

WEST PALM BEACH POLICE



PENSION NEWS



A West Palm Beach Police Pension Fund Publication

Issue 21

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First Quarter 2014

QUARTERLY PENSION FUND SUMMARY

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On December 31, 2013 our fund had a total market value of \$259,023,000. For the quarter the fund had investment gains of \$14,996,000.

For the quarter the total fund return was 6.15% (net) and its benchmark return was 5.66%. In the previous quarter the fund return was 5.37%. For the quarter the stock return was 7.83% and the benchmark return was 8.56%. The bond return was 1.06% and the benchmark return was -0.14%.

For the quarter end, the allocation of our fund was 68.8% invested in stocks, 22.9% in bonds, 4.9% in Real Estate, and 3.4% in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds). Our ongoing target for investment in stocks is 65% of the total fund.

For the fiscal year-to-date, the Valley Forge large cap core stock return was 9.02%, the Garcia Hamilton & Associates large cap growth stock return was

10.89%, the BRC large cap value stock return was 10.26%, the Anchor mid-cap value stock return was 7.09%, the Oak Ridge mid cap growth stock return was 7.43%, the GW Capital small cap value stock return was 8.22%, the Eagle small cap growth stock return was 4.61%, the WHV international stock return was 6.63%, the Vanguard international value stock return was 6.98%, the OFI emerging Markets International stock return was 3.78%, the Intercontinental Real Estate return was 5.49%, and the Garcia Hamilton & Associates aggregate fixed income return was 1.06%. The S&P 500 index return was 10.51%.

Economy

For the calendar year the best performing sector among S&P 500 stocks was Consumer Discretionary which increased 41.0% and the worst sector was Telecommunications which increased 6.5%.

Among the major economic indicators, the Consumer Price Index (CPI-

Urban) increased 1.5% before seasonal adjustment for the twelve months ended in December.

The Producer Price Index (PPI) for finished goods advanced 1.2% before seasonal adjustment for the twelve months ended in December.

The seasonally adjusted unemployment rate was 6.7% in December down from 7.2% in September.

Real Gross Domestic Product (GDP) increased at an annual rate of 4.1% for the third quarter of 2013, compared with an increase of 2.5% in the second quarter of 2013.

During the fourth quarter of 2013 the Federal Reserve Open Market Committee kept the target range for the federal funds rate of 0.00% to 0.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

Please remember a complete detail investment report can viewed on-line.....

