



# Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 38

Date of Issue:

Second Quarter 2011

### Inside this issue:

Long Term Results	2
Stock Spotlight	3
Track the Fund	4
Retiree Corner	5
Legislative Update	6-9
New Bond Manager	11
In Closing	12



## In It For The Long Haul.....

**Our five year combined portfolio (Equities & Bonds) investment return placed our fund in the TOP 11% of the investment universe...**

## PENSION FUND INVESTMENT SUMMARY

On March 31, 2011 our fund had a total market value of \$227,836,000. For the quarter the fund gained a stellar \$7,569,000.

For the quarter the total fund return was 3.40% (net), slightly edging out its benchmark return which was 3.38%. In the previous quarter the fund return was 5.71%.

For the quarter the stock return was 5.82% and the benchmark return was 6.48%. The bond return was 0.78% and the benchmark return is 0.31%.

For the quarter the average allocation of our fund was 55.3% invested in stocks, 40.3% in bonds and 4.4% in cash equivalents (i.e., short term liquid interest bearing investments similar to money market funds and Israeli bonds). Our ongoing target for investment in stocks is 50% of the total fund.

For the fiscal year to date the total fund return was 9.30% (net) which beat out our benchmark return, which was 8.43%. The stock return was 18.97% and the benchmark return was 18.81%. The bond return was -1.00% and the benchmark return was -1.50%.

For the fiscal year to date the Inverness large cap stock return was 16.31%, the Garcia Hamilton & Associates growth stock return was 18.95%, the Buckhead value stock return was 12.86, the Eagle (Small Cap) stock return was 29.73%, the Eagle (Mid Cap) stock return was 19.71% and the Rhumblin Mid Cap Index Fund was 24.10%. The S&P 500 index return was 17.31%.

For the quarter the best performing sector among S&P 500 stocks was Energy which increased 16.29% and the worst sector was Utilities which increased 1.62%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.7% for the twelve months ended in March. The Producer Price Index (PPI) for finished goods advanced 5.8% (unadjusted) for twelve-month period ended in March.

The seasonally adjusted unemployment rate is 8.8% in March compared to 9.4% in December. Real Gross Domestic Product (GDP) increased at an annual rate of 3.1% for the fourth quarter of 2010, compared with a increase of 2.6% in the third quarter.

During the first quarter of 2011 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.

# Total Fund Summary

Since September 30, 1992 the fund has experienced an average rate of return of 7.54% (net) per year. For the last five years the total fund averaged 4.91% (net) per year, which out-performed the overall combined stock and bond benchmark return of 4.51%.

For the last five years stocks averaged 4.65% and the benchmark averaged 3.28%. Bonds averaged 6.71% and the benchmark averaged 5.76%. For the last three years stocks have an average return of 3.68% and bonds averaged 6.41%. For the last year stocks increased 18.12% and bonds increased 5.70%.



# Top Ten Stocks

INVERNESS	GARCIA HAMILTON	EAGLE SMALL CAP	EAGLE MID-CAP	BUCKHEAD	RHUMBLINE
Roper	Apple Inc.	Solutia Inc.	Dover	ITT Industries	Cimarex Energy
Union Pacific	Exxon Mobil	United Rentals	McKesson	Lockheed Martin	Vertex Pharma.
National Oilwell	IBM	Bio-Rad Labs	Check Point Software	Johnson & Johnson	Borg-Warner Auto Lubrizol
Conoco Phillips	Apache Corp.	Progress Software	Allied World	Wellpoint Health	Chipotle
JP Morgan Chase	Peabody Energy	Oil States Intl.	BE Aerospace	Pepsico	Pride Intl.
Microsoft	Cognizant Tech.	Esterline Tech.	Guess?	Chevron	NY Comm. Bank
Liberty Global	Freeport-McMoran	Plexus	Oil States Intl.	Microsoft	Green Mtn. Coffee
CVS Caremark	Danaher	IAC/InterActive	Amphenol	Procter & Gamble	Bucyrus Erie
Time Warner	Qualcomm	Cooper Tire	Discover Financial	Allstate	Ametek
Liberty Starz	Cameron	General Cable	Lam Research	Quest Diagnostics	

