Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 59

Date of Issue:

Second Quarter 2018

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Attention Retirees

The Annual Confirmation of Retirement Forms will be mailed our soon.

Please remember to complete and return to the Office of Retirement

PENSION FUND INVESTMENT SUMMARY

On March 31, 2018, our fund had a total market value of $289,954,025. For the quarter, the total fund return was -0.11% (net) and its benchmark return was -0.50%. In the previous quarter the fund return was 3.85%. For the quarter the stock return was 0.01% and the benchmark return was -0.52%. The bond return was -1.08% and the benchmark return was -1.24%.

For the quarter, the average allocation of our fund was 61.2% invested in stocks, 10.3% invested in real estate, 25.8% in bonds, 0.1% in private equity, and 2.5% in cash equivalents (i.e., short term liquid interest bearing investments including money market funds). Our ongoing target for investment in stocks is 55% of the total fund.

Fiscal Year to Date (10/1/2017 – 03/31/2018)

For the fiscal year to date the total net return was 3.74%, the Inverness large cap stock return was 7.82%, the Sawgrass LCG stock index return was 7.33%, the Clarivest LCG stock index return was 9.02%, the Rhumbline R1000G stock index return was 9.36%, the Eagle small cap stock return was 2.45%, the Rhumbline Mid-Cap stock index return was 5.43%, the Wells Fargo large cap value stock return was 4.44% and the EnTrustPermal Global Activist Fund return was -0.44%. The S&P 500 index return was 5.84%.

For the fiscal year to date the GHA fixed income return was -0.33%, the Inverness fixed income return was -1.08%.

For the fiscal year, the American Realty Advisors real estate return was 3.96% and the Intercontinental Real Estate Corp. real estate return was 5.61%. The NCREIF real estate index return was 3.53%.

Major Economic Indicators

For the last year, the best performing sector among the S&P 500 stocks is Information Technology which increased 27.68% and the worst sector is Telecommunications Services which decreased 4.86%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.4% before seasonal adjustment for the twelve months ended in March. The Producer Price Index (PPI) for finished goods advanced 3.02% before seasonal adjustment for the twelve months ended in March.

Remember: A complete investment report is available on -line.

Total Fund Summary

Since December 31, 1992 the fund has an average rate of return of 7.58% (net) per year. For the last five years, the total fund return was 7.91% (net) per year, which underperformed the overall combined stock and bond benchmark return of 8.09%. For the last three years, the total return was 6.50% (net) and the benchmark return was 6.91%.

For the last five years, the stock return was 12.45% and the bond return was 1.68%. For the last three years, the stock return was 9.30% and bond return was 1.28%. For the year, the stock return was 14.48% and bond return was 1.02%.

Top Ten Stocks

INVERNESS	WELLS FARGO	EAGLE ASSET	SAWGRASS	RHUMBLINE
Microsoft	Microsoft	Welbilt	Apple Inc	Apple Inc
JP Morgan Chase	EOG Resources	ICU Medical	Microsoft Corp	Microsoft Corp
UnitedHealth Group	Alphabet	Deluxe Corp	Alphabet Inc	Amazon Com Inc
Union Pac Corp	AerCap Holdings	Allison Transmission	Home Depot Inc	Facebook Inc
Church & Dwight	Honeywell	Madison Square Garden	Unitedhealth Group I	Alphabet Inc Cl-C
Progressive	BB&T Corp	Littelfuse	Tjx Cos Inc	Alphabet Inc Cl-A
Roper Technologies	Synchrony Financial	LogMein	Nike Inc	Berkshire Hathaway
Alphabet Inc	Cisco Systems	Zebra Technologies	Mastercard	JPMorgan Chase
Apple Inc	Motorola	Woodward	Starbucks	Johnson & Johnson
			Ecolab Inc	