BOLO

Police fatalities have increased 33% between March 2013 & March 2014

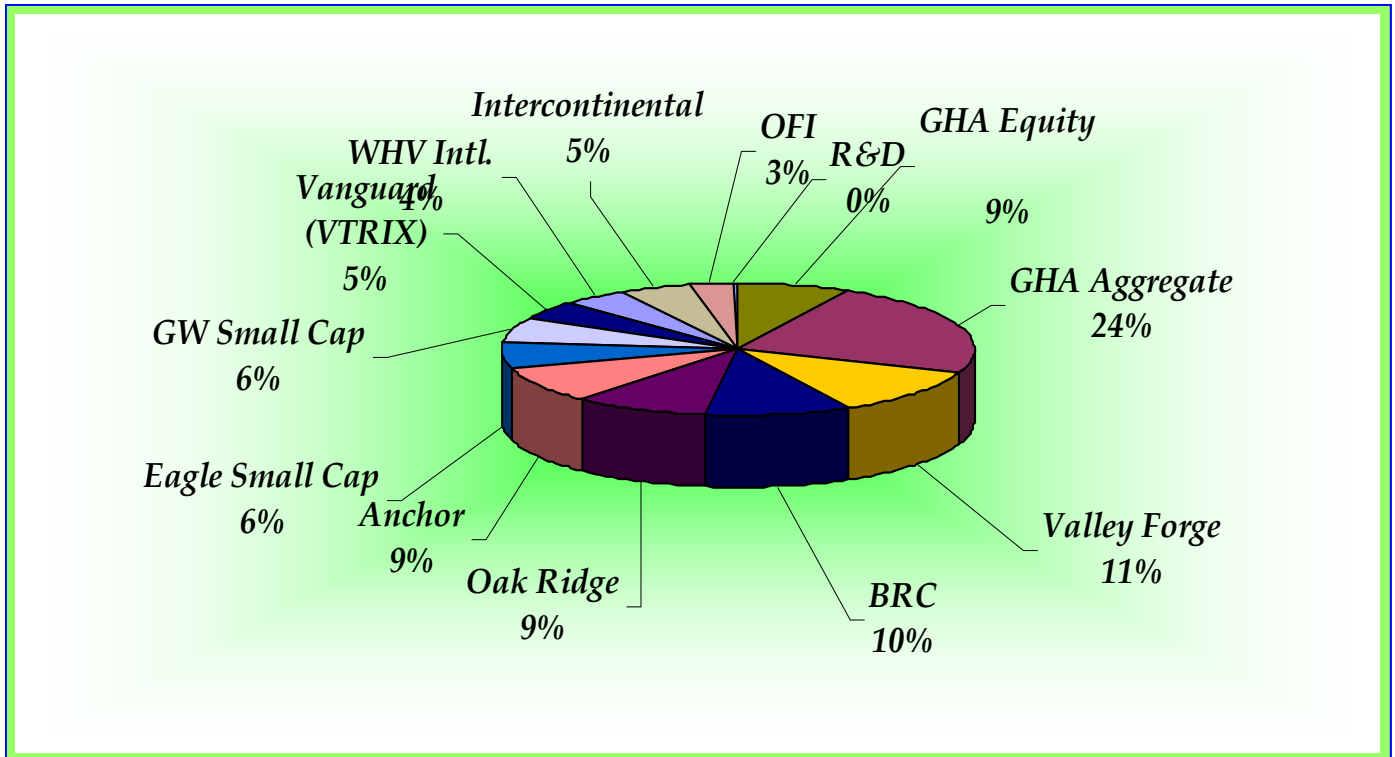


Lets be careful out there!

Source:

<http://www.nleomf.org/>

Track the Fund



Plan Asset Allocation & Diversification as of December 31, 2013

	Domestic Equities	Int'l Equities	Emerging Markets	Fixed Income	Real Estate	Cash	Total	% of Total
GHA Equity	\$19,840,000					\$265,000	\$20,105,000	7.8%
GHA Aggregate				\$59,253,000		\$685,000	\$59,938,000	23.1%
GHA Total							\$80,043,000	30.9%
Valley Forge	\$28,464,000					\$826,000	\$29,290,000	11.3%
BRC	\$25,592,000					\$366,000	\$25,958,000	10.0%
Oak Ridge	\$23,278,000					\$749,000	\$24,027,000	9.3%
Anchor	\$19,080,000					\$3,826,000	\$22,906,000	8.8%
Eagle Small Cap	\$16,229,000					\$409,000	\$16,638,000	6.4%
GW Small Cap	\$14,883,000					\$901,000	\$15,784,000	6.1%
Vanguard (VTRIX)		\$12,209,000				\$0	\$12,209,000	4.7%
WHV Intl.		\$10,633,000				\$432,000	\$11,065,000	4.3%
Intercontinental					\$12,691,000		\$12,691,000	4.9%
OFI			\$7,995,000				\$7,995,000	3.1%
R&D						\$417,000	\$417,000	0.2%
Totals	\$147,366,000	\$22,842,000	\$7,995,000	\$59,253,000	\$12,691,000	\$8,876,000	\$259,023,000	100.0%
% of Total	56.9%	8.8%	3.1%	22.9%	4.9%	3.4%	100.0%	
Target %	52.0%	10.0%	3.0%	30.0%	5.0%	0.0%	100.0%	

GHA	Eagle	Valley Forge	BRC	Oak Ridge
Apple	Genesco Inc.	General Electric	Northrop Grumman	Affiliated Mgr. Grp.
Affiliated Mgrs. Grp	Quaker Chemical	Intel Corp.	Ryder Systems	Alliance Data Sys.
Walt Disney	Geospace Tech.	Microsoft	CBS Corp.	Akorn Inc.
Google	Huron Consulting	Waste Management	Microchip Tech.	Penske Auto Grp.
Coca Cola	Multimedia Games	Coca Cola	Snap On	Smith A O
Qualcomm Inc.	Hanger Inc.	Wells Fargo	Lincoln National	GNC Holdings
Goldman Sachs	Bally Tech.	Procter & Gamble	Westlake Chem.	Gulfport Energy
Blackrock Inc.	Texas Industries	AT&T	Cognizant Tech.	Portfolio Recovery
Home Depot	Vitamin Shoppe	Merck	Prudential Finl.	Hain Celestial Group
Roper Industries	Centene Corp.	Cisco Systems	Cigna Corp.	Robert Half Intl.

