



POLICE PENSION NEWS

1969

CELEBRATING 35 YEARS
OF FINANCIAL EXCELLENCE

2004

A Hollywood Police Officers' Retirement System Publication

Issue 11

Date of Issue:

Third Quarter 2004

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WELCOME HOME ERIC

The Board of Trustees
joins you by welcoming
back our very own
hometown military
hero

Eric Augustus

You were truly
missed!

QUARTERLY PENSION FUND SUMMARY

As of June 30, 2004, our fund had a total market value of \$159,199,000. For the quarter, the fund gained \$725,000.

For the quarter, the average allocation of our fund was 60.8% invested in stocks, 35.9% in bonds, and 3.3% in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds). Our ongoing target for investment in stocks is 54% of the total fund.

For the quarter ended June 30th, the total fund gained 0.46% (gross), while its benchmark was down 0.50%. In the previous quarter, the fund gained 1.58%. After investment management expenses, for the quarter our fund net return was 0.35%.

The best performing sector among US stocks is industrials, which rose 7.97% in the second quarter of 2004. The worst performing sector is financials, which fell -2.94%. As you may recall, the worst performing sector for last quarter was information technology, which fell -2.61%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 3.3% for the twelve months ended in June. In the second quarter, consumer prices rose at a seasonally adjusted annual rate of 4.8%. The Producer Price Index (PPI) for finished goods rose 4.0% for twelve-month period ended in June.

The unemployment rate was 5.6% in June, com-

pared to 5.7% in March. Real Gross Domestic Product (GDP) rose at an annual rate of 3.9% (final) for the first quarter of 2004, compared with an increase of 4.1% (final) in the fourth quarter of 2003. During the second quarter, the Federal Reserve Open Market Committee raised its target for the federal funds rate 25 basis points to 1.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

The Board would like to recognize the Cox Family. Florence Cox recently passed away. Florence was the spouse of Retired Sgt. John Cox (who is also deceased). The Cox Family made a \$300.00 donation to the *Alyssa McBride Education Fund* in the name of their parents. The Board sends their condolences to the Maureen, John and Patricia Cox.

Total Fund Summary



One Year

For the last 12 months our fund gained 11.05%, edging out its benchmark which was up 10.43%. Stocks were up 18.91%, while the benchmark was up 20.22%. Bonds were up 1.04%, while the benchmark was down 0.38%. For the year ending June 30, 2004, Inverness' large cap stocks were up 19.16%, Davis, Hamilton & Jackson's growth stocks were up 13.87% and Eagle's small cap stocks were up 29.95%. The S&P 500 index was up 19.11%.

Long Term

Since September 30, 1992, the fund has an average rate of return of 9.00% per year. For the last five years, the total fund has an average rate of return of 3.32% per year, which beat the overall combined stock and bond markets' 2.42% return. During that time, stocks averaged -0.20% and bonds averaged 7.32%, while their benchmarks averaged -1.92% and 6.93%. For the last three years, stocks had an average return of 2.06%, while bonds averaged 7.19%.

TOP
10
STOCKS

INVERNESS COUNSEL <i>Large Cap Core</i>	DAVIS, HAMILTON & JACKSON <i>Large Cap Growth</i>	EAGLE ASSET MANAGEMENT <i>Small Cap Core</i>	BUCKHEAD CAPITAL MANAGEMENT <i>Large Cap Value</i>
General Electric	ExxonMobil	Alliance Data	First Data
American Express	Johnson & Johnson	Getty Images	VF Corporation
AIG	Cisco	Amphenol	General Dynamics
Walt Disney	Microsoft	Edwards Lifesciences	Express Scripts
PepsiCo	Pfizer	Gtech Holdings	Bristol-Myers Squibb
Zimmer	General Electric	Inamed Corp.	Microsoft
Honeywell	Wal-Mart	FMC Technologies	Sherwin-Williams
Devon Energy	Stryker	Gray Television	RR Donnelley
IBM	PepsiCo	Gaylord Entertainment	Altria
Avery Dennison	Citigroup	Nextel Partners	ConocoPhillips