MISSED THE TAX-FILING DEADLINE? IRS ISSUES TIPS ON WHAT TO DO

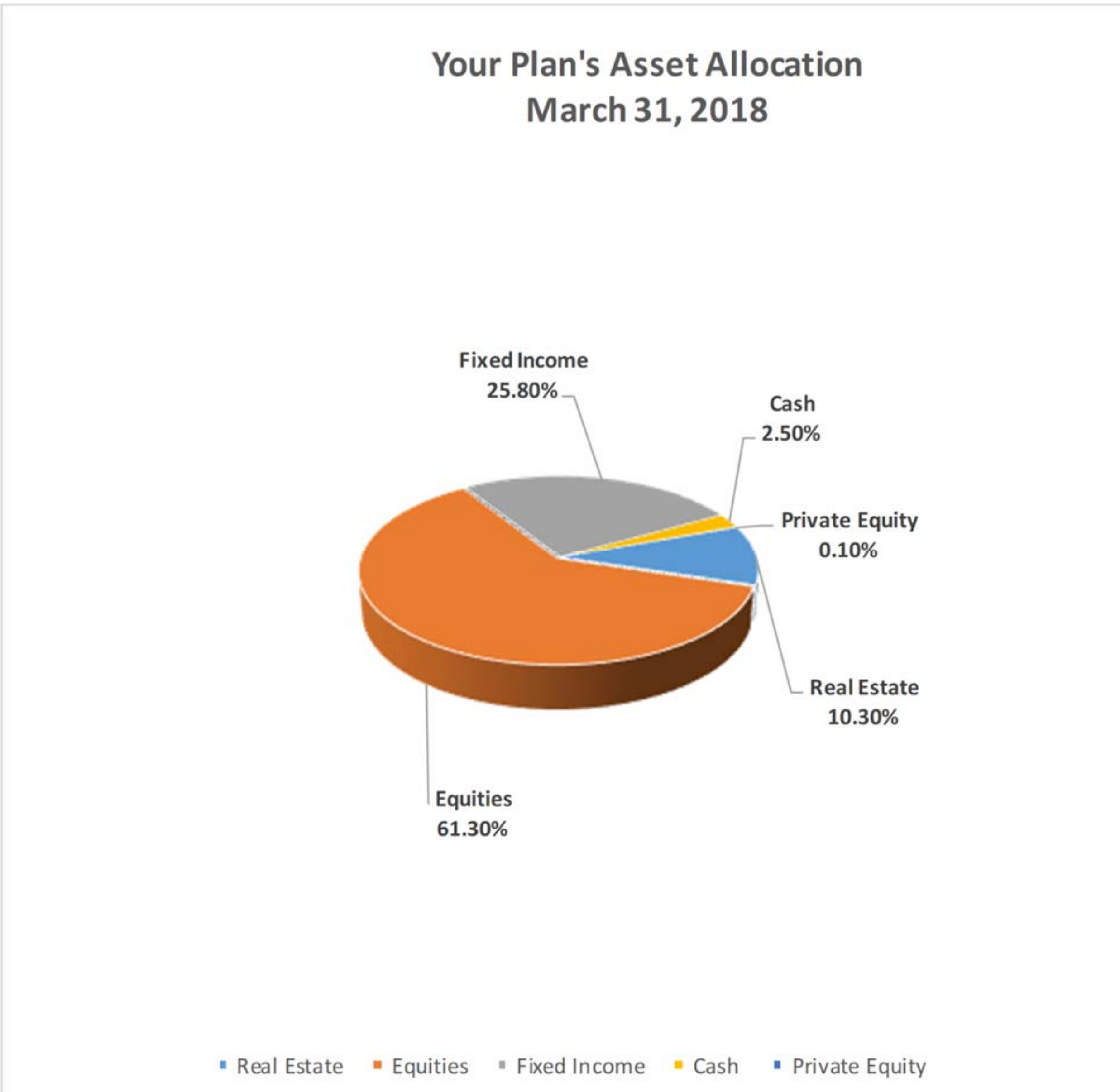
While the federal income tax-filing deadline has passed for most people, there are some taxpayers still facing tax-related issues. This includes people who still have not filed, people who have not paid their taxes or those who are waiting for their tax refund.