## ***STOCK SPOTLIGHT***

### **Polaris Industries Inc. (Ticker =PII)**

Sector: Consumer Discretion

Industry: Leisure Products

Market Capitalization: \$3.45 Billion



This leisure products company manufactures off-road vehicles, snowmobiles, and motorcycles (their higher-end Victory motorcycle competes closely with Harley Davidson). The company is benefiting from recent new product introductions. Specifically, their side-by-side 4-wheel off-road vehicle has been gaining market share in a market that has seen a strong recovery in consumer demand. In addition to this higher margin new product, the company has been expanding its addressable market through a new joint-venture with Bobcat that is taking their products into the industrial segment and also through a growing relationship with the US military, where there have been recent contract wins and a growing backlog of orders for their new side-by-side vehicles adapted for military uses.

Average Cost in Hollywood Police Portfolio: \$77.62 per share, currently trading at \$101.36

### **QUALCOMM Incorporated (Ticker = QCOM)**

Sector: Information Technology

Industry: Communication Equipment

Market Capitalization: \$93.84B



QUALCOMM Incorporated designs, manufactures, and markets digital wireless telecommunications products and services based on its patented technologies. The global trend toward wireless voice and data communications is driving strong demand for faster, thinner, higher function devices. Through its licensing operations, QCOM generates royalties on an estimated 75% of the mobile devices sold in the world. Through its semiconductor manufacturing operations, QCOM sells chipsets into an estimated 45% of all mobile devices sold in the world. Design win activity, combined with the popularity of tablet devices, suggests QCOM can sustain 20% sales growth for years to come.

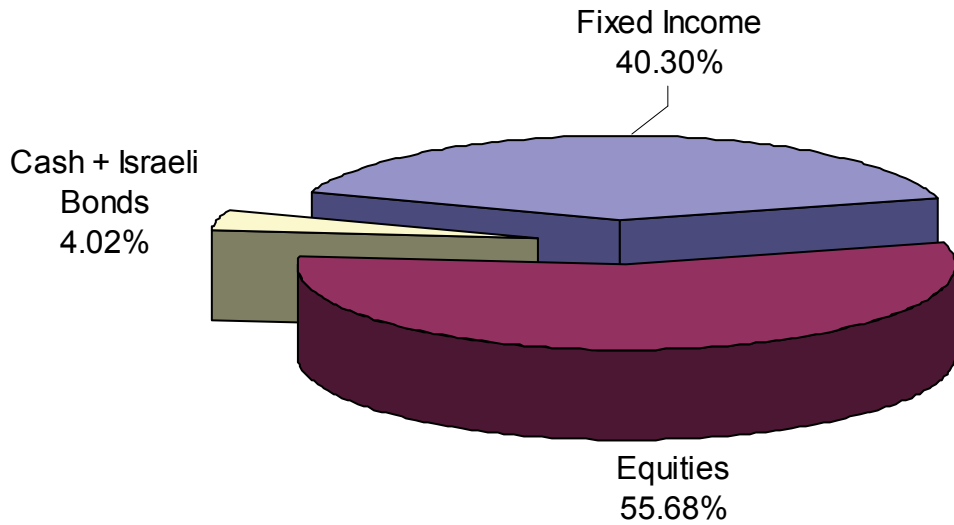
Average Cost in Hollywood Police Portfolio: \$43.38 per share, currently trading at \$56.70