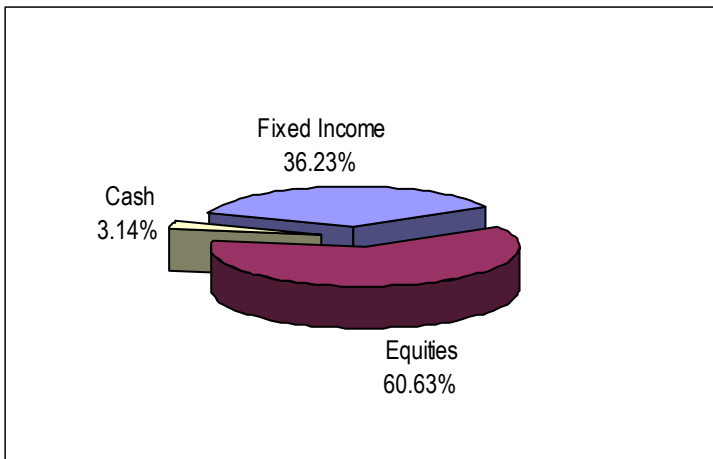
CITY OF MIAMI RETIREES' HEALTH INSURANCE PREMIUMS NOT FROZEN

As part of its retirement process, the City of Miami extended to eligible employees the opportunity to continue their group health insurance coverage. From 1971 to 1983, the City asked those employees who were retiring to fill out and sign a short form, which basically asked employees if they wished to continue participating in the health insurance program and, if so, to authorize deduction of their health insurance premiums from their pension checks. The premium amounts shown on the forms were the employees' contributions in effect on date of retirement. Subsequently, the City increased health insurance premiums for both its active employees and participating retirees. In a class action covering those who retired between 1971 and 1983, the trial court found the forms to be enforceable contracts, which, in the absence of any mention of future premium increases, bound the City to provide insurance coverage to the retirees indefinitely in accordance with the rates stated in the forms. *On appeal, the Third District Court of Appeal reversed:*

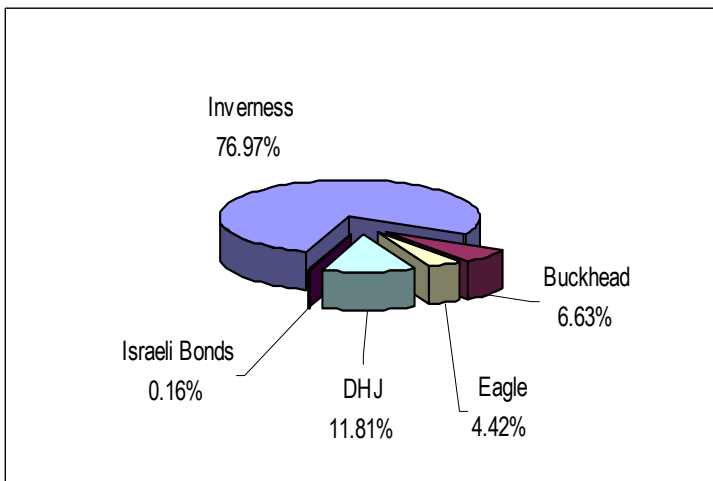
In reviewing the various forms signed by the retirees, we clearly identify an authorization by the retirees to have their contribution or premium for health insurance coverage deducted from their pension payments. While the forms included either the amount paid by the retiree as a contribution or premium, or an election by the retiree of the desired coverage and corresponding premium, with the amount shown as that in effect at the time of retirement, this information was necessary in order for the correct deduction to be made from each retiree's pension payment. The forms simply gave the retirees who wished to continue participating in the City's health insurance plan a method for paying their contribution or premium cost. There is nothing in the forms whereby one could conclude that the parties agreed that the contribution or premium amount shown on the form would continue unchanged.

City of Miami v. Case, Case Nos. 3D00-2780 and 3D00-2807 (Fla. 3d DCA, June 23, 2004)

Plan Asset Allocation as of June 30, 2004



Division of Assets by Manager as of June 30, 2004



Retiree Corner



Congratulations to our latest Retirees

Victor Singleton	04-30-04
Timothy Mannix	06-05-04
Thomas Hopkins	07-15-04

Congratulations to our latest Drop Members

Phillip Reingardt	08-01-04
Tony Rode	09-01-04

Hollywood Police - Stock Spotlight

First Data Corporation (Ticker = FDC)

Sector: Technology

Industry: Computer Services

Market Capitalization: \$38.9 Billion

First Data Corporation (FDC) provides electronic commerce and payment services solutions for approximately 3.1 million merchant locations, 1,400 card issuers and millions of consumers. The Company provides money transfer services through its Western Union and Orlandi Valuta money transfer agent networks that consists of approximately 182,000 agent locations in more than 195 countries and territories. FDC also provides credit, debit, private-label, smart and stored-value card issuing and merchant transaction processing services, and check guarantee and verification services throughout the United States and on a more limited basis in the United Kingdom, Australia, Canada, Asia, Mexico, the Middle East and western Europe. The Company operates in four business segments: payment services, merchant services, card issuing services and emerging payments. Average cost in Hollywood Police portfolio: \$35.37 per share, currently trading at \$43.15.