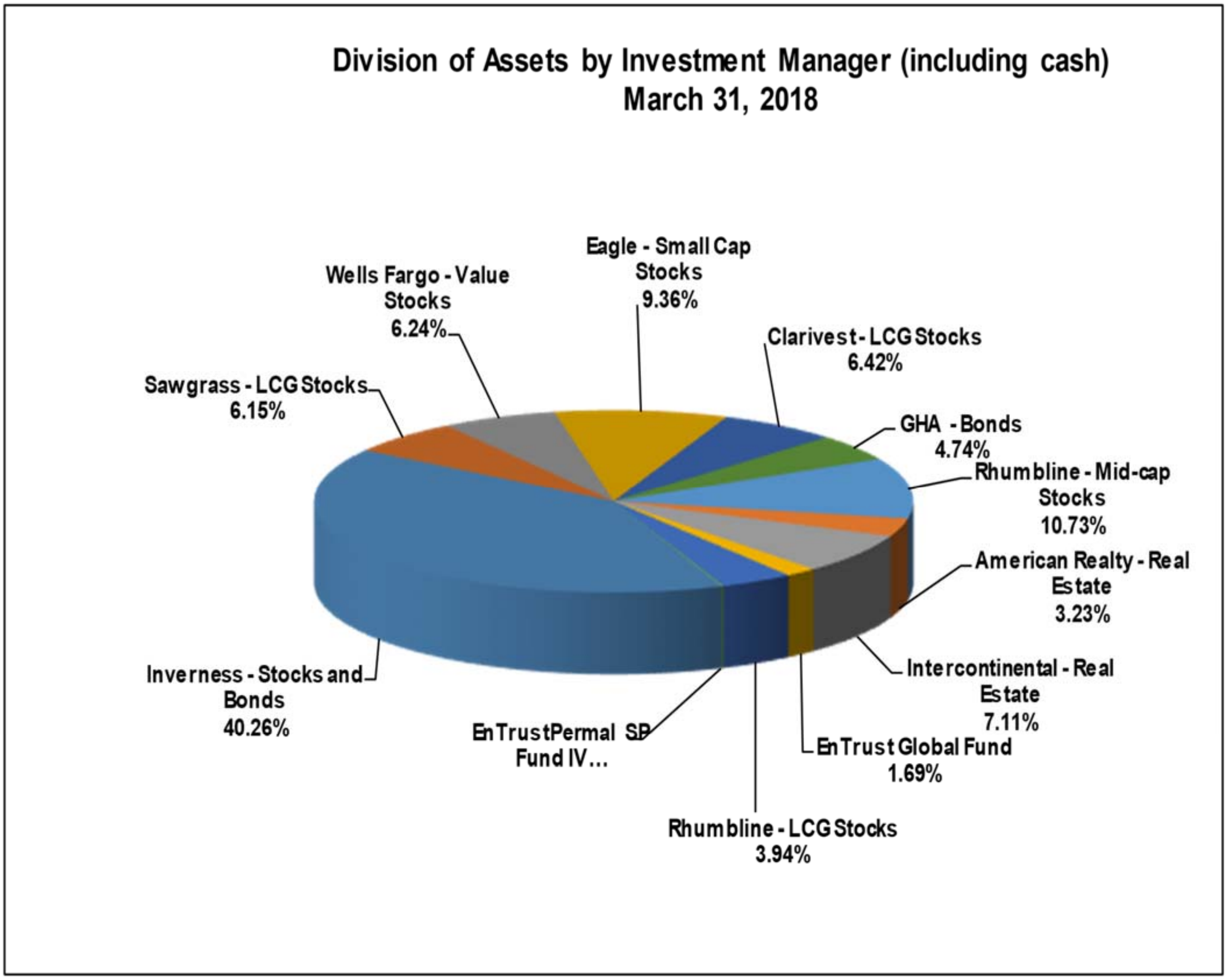
The IRS offers these tips for handling some typical after-tax-day issues:

There is no penalty for filing a late return after the tax deadline if a refund is due. Penalties and interest only accrue on unfiled returns if taxes are not paid by April 18, 2018. The IRS provided taxpayers an additional day to file and pay their taxes following system issues that surfaced early on the April 17, 2018 tax deadline. Anyone who did not file and owes tax should file a return as soon as he can and pay as much as possible to reduce penalties and interest. For those who qualify, IRS Free File is still available on IRS.gov through Oct. 15 to prepare and file returns electronically. Filing soon is especially important because the late-filing penalty on unpaid taxes adds up quickly. Ordinarily, this penalty, also known as the failure-to-file penalty, is usually 5 percent for each month or part of a month that a return is late. But if a return is filed more than 60 days after the April due date, the minimum penalty is either $210 or 100 percent of the unpaid tax, whichever is less. This means that if the tax due is $210 or less, the penalty is equal to the tax amount due. If the tax due is more than $210, the penalty is at least $210. In some instances, a taxpayer filing after the deadline may qualify for penalty relief. If there is a good reason for filing late, be sure to attach an explanation to the return. Alternatively, taxpayers who have a history of filing and paying on time often qualify for penalty relief. A taxpayer will usually qualify for this relief if they have not been assessed penalties for the past three years and meet other requirements. For more information, see the first-time penalty abatement page on IRS.gov. The “Where’s My Refund?” tool is available on IRS.gov, IRS2Go and by phone at 800.829.1954. To use this tool, taxpayers need the primary Social Security number on the return, the filing status (Single, Married Filing Jointly, etc.) and the expected refund amount. The tool updates once daily, usually overnight, so checking more frequently will not yield different results. Because of the far-reaching tax changes taking effect this year, the IRS urges all employees, including those with other sources of income, to perform a paycheck checkup now. Doing so now will help avoid an unexpected year-end tax bill and possibly a penalty. The easiest way to do that is to use the newly-revised Withholding Calculator, available on IRS.gov. Taxpayers who owe taxes can view their balance, pay with IRS Direct Pay, by debit or credit card or apply online for a payment plan, including an installment agreement. Before accessing their tax account online, users must authenticate their identity through the Secure Access process. Several other electronic payment options are available on IRS.gov/payments. They are secure and easy to use. Taxpayers paying electronically receive immediate confirmation when they submit their payment. Also, with Direct Pay and EFTPS, taxpayers can opt in to receive email notifications about their payments. After filing their return, taxpayers may determine that they made an error or omitted something from their return. Usually an amended return is not necessary if a taxpayer makes a math error or neglects to attach a required form or schedule. Normally the IRS will correct the math error and notify the taxpayer by mail. Similarly, the agency will send a letter requesting any missing forms or schedules. Taxpayers can use the Interactive Tax Assistant -- Should I File an Amended Return? â€“ to help determine if they should file an amended return to correct an error or make other changes to their return. Form 1040X, Amended U.S. Individual Income Tax Return, must be filed by paper and is available on IRS.gov/forms at any time. Those expecting a refund from their original return, should not file an amended return before the original return has been processed. File an amended tax return to change the filing status or to correct income, deductions or credits shown on the originally-filed tax return. Use "Where's My Amended Return?" tool to track the status of an amended return. Normally, status updates are available starting three weeks after the amended return is filed. Allow up to 16 weeks for processing. An IRS notice or letter will explain the reason for the contact and give instructions on how to handle the issue. Most questions can be answered by visiting “Understanding Your Notice or IRS Letter” on IRS.gov. Taxpayers can call the phone number provided in the notice if they still have questions. If the issue cannot be resolved with the IRS through normal channels, contact the local Taxpayer Advocate Service office or call 877.777.4778. The IRS will never make an initial, unsolicited contact via email, text or social media on filing, payment or refund issues. The IRS initiates most contacts through regular mail delivered by the United States Postal Service. Any email that appears to be from the IRS about a refund or tax problem is probably an attempt by scammers to steal personal or financial information. Forward the e-mail to phishing@irs.gov.

IR-2018-102, April 23, 2018

Track The Fund!

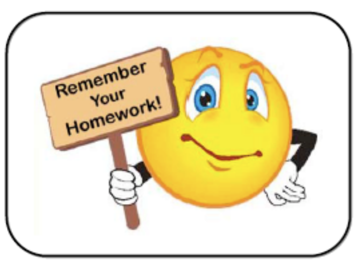



Division of Assets by Investment Manager (including cash)
March 31, 2018
Eagle - Small Cap Stocks 9.36%
Wells Fargo - Value Stocks 6.24%
Clarivest - LCG Stocks 6.42%
Sawgrass - LCG Stocks 6.15%
GHA - Bonds 4.74%
Rhumbline - Mid-cap Stocks 10.73%
American Realty - Real Estate 3.23%
Intercontinental - Real Estate 7.11%
Inverness - Stocks and Bonds 40.26%
EnTrustPermal SP Fund IV…
EnTrust Global Fund 1.69%
Rhumbline - LCG Stocks 3.94%

