to consider. By consensus the Board agreed in a spirit of cooperation to the city's incremental phase in. Mrs. Levy reminded the Board this was their sole decision.

Mr. Berman made a motion that based upon the third actuaries report, considering the input from the City and hearing from our Actuary, the assumed rate of return this year at 6.72%, next year at 6.55% and the following year at 6.5%, seconded by Mr. Goldstein. Motion passed 5-0. Mr. Amrose will restate the report. In making the above motion, when doing the Valuation, Mr. Amrose can account for knowing that the next few years are going to be a specific rate of return.

Mrs. Levy stated that she wanted to address Ms. Smith's concern regarding compliance with the 60 days requirement for notification to the City. Mrs. Levy stated that the Board did comply with the 60 days requirement and this is evidenced in emails and conversations with the Chairman and Ms. Smith herself since November 2023. Mrs. Levy asked Ms. Smith if she understood and was in agreement that the Board complied with the ordinance and Ms. Smith agreed with Mrs. Levy.

Polen Capital

Mr. Anthony Xuereb and Mr. Stephen Atkins indicated that as of March 31, 2024, the large cap portfolio had a market value of $12,816,958. Net performance for the quarter was 8.21% vs. 11.41% for the Russell 1000 Growth Index. Since the inception date of December 19, 201y, the portfolio had a net annualized return of 14.92% vs. 16.77% for the Russell 1000 Growth Index.

Account Performance

As of March 31, 2024
City of Sunrise Police Officers Retirement Plan

	Currency: USD
Beginning Net Assets (12-19-2017)	8,276,857
Cash Flows	-8,541,335
Appreciation	13,081,436
Ending Net Assets (03-31-2024)	12,816,958

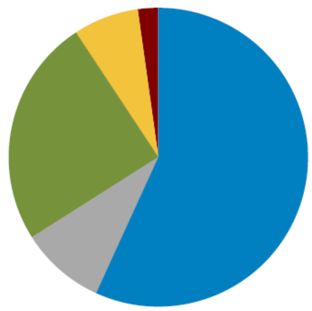
	QTD	FYTD [1]	YTD	1Y	3Y	5Y	Since Inception (12/19/2017)
Portfolio Return (Gross)	8.21	24.14	8.21	32.96	5.28	13.71	14.92
Portfolio Return (Net)	8.04	23.76	8.04	32.17	4.66	13.04	14.27
Russell 1000 Growth	11.41	27.19	11.41	39.00	12.50	18.51	16.77
Excess Return (Net)	-3.37	-3.43	-3.37	-6.83	-7.84	-5.47	-2.50

Mariner (formerly AndCo Consulting) – Quarterly Investment Report

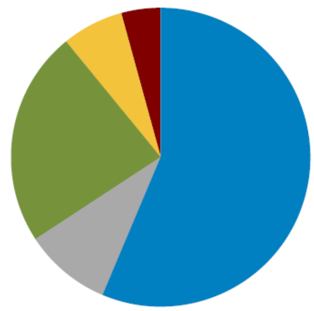
Mr. Brendon Vavrica advised that as of March 31, 2024, the total fund was valued at $229,485,891.

As of March 31, 2024

Asset Allocation By Segment as of December 31, 2023 : $225,193,322



Asset Allocation By Segment as of March 31, 2024 : $229,485,891



Allocation			Allocation		
Segments	Market Value	Allocation	Segments	Market Value	Allocation
Domestic Equity	127,954,208	56.8	Domestic Equity	129,301,351	56.3
International Equity	20,672,324	9.2	International Equity	21,602,282	9.4
Domestic Fixed Income	55,648,751	24.7	Domestic Fixed Income	53,551,098	23.3
Real Estate	15,935,282	7.1	Real Estate	15,266,566	6.7
Cash Equivalent	4,982,758	2.2	Cash Equivalent	9,764,594	4.3

The entire investment report may be viewed on-line at the following link:
http://www.sunrisepolicepension.com/docs/investments/2024-03-31%20Sunrise%20Police%20Quarterly%20Report.pdf

Per Mr. Vavrica, every year we will need to set the expected rate of return for that year. Per Mr. Vavrica' s recommendation, Mr. Goldstein made a motion to set the expected rate of return for this year, and the following years at 6.72%, seconded by Mr. Wilds. Motion passed 5-0.

Mr. West asked Mr. Vavrica if he could prepare a simple presentation to explain our position as to why our Plan would like to move forward to do an allocation like FRS and also to allow the work force housing asset class.

Motion for a partial rebalance and move $6M from equity with $3M going to Garcia Hamilton fixed and $3M to R & D cash, by Mr. McGovern, seconded by Mr. Goldstein. Motion passed 5-0.

Motion to hire Rhumbline S & P 500 Pooled with $11M, with an additional $3M each to go to Garcia Hamilton fixed and to R & D Cash. To raise the funds for those actions $9M from Ceredex, $3M each from Rhumbline and Polen and $2M from Mutual of America, by Mr. Wilds, seconded by Mr. Goldstein. Motino passed 5-0.

<u>Attorney's Report</u>
Mrs. Levy spoke to action taken by the Chairman between meetings. Mr. Goldstein made a motion based upon the policy allowing the Chairman to make decisions in between meetings to ratify the supplemental actuary study report on the DROP, seconded by Mr. McGovern. The motion passed 5-0.

Mr. Berman asked Mrs. Levy to review the forfeiture procedure to the Board.

<u>Administrator's Report</u>
Mr. Williams explained what Security litigation companies do for the Plan.

<u>New Business</u>
Having reviewed the presentation booklets provided to the Board, a motion was made by Mr. Goldstein to retain the professional services of Saxena White & Woof Popper for security litigation monitoring services, seconded by Mr. Wilds. The motion passed 5-0. Mrs. Levy will prepare the required .

Old Business
None

Open Board Discussion
None

Adjournment
Motion to adjourn at 12:57 P.M. by Mr. Berman, seconded by Mr. West. Motion passed 5-0.