Devon Energy (Ticker = DVN)

Sector: Energy

Industry: Oil & Gas - Exploration and Production

Market Capitalization: \$16.7 Billion

Devon Energy's principal activities are exploration, development, production and acquisition of oil and gas producing properties. Devon operates in North America and overseas in Azerbaijan, Brazil, China, and West Africa. Its primary customers are gas pipelines, marketers and utilities as well as refiners and oil re-marketers. Devon has aggressively acquired natural gas producing fields in anticipation of higher prices. Hollywood Police portfolio: \$49.29 per share, currently trading at \$70.66.

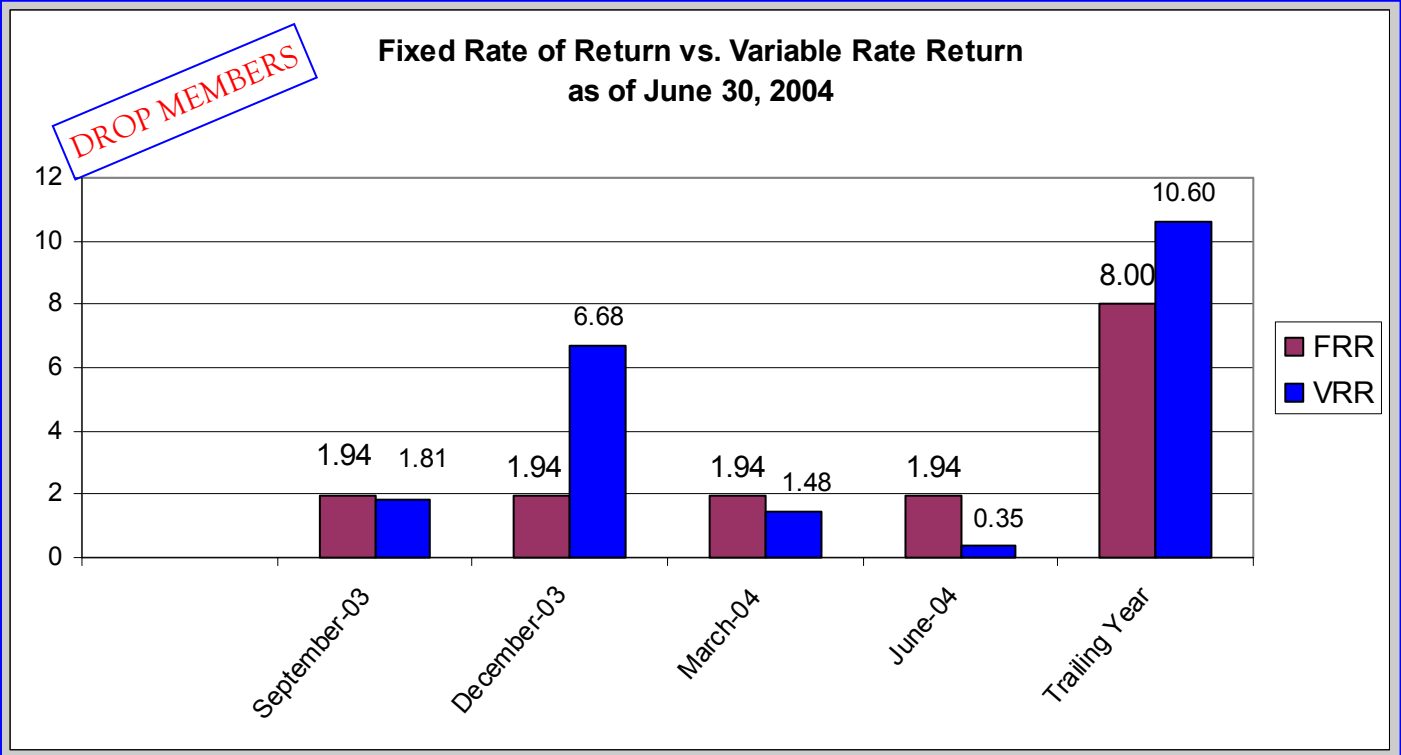
SURVEY COMMENTS

The Board recently completed the second annual pension survey as noted on page six. The survey is sent to all retirees and DROP members. A section of the survey is set aside for member comments. All of the comments were reviewed by the Board of Trustees.