WHEN A CITY GOES BROKE; PENSIONS, RETIREES AND MUNICIPAL BANKRUPTCIES:
In recent years, a significant number of cities, towns and other municipalities in the United States have found themselves increasingly unable to pay their debts, according to Kevin M. Lewis, Legislative Attorney. In order to offer municipalities relief from many types of debts they cannot repay, Chapter 9 of the Bankruptcy Code authorizes certain municipalities to file for bankruptcy. However, filing for bankruptcy may adversely affect the municipality's creditors, especially beneficiaries of underfunded municipal retirement plans (who, along with bondholders, often hold "the lion's share" of a municipality's financial obligations). Because a number of municipalities face a "dramatic and growing shortfall in public pension funds," many "firefighters, teachers, police officers, and other public employees" who purportedly have "a right to pension benefits at retirement" face a significant risk that their pensions will ultimately not be fully repaid. The fact that public pensions, unlike their private counterparts, are neither subject to the "vesting and funding rules imposed by" the Employee Retirement Income Security Act of 1974 nor "protected by the federal pension guarantee program operated by the Pension Benefit Guaranty Corporation" could, according to some commentators, further exacerbate that risk. Moreover, because courts presiding over municipal bankruptcy cases have generally been "amenable to modifying pension debt in bankruptcy," retirees' pension benefits may potentially be significantly curtailed when a municipality declares bankruptcy. Although many Chapter 9 debtors have ultimately opted not to cut pensions "for political or practical reasons," courts and commentators generally accept that, under certain circumstances, municipalities "have the legal ability to shed pension debt" in bankruptcy if they so choose. Under current bankruptcy law, Chapter 9 debtors have significant freedom to modify their outstanding pension obligations through the bankruptcy process. There are proposals to alter the legal principles governing the adjustment of municipal pensions in bankruptcy. Background on Municipal Bankruptcy Chapter 9 of the Bankruptcy Code authorizes municipalities to file for bankruptcy if they satisfy certain eligibility requirements. A Chapter 9 case is designed to culminate in "a plan for the adjustment of the debtor's debts" that alters the financial relationships between the municipality and its creditors. Chapter 9 thereby affords a subset of municipal debtors relief from many types of burdensome debts so that they may continue to provide certain services that have been viewed as "essential" to their residents, like police protection, fire protection and garbage removal. Filing for bankruptcy under Chapter 9 confers many benefits upon a municipal debtor. Most relevantly, Section 365 of the Bankruptcy Code generally gives a Chapter 9 debtor the power to reject an "executory contract that is, a contract that the parties have yet fully to performance subject to the bankruptcy court's approval. Rejecting a contract under Section 365 effectively constitutes "a court authorized breach" of the agreement that generally "free[s] [the debtor] from future performance under the rejected contract." "The claims arising from this breach" are then generally "subject to compromise in bankruptcy" pursuant to a Chapter 9 plan that modifies the debtor's obligation to pay those claims. This authority to reject executory contracts "is a particularly powerful tool" because it allows the debtor to effectively "disavow" certain contracts "that it no longer wishes to maintain." One such contract could be a municipality's commitments to provide pension benefits to its employees. Pensions in Municipal Bankruptcy As noted above, "many municipal debtors" face "overwhelming and seemingly unassailable pension obligations." However, several bankruptcy courts presiding over high-profile municipal bankruptcies (such as the Chapter 9 cases filed by the City of Detroit and the City of Stockton) have agreed that a municipality's pension obligations "may be adjusted as part of a chapter 9 plan" by using Section 365's rejection power described above. As a result, filing for bankruptcy under Chapter 9 thereby "provide[s] a means of reducing the unfunded liability portion of a municipality's pension obligation or otherwise compromising a municipality's pension debt." That is not to say that "public pensions can be rejected or unilaterally modified willy-nilly," however. Some bankruptcy courts, most notably the court presiding over the City of Stockton's Chapter 9 case, have stated that a court must "balance the interests of the affected parties"debtors, creditors and employees"â€"to determine whether a debtor may permissibly "us[e] chapter 9 to force changes in municipal pension plans." Specifically, the bankruptcy court "must consider the consequences of the alternatives" to adjusting the municipality's pension obligations "on the debtor, on the value of creditors' claims and any ensuing hardship and the impact on employees. The court also must consider the degree of hardship faced by each party and must consider any qualitative differences between the types of hardship each may face." Moreover, even when a bankruptcy court might otherwise be inclined to permit a municipality to adjust its pension obligations, "political or practical" concerns may nonetheless deter municipalities from using Chapter 9 to adjust their pension obligations. "For example, it may be politically unpopular to treat debts owed to public workers in