Top Ten Equity Holdings

Anchor	GW	OFI	Vanguard	WHV
McKesson Cp.	Prestige Brands	Baidu Inc.	Sumitomo Mitsui	Canadian Pacific Rail
Sun Cmnty. Inc.	Chemtura Corp.	Tencent Hlds.	Royal Bk. Scotland	Rio Tinto PLC
Invesco Limited	Esterline Tech	Novatek OAO	SAP	Schlumberger LTD
Old Rep. Intl.	Owens Illinois	Yandex NV	Samsung Elec.	BHP Billiton LTD
NY Cmnty. Bancorp	Brookdale Senior Liv.	Magnit	Seven & I Hlds.	Noble Corp.
St. Jude Med. Inc.	Iberiabank Corp	Infosys Limited	HSBC Holdings	Diageo PLC
National Fuel Gas	Post Holdings	Housing Dev. Fin.	Novartis AG	Canadian Nat. Rail.
Alcoa Inc.	Darling Intl.	Taiwan Semi.	Japan Tobacco	Suncor Energy
Waddell & Reed	Ocwen Financial	Carlsberg A/S	BG Group PLC	Core Labs.
Zimmer Holdings	Unifirst Corp	America Movil SA	Prudential PLC	Weatherford Intl.



STOCK SPOTLIGHT



Kraft Foods Group (KRFT \$56.10)

Sector: Consumer Staples
Industry: Food Manufacturing
Market Capitalization: \$33.7 Billion

Kraft Foods Group, Inc. (KRFT) , headquartered in Northfield, IL, operates the 4th largest branded food & beverage company, serving both grocery and commercial foodservice channels. The company maintains exceptionally strong brands with ~80% of products holding a #1 position in their categories. Kraft's long term mid-to-high single digit earnings per share growth target appears realistic, driven by "good, better, best" brand positioning, profitable innovation, and focus on improving margins. As a result, the company should deliver improving returns and cash generation. KRFT offers an attractive dividend yield which adds to the stock's appeal.

Johnson and Johnson (JNJ \$98.23)

Sector: Health Care
Industry: Large Pharmaceuticals
Market Capitalization: \$277.4 Billion

Johnson & Johnson (JNJ) , headquartered in New Brunswick, NJ, manufactures health care products and provides related services for the consumer, pharmaceutical, and medical devices and diagnostics markets. JNJ's new management team is focused on rationalizing its product offerings and positioning the company as a leader in the segments in which it participates. Recent acquisitions in the medical device segment should improve its competitive status while the company continues to recover from the recent setback in the consumer segment.

Please note that the Board of Trustees provide this data for informational purposes only. It is in no way to be interpreted as investment advice.

FLORIDA FOURTH DISTRICT COURT OF APPEAL RULES IN FAVOR OF HOLLYWOOD FIREFIGHTERS



PERC found that a financial urgency existed and upheld the City’s unilateral modification of the existing bargaining agreement.

Hollywood Firefighters, Local 1375, IAFF Inc., v. City of Hollywood, 2014 WL 51693 (Fla. 4th DCA, January 8, 2014).

Recently, the Fourth District Court of Appeal determined that the Public Employee Relations Commission (“PERC”) failed to apply the proper standard for determining whether a financial urgency exists.

On appeal, the Fourth District found that PERC failed to examine whether the City had demonstrated that funds were “available from no other source” as required by the Florida Supreme Court’s decision *Chiles v. United Faculty of Florida*, 615 So.2d 671 (Fla. 1993).

To read a copy of the court’s entire opinion: <http://www.4dca.org/opinions/Jan%202014/01-08-14/4D12-2861.op.pdf>.

The firefighters’ union filed unfair labor practice charges against the City of Hollywood, challenging the City’s declaration of financial urgency and its subsequent imposition of benefit reductions pursuant to Section 447.4095, Florida Statutes.

Consequently, the Fourth District remanded the matter to PERC, and directed PERC to apply the appropriate legal standard for determining whether the City had committed an unfair labor practice.

The Board of Trustees’ would like to “Thank” Attorney Steve Cypen for his contribution

The Fourth District also certified to the Florida Supreme Court that its decision is in conflict with a decision of the First District Court of Appeal.

Retiree Corner

Congratulations to our latest Retirees



Chris Roaf

Eduardo Otero

Carlos Cajigas (Vested)

Freddy Naranjo

Michael Leas

Joseph Filipkowski

Martin Tierney





Institutional Investor magazine announces its manager winners for the **5th Annual U.S. Investment Management Awards**.

