



# Cavanaugh Macdonald

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September 28, 2018

Mr. David M. Williams  
Administrator  
City of Hollywood Police Officers'  
Retirement System  
4205 Hollywood Blvd., Suite 4  
Hollywood, FL 33021

## Investment Loss on Forfeited Premium Tax Monies

Dear Dave:

As requested by the Board, we are writing to report on the financial on the City of Hollywood Police Officers' Retirement System due to the forfeiture of State Premium Tax Distributions.

In the letter dated October 2, 2015, the State indicated that Premium Tax Monies will be withheld until the City deposits a lump sum amount of \$4,104,375 to the System for the 2014 and 2015 Supplemental Distributions. Since the City has not complied with this required lump sum payments, premium tax distributions of \$1,308,509, \$1,375,501, and \$1,418,050 respectively for 2014, 2015, and 2016 have been withheld by the State. In addition, a distribution of \$1,541,166 for 2017 was due to be paid for 2018.

As a result of the City's failure to comply with the State requirements, the System has lost investment earnings due to the funding deficiency. The table below provides a detailed calculation of lost investment income as a result of the forfeited premium tax distributions.

Payment Date	Premium Tax Amount	Forfeited Gain (Loss) for Fiscal Year Ending				Total Investment Gain (Loss)
		9/30/2015	9/30/2016	9/30/2017	9/30/2018	
9/1/2015	\$1,305,509	\$(1,170)	\$125,999	\$198,245	\$195,104	\$518,178
9/1/2016	1,375,501		10,611	192,115	189,072	391,798
9/1/2017	1,418,050			15,422	171,730	187,152
9/1/2018	1,541,166				14,601	14,601
<b>Totals</b>	<b>\$5,640,226</b>	<b>\$(1,170)</b>	<b>\$136,610</b>	<b>\$405,782</b>	<b>\$570,507</b>	<b>\$1,111,729</b>



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For purposes of the calculations on the previous page, we have assumed all State Premium Tax Distributions would have been paid on September 1<sup>st</sup> each year. The following annual market value returns, as indicated in Table VIIa of the October 1, 2017 valuation report, were used to estimate gains (losses) on market value of assets:

<b>Fiscal Year Ending</b>	<b>Annual Market Value Rate of Return</b>
September 30, 2015	(1.07%)
September 30, 2016	9.66%
September 30, 2017	13.86%
September 30, 2018*	11.98%*

\* Fiscal Year to Date Gross Rate of Return as of August 31, 2018.

If all premium tax monies were received, the market value of assets for the System is estimated to be \$6,751,955 higher as of September 30, 2018. This includes contributions of \$5,640,226 and investment earnings of \$1,111,729.

In addition, assuming the City had contributed the required lump sum of \$4,104,375 on January 1, 2016, the System would have had an additional \$1,503,455 of investment return.

Please do not hesitate to contact us if you have any questions.

Sincerely,

Todd B. Green, ASA, FCA, MAAA  
Principal and Consulting Actuary

Micki R. Taylor, ASA, EA, FCA, MAAA  
Senior Actuary  
Enrolled Actuary No. 17-5975