**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.**

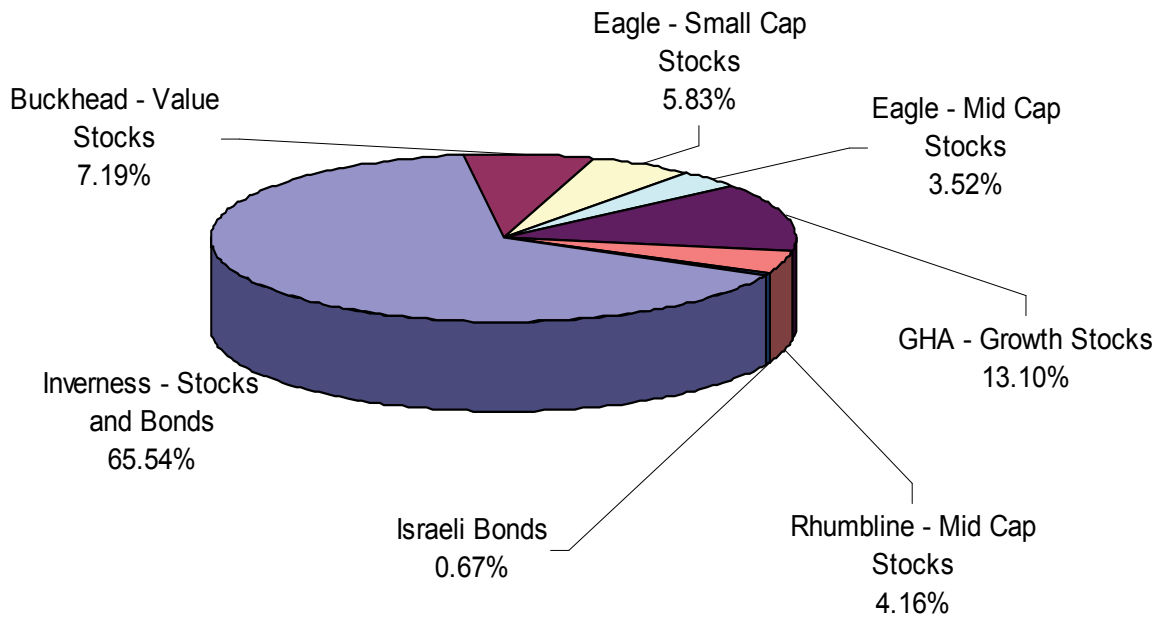


# Track The Fund!

## Plan Asset Allocation as of March 31, 2011



## Division of Assets by Manager as of March 31, 2011



**HOLLYWOOD POLICE OFFICERS' PENSION FUND**

**Welcome New Pension Members!**

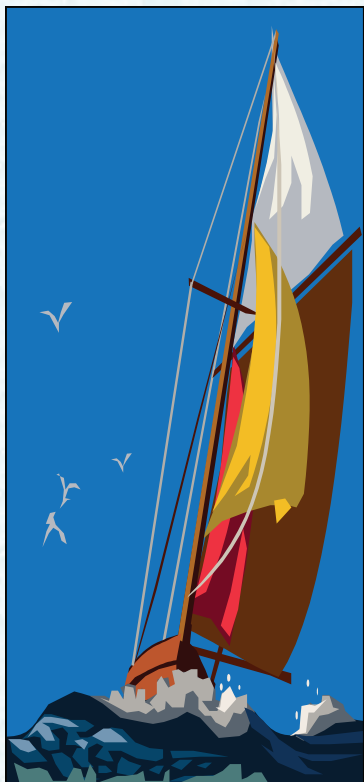


*We all wish you all continued success!*

[WWW.HOLLYWOODPOLICEPENSIONFUND.COM](http://WWW.HOLLYWOODPOLICEPENSIONFUND.COM) (954) 967-4395

Aldo Blanco  
Danielly DeAndrade  
Justin Lang  
Dilvory Edgecomb  
Joseph Gratz  
Meredith Tisch

4/27/2011  
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# Retiree Corner

## *Congratulations to our latest DROP Members*

Jack Anterio	05-02-2011
David Daly	05-02-2011

## *Congratulations to our latest Retirees*

Alert Busk	04-30-2011
Samuel "Chip" Osborne	04-30-2011

## Legislative Update

As you may know by now, SB 1128 has been passed by both the Senate and the House. Below is an analysis of the law that was prepared by Bonni Jensen, Attorney of Jensen & Perry, PA.

