



# POLICE PENSION NEWS

1969

CELEBRATING 35 YEARS  
OF FINANCIAL EXCELLENCE

2004

*A Hollywood Police Officers' Retirement System Publication*

*Issue 9*

*Date of Issue:*

*First Quarter 2004*

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### Notice of Election for Board Trustee

Self nominations for Board Trustee will be accepted at the pension office beginning March 1, 2004 at 9 AM to March 4, 2004 at 9 AM.

The Election will begin March 8, 2003 at 9 AM and close on March 12, 2004 at 9 AM.

Ballots will be counted at the close of the election in the first floor classroom.

## QUARTERLY PENSION FUND SUMMARY

As of December 31, 2003, our fund had a total market value of \$158,702,000. For the quarter, the fund gained a stellar \$10,105,000.

For the quarter, the actual allocation of our fund was 61.15% invested in stocks, 35.74% in bonds, and 3.11% 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 December 31<sup>st</sup>, the total fund gained 6.78%, beating its benchmark which was up 6.59%. In the previous quarter, the fund gained 1.90%. After investment

management expenses, for the quarter our fund net return was 6.68%.

The best performing sector among US stocks was materials, which rose 22.47% in the fourth quarter of 2003. For the year, information technology rose 46.55%. The worst performing sector was utilities, which rose 6.89%. For the year, telecommunication services rose 3.28%. As you may recall, the worst performing sector for last quarter was telecommunication services, which declined 10.09%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 1.9% for the twelve months ended in December. In the fourth quarter, consumer prices remained unchanged at a seasonally adjusted annual rate of 0.0%. The Producer Price Index (PPI) for finished

goods rose 4.0% for twelve-month period ended in December. The seasonally adjusted annual rate for the 3 months ended in December was 3.1%.

The unemployment rate was 5.7% in December, compared to 5.9% in November. Real Gross Domestic Product (GDP) rose at an annual rate of 8.2% (final) for the third quarter of 2003, compared with an increase of 3.1% (final) in the second quarter of 2003. During the fourth quarter, the Federal Reserve Open Market Committee maintained its target for the federal funds at 1.0%. As you may recall, the federal funds rate is the interest rate that banks charge each other for overnight loans.

## Total Fund Summary

**One Year :** For the last calendar year our fund gained 17.11%, while slightly lagging its benchmark which was up 17.93%.

Stocks were up 28.18%, while the benchmark was up 30.14%. Bonds were up 5.94%, which outperformed the benchmark



which was up 4.49%. Our core equity (stock) manager, Inverness, outperformed our growth stock manager, Davis Hamilton Jackson, for the year ending December 31, 2003, 29.18% vs. 22.53%, while the S&P 500 return was 28.68%.

**Long Term:** Since December 31, 1992, the fund has an average rate of return of 9.22% per year. For the last five years, the total fund has an average rate of return of 3.80% per year, which beat the overall combined stock and bond markets' 3.07% return. During that time, stocks averaged 0.91% and bonds 6.95%, while their benchmarks averaged -0.35% and 6.65%. For the last three years, stocks had an average return of -1.29%, while bonds averaged 8.49%.

TOP 10 STOCKS

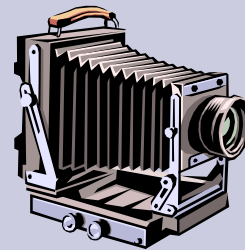
<b>INVERNESS COUNSEL</b>  <i>Large Cap Core</i>	<b>DAVIS, HAMILTON &amp; JACKSON</b>  <i>Large Cap Growth</i>	<b>EAGLE ASSET MANAGEMENT</b>  <i>Small Cap Core</i>	<b>BUCKHEAD CAPITAL MANAGEMENT</b>  <i>Large Cap Value</i>
Intel	Cisco	Gtech	Altria Group
Univision	Pfizer	Gray Television	Guidant Corp.
General Electric	Intel	Amphenol Corp.	Bristol Myers Squibb
American Intl.	Exxon Mobil	Global Payments	Donnelley & Sons
American Express	Microsoft	Arbitron, Inc.	Conoco Phillips
Bank One Corp.	US Bancorp	Getty Images	VF Corporation
Proctor & Gamble	Citigroup, Inc.	Micro Systems	Home Depot
Goldman Sachs	Home Depot	Ametek Inc.	Abbott Laboratories
IBM	Dell	Gaylord Entertainment	General Dynamics
Zimmer Holdings	Sysco	Interactive Data.	Sherwin-Williams

**KICKING OFF  
OUR 35TH ANNIVERSARY**

Jerry Christiansen & Victor Gaston pictured (L-R). Both of these retirees are former Board Members. Victor was one of the founding members of the pension system and retired in 1981. *Thank you Jerry & Victor!*



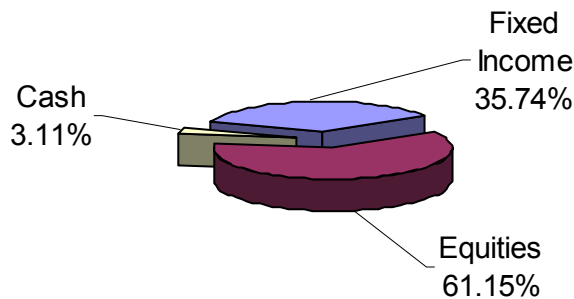
**PICTURE THIS**



Members having pictures that they would like to share, are encouraged to contact the pension office @ extension 4395

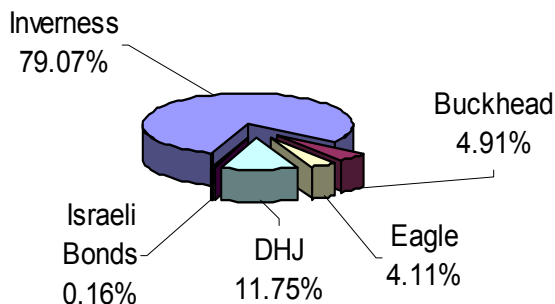
**Division of Assets by Investment Manager**

**Your Plan's Asset Allocation  
December 31, 2003**



**Your Plan's Asset Allocation**

**Division of Assets by Investment Manager  
December 31, 2003**



**15,000 HITS AND COUNTING!**

See what you are missing.  
Next you are on the web,  
Don't forget to visit us!!!



[www.hollywoodpolicepensionfund.com](http://www.hollywoodpolicepensionfund.com)



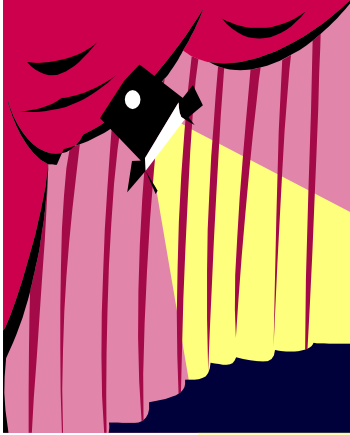
**Retiree  
Corner**

*Congratulations to our latest Retirees*

**Tim McKenna 12-01-03**

**Paul Dungan 02-01-04**

**No new DROP members to report for this period**



## Stock Spotlight

### Getty Images (Ticker = GYI)

- Sector: Consumer Discretionary
- Industry: Advertising/Marketing Services
- Market Capitalization: \$2.7 Billion
- Archival photographic images for broadcast, press, and advertising firms. The company has been able to increase prices on a per image basis. Recently reported better than expected earnings despite tough yet improving market conditions. Average cost in Hollywood Police portfolio: \$31.40 per share, currently trading at \$48.50

### Avery Dennison (Ticker = AVY)

- Sector: Basic Materials
- Industry: Containers & Packaging
- Market Capitalization: \$6.1 Billion
- Leading producer of pressure-sensitive adhesives and materials. Some pressure-sensitive adhesives and materials are converted into labels and some are sold in unconverted form as base materials, tapes and reflective sheeting. The Company also manufactures and sells a variety of consumer and converted products to office product markets, such as notebooks, three-ring binders, organizing systems, markers, fasteners, and business forms. Other products include reflective highway safety products, and retail tickets, tags and imprinting equipment. Strong global presence, solid financial history with pro-cyclical bent. Stands to be a major beneficiary of adoption of Radio Frequency Identification [RFID] technology. Stock returns are enhanced by 2.4% dividend yield. Average cost in Hollywood Police portfolio: \$52.50 per share. Currently trading at \$61.00

### Bank One (Ticker = ONE)

### JP Morgan (Ticker =JPM)

- Sector: Financials
- Industry: Diversified Banks
- Market Cap: \$56.9 Billion
- Bank One has recently received a tender offer from J.P. Morgan for 1.32 shares of J.P. Morgan for each share of Bank One. At current prices, the value of the merger is \$51.60 for each share of Bank One. The stock is currently selling at \$51.00 and cost in Hollywood Police portfolio was \$44.63 per share. While J.P. Morgan is officially the acquirer, Bank One management will end up holding four of the six key management slots in the new company.



After three years of negative returns, the S&P 500 gained 28.7% in 2003, while the NASDAQ soared 50.8%. The market finished the year strongly, with the S&P up 12.2% and the NASDAQ gaining 9.4% in the fourth quarter.

In spite of these significant moves, however, the S&P 500 and the NASDAQ indices still remain 20% and 50%, respectively, below their year-end 1999 levels.

## CalPERS Sues the New York Stock Exchange

The largest public pension fund in the United States, the California Public Employees Retirement System (CalPERS), is suing the New York Stock Exchange (NYSE) and seven trading firms over a fraud it says has "generated untold shareholder losses."

CalPERS has filed a suit in U.S. District Court against the NYSE and seven trading specialist firms "for jointly scheming to shortchange investors over the past five years in a trading fraud scheme so widespread it has generated untold shareholder losses."

CalPERS officials said the suit could potentially include all investors who traded at the exchange for the last five years. The lawsuit states the firms handled 3 billion trades for the pension fund over the last five years.

"We're convinced, and we will seek to prove in court, that the New York Stock Exchange not only knew of these rampant problems, and knew they existed, but also perpetuated them," CalPERS president Sean Harrigan said.

CalPERS said NYSE "purposefully allowed and specialist firms participated in the trade manipulations, enhancing profits to both and cheating investors out of the best prices for stock trades."

"Although the NYSE has rules that prohibit these practices, the exchange rarely takes the appropriate level of action," CalPERS said. A spokes-

woman for the exchange said they do not comment on pending litigation.

The fund wants the court to consolidate other class action lawsuits on this issue and designate CalPERS as the lead plaintiff on behalf of all harmed shareholders. CalPERS says that most of the companies within its \$154 billion portfolio are traded on the NYSE. CalPERS has \$60 billion invested on Wall Street.

"Our lawsuit alleges that the NYSE not only knew these rampant problems existed, but it perpetuated them, profited from them, and even hid the extent of the practices from investors," said CalPERS President Sean Harrigan