One response received from a member noted that the financial information in this newsletter was outdated. The member also noted his/her DROP statement is also received late in the each month.

Those comments called for a clarification. One purpose of this newsletter is to provide a "quarterly review". That in itself should let you know that the data is from the previous quarter that ended. Think of it as a report card. You must complete the grading period before receiving a grade.

In terms of the DROP statements, they are issued usually the day we receive the rate of return data from the investment monitor. That is generally around the middle of the month. Both FRR and VRR statements are generated and mailed at the same time. Lets not forget that in years past, the statements were only being sent out quarterly (4 times per year). They are now sent out monthly (12 times per year). This response is not to be construed as a rebuttal. It is simply made to inform you of the efforts being made on your behalf.



This chart compares the rate of return of the plan (VRR) to the fixed rate of return (FRR). Each DROP participant makes a personal selection upon entering the DROP to receive the VRR or the FRR for his/her DROP assets. Once the selection is made, the participant is locked in for a one year period. After that year elapses, there are four window periods that allow a member to change. Upon making another selection, the member is again locked in for a one year period.

Attention DROP Members!!!

If you are a DROP member who receives an annual distribution in January and you wish to change the amount received, you must do so before September 30, 2004.

Kindly call the office for details.

Call Someone Who Cares!

The Board of Trustees are pleased to let you know that effective immediately you may now call the Office of Retirement *TOLL FREE*. Please make a note of it.



OUR TOLL FREE NUMBER

866-738-4776

The Manager's Market Spin

By: Robert K. Maddock, Managing Director

Inverness Counsel, Inc.

While the war in Iraq and the presidential elections have been preminent, other problems have begun to rise in the rest of the world. Conflicts between the president of Russia and executives of its oil industry are coming to a boil and oddly mirroring the conflict between Venezuela president Chavez and his oil industry. In both cases it looks increasingly likely that matters could disrupt production and distribution of oil. Furthermore the problem in the middle east threatens to widen to Iran rather than settling down and problems in Africa are affecting oil producers there as well. It is possible that we could be looking at considerably higher oil prices.

We are reassessing the values of not only oil companies but those in industries dependant on energy.

Don't Forget To Visit Us !!!
www.hollywoodpolicepensionfund.com

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Odds and Ends

Another Member Activated

As we welcome back Eric Augustus, we say be careful & good-bye (for now) to Barry Boulton. Barry has been activated for military duty. Please keep him in your thoughts and prayers as he defends our country.

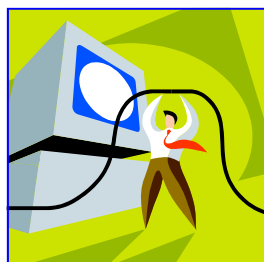
Share Statements

Active members, as we close out another year of the share plan (June 30, 2004), we are pleased to let you know that your share account grew in value this year due to our investments.

The annual share plan payment will be coming shortly from the State of Florida. Once received, the assets

will be divided and deposited into your personal share account. Pursuant to the policy of the Board, the annual statement of activity will come to you as soon as practical thereafter. Note: Members who recently passed probation may wish to buy-back your time without further delay. You may be entitled to additional shares if your time is bought back before the distribution is made. Call the Office of Retirement for details.

Share Account Access



Did you know that you could access your share account on-line? Enclosed in this edition is a "request for internet access" form. If you wish to have on-line access

to your *Share Account*, simply complete and return this form to the pension office. Once your account is activated, you will be able to check out your account balance throughout the year via the pension web site. Should you have any questions, give us a call.

Pension Survey Completed

The Board of Trustees recently conducted the 2004 pension satisfaction survey. The *retirees* and *DROP* members were asked several questions about the services rendered by the Board and the staff.

The Board would like to thank those who took the time to respond. We value your opinion and comments provided.

A copy of the survey results are available on-line.