WHEN A CITY GOES BROKE; PENSIONS, RETIREES AND MUNICIPAL BANKRUPTCIES - CON'T FROM PAGE 6

the same manner as sophisticated commercial lenders, or it may be difficult to continue the essential work of the city if employees feel that their employer's promises cannot be trusted." The fact remains, however, that municipalities potentially "have the legal ability to shed pension debt." Possible Considerations for Congress Given that multiple bankruptcy courts have concluded that the Bankruptcy Code gives Chapter 9 debtors significant (albeit not unlimited) power to modify their pension obligations, commentators have debated whether current bankruptcy law correctly balances the competing interests of debtors, retirees, and other creditors. Some have argued that municipalities presently enjoy too much freedom "to set aside collective bargaining agreements and retiree protections" to the detriment of workers "who have devoted their lives to public service." Others, by contrast, have cautioned that affording pensioners favorable treatment in municipal bankruptcy cases could make lenders" who often "battle [with] retirees over the municipality's scarce resources" in Chapter 9 cases" "more wary about loaning money to struggling cities," which could, in turn, "increase borrowing costs for cities already in debt." Responding to this debate, some Members of the 115th Congress have introduced bills that would change how pensions are treated in municipal bankruptcy cases. For instance, the Protecting Employees and Retirees in Municipal Bankruptcies Act of 2017 (H.R. 139) aims to "strengthen protection for employees and retirees under chapter 9 municipality cases" by (among other things) (1) making it harder for debtors to modify pensions and other retiree benefits over the objection of retirees and employees; and (2) imposing stricter eligibility requirements upon would-be Chapter 9 debtors, thereby narrowing the universe of municipalities that are eligible to modify their pension obligations through the bankruptcy process. As of the date of this publication, the bill is pending before the House Judiciary Committee's Subcommittee on Regulatory Reform, Commercial & Antitrust Law.



ATTENTION MEMBERS

Remember to stay up to date with Board activity by reviewing the minutes on-line. Also the latest information is also posted to the announcement page of the web site.

Don't Forget To Visit Us !!!

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COMMON ERRORS TO AVOID WHEN FILING A TAX RETURN

To ensure they meet their tax obligations, taxpayers should file accurate tax returns. If a taxpayer makes an error on his tax return, it will likely take longer to process and could delay a refund. Taxpayers can avoid many common errors by filing electronically, the most accurate way to file a tax return. All taxpayers can use IRS Free File.

Here are common errors to avoid when preparing a tax return:

Missing or inaccurate Social Security Numbers. Be sure to enter each SSN on a tax return exactly as printed on the Social Security card.

Misspelled names. Spell all names listed on a tax return exactly as listed on the taxpayers' Social Security cards.

Filing status. Some taxpayers claim the wrong filing status, such as Head of Household instead of Single. The Interactive Tax Assistant on IRS.gov can help taxpayers choose the correct status. E-file software also helps prevent mistakes.

Math mistakes. Math errors are common, ranging from simple addition and subtraction to more complex items. Figuring the taxable portion of a pension, IRA distribution or Social Security benefits is more difficult and results in more errors. Taxpayers should always double check their math. Better yet, tax preparation software does it automatically.

Figuring credits or deductions. Taxpayers can make mistakes figuring their Earned Income Tax Credit, Child and Dependent Care Credit, the standard deduction and other items. Follow the instructions carefully. For example, a taxpayer who is 65 or older, or blind, should claim the correct, higher standard deduction, if not itemizing. The IRS Interactive Tax Assistant can help determine if a taxpayer is eligible for tax credits or deductions.

Incorrect bank account numbers. Taxpayers who are due a refund should choose direct deposit for ease and convenience, but the IRS cautions taxpayers to use the right routing and account numbers on the tax return.

Unsigned forms. An unsigned tax return is not valid. Both spouses must sign a joint return. Taxpayers can avoid this error by filing their return electronically and digitally signing it before sending it to the IRS. Taxpayers who are using a tax software product for the first time will need their adjusted gross income from their 2016 tax return to file electronically. Taxpayers who are using the same tax software they used last year usually will not need to enter prior-year information to electronically sign their 2017 tax return.

Filing with an expired ITIN. The IRS will process and treat as timely a return filed with an expired Individual Tax Identification Number, but will not allow any exemptions or credits. Taxpayers will receive a notice explaining that an ITIN must be current before the IRS will pay a refund. Once the taxpayer renews the ITIN, the IRS will process exemptions and credits and pay an allowed refund. ITIN expiration and renewal information is available on IRS.gov.