Committee Substitute for Committee Substitute for SB 1128 sponsored by Representative Jeremy Ring

### Florida Statutes 112 - applies to all governmental pension plans.

1. 112.63 Actuarial reports and statements of actuarial impact; review. Retirement plans must disclose the present value of the plan's accrued benefits using the FRS assumed rate of return (currently 7.75%). Calculations are to be performed under FASB 35. This change is designed to promote comparability of local plans.

**IMPACT:** Requires a new page in the actuarial valuation.

2. 112.66 General Provisions

- a. For service earned before July 1, 2011 or service earned under a collective bargaining agreement entered into on or after July 1, 2011, pension benefits may be calculated using up to 300 hours of overtime per year (as provided for in the Plan or the collective bargaining agreement) but may not include payments for accrued unused sick or annual leave. FRS is exempt from this provision. Law applies only to defined benefit plans.

**IMPACT:** Overtime over 300 hours per year may not be included in the pension calculation and so a system to exclude hours over 300 needs to be designed.

**IMPACT:** Additionally, the term of the most recent collective bargaining agreement should be determined and the parties should be informed that accrued sick and vacation leave earned after July 1, 2011 (or the expiration of the current collective bargaining agreement) is not to be included in the pension calculation. The bargaining parties should determine how to treat time accrued before July 1, 2011 or the expiration of the collective bargaining agreement in effect on July 1, 2011. The Board can provide some assistance in this process.

**IMPACT:** For non-collectively bargained plans, the Board, as the agency, can provide interpretation of the language.

- b. The actuarial or cash surplus in the plan may not be used to pay expenses outside of the plan.
- c. A plan may not temporarily reduce contributions required to fund normal cost. This section does not apply to FRS.

3. 112.665 Duties of Management Services. Management Services will be required to provide a fact sheet for each governmental defined benefit plan summarizing the actuarial status which will be posted in the department's website.

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**Florida Statutes 175/185 - Amendments related to Police and Fire Pensions**

4. Sections 175.032/185.02 Definitions. The bill proposes amendments as follows:

a. Firefighter Chapter 175.032(3) Compensation - For service earned and collective bargaining agreements in place before July 1, 2011 compensation definition remains the same. For service earned and collective bargaining agreements entered into on or after July 1, 2011, definition of compensation remains the same except overtime may be included up to 300 hours per year (as specified in the collective bargaining agreement or the plan) and accrued unused sick or annual leave may not be included. Also deletes the ability to make a different definition of compensation.

b. Police Officer Chapter 185.02(4) Compensation - For service earned and collective bargaining agreements in place before July 1, 2011 compensation definition remains the same. For service earned and collective bargaining agreements entered into on or after July 1, 2011, definition of compensation remains the same except overtime may be included up to 300 hours per year (as specified in the collective bargaining agreement or the plan) and accrued unused sick or annual leave may not be included.

**IMPACT:** Overtime over 300 hours per year may not be included in the pension calculation and so a system to exclude hours over 300 needs to be designed.

**IMPACT:** Additionally, the term of the most recent collective bargaining agreement should be determined and the parties should be informed that accrued sick and vacation leave earned after July 1, 2011 (or the expiration of the current collective bargaining agreement) is not to be included in the pension calculation. The bargaining parties should determine how to treat time accrued before July 1, 2011 or the expiration of the collective bargaining agreement in effect on July 1, 2011. The Board can provide some assistance in this process.

**IMPACT:** For non-collectively bargained plans, the Board, as the agency, can provide interpretation of the language.

5. Sections 175.061/185.05 Board of Trustees; members; terms of office; meetings; legal entity; costs; attorney's fees. Amendment permits a municipality to change the municipal representation on a Board but such change can not reduce the percentage representation of police officers or firefighters. This law applies only to those Boards grandfathered by the law in effect in 1986.

6. Section 175.091/185.07 Creation and maintenance of fund. The amendment allows member contribution rates to be increased without a corresponding benefit increase by:  
consent of the collective bargaining representative; or  
majority consent of the members of the Fund.

7. Sections 175.351/185.35 Municipalities having their own pension plans for firefighters/ police officers - The amendment changes the date that identifies those Special Act local law plans deemed in compliance with the minimum benefits to May 27 (from May 23).

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