Fixed Income Strategies

Cash Management & Short-Term

Fixed Income:

Federated Investors

Fixed Income Core

Western Asset Management

Fixed Income Corporate

Loomis, Sayles & Co.

Fixed Income Core Plus

Western Asset Management

Fixed Income Government:

Vanguard Group

Fixed Income High Yield:

Mackay Shields

Fixed Income Government:

Putnam Investments

Fixed Income Investment Grade:

Garcia Hamilton & Associates

Fixed Income

Mortgage-Backed Securities:

DoubleLine Capital

Fixed Income Municipal:

Northern Trust

Liability Driven Investments:

Legal and General
Investment Management

Fixed Income Indexer:

Northern Trust



Tax Reform Act of 2014

On February 26, 2014, U.S. House Ways and Means Committee Chairman, David Camp, released draft legislation, titled the “Tax Reform Act of 2014.” Among other changes, the proposed tax reform legislation would:

- Lower individual income tax rates to 10%, 25% and 35% (with the 35% bracket beginning at \$400,000 for single filers and \$450,000 for joint filers);
- Lower corporate tax rates to 25%;
- Maintain the tax exemption for public purpose bonds issued by state and local governments, but only up to the 25% tax bracket;
- Modify the required minimum distribution (RMD) rules for pension plans;
- Reduce the minimum age for allowable in-service distributions for all defined benefit plans and for state and local government defined contribution plans from age 62 to age 59 ½;
- Prohibit employers from establishing new simplified employee pension (SEP), IRAs or SIMPLE 401(k)s;
- Eliminate income limits on contributions to Roth IRAs and not allow new contributions to be made to traditional IRAs;
- Repeal the current prohibition under the Affordable Care Act for over-the-counter medicine expenses and allow qualified medical expenses to receive tax-favored reimbursements from health accounts; and
- Reduce the itemized deduction for mortgage interest paid from the current \$1 million limitation to \$500,000 for those with new mortgages beginning in 2015.

According to an analysis by the Joint Committee on Taxation (JCT), the proposed legislation would:

- Increase U.S. Gross Domestic Product (GDP) by a range of 0.1% to 1.6% over the 10-year period from 2014-2023, depending on the proposed legislation’s effect on labor supply and consumption demand.
- Increase labor force participation by a range of 0.4% to 1.5% over the 10-year period.
- Increase consumption by a range of 0.4% to 2.1% over the 10-year period.

The JCT also estimated that an average middle-class family of four earning \$51,000 (median U.S. income) would save \$1,300 per year, due to lower tax rates and higher wages from a stronger economy. Although Chairman Camp has not indicated when he may introduce formal legislation, he considers his proposed plan to be a “starting point” for discussions and may hold committee hearings on the draft.

A summary of the discussion draft of the plan is available at:

http://waysandmeans.house.gov/uploadedfiles/ways_and_means_section_by_section_summary_final_022614.pdf

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IS YOUR BENEFICIARY FORM CURRENT ?

If not, please protect your loved ones.

Complete and submit an updated beneficiary form to your plan administrator.

Forms are available on-line.

http://wpbpf.com/docs/penDocs/BeneficiaryDesignationFormWPBPPF_120831.pdf#zoom=100

Disclaimer

The information contained herein is provided for informational purposes only. The foregoing information/summary/prices/quotes/statistics have been obtained from sources we believe to be reliable, but cannot guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes investment, tax and/or legal advice from the Board of Trustees and/or any and all entities thereof. Please consult your professional investment, tax and/or legal advisor for such guidance.

In Closing....



In Memoriam

The Board of Trustees sadly announces the passing of Marvin Mann (Retired in 1985). He is survived by his wife, Madelyn Mann and their children.

Join the Board by keeping the Mann Family in our thoughts.



Supplemental Distributions

There will be no 13th check this year as the plan did not have a net actuarial gain last fiscal year.

Tax Withholding Changes

Member please remember it is tax time again and you may wish to change your withholding. The W-4P may be found on-line or by calling the office. The form must be received by the 15th of the month in order to make the change for next month.

1099R

All 1099R's were sent out by our bank by January 31, 2014 for the prior calendar year. If you did not receive your copy of if you have any other issue please let us know. We are here to assist you!

CLEVER SIGNS



Sign on the back of septic tank truck: "caution - this truck is full of political promises"

In a Veterinarian's waiting room: "Be back in 5 minutes. Sit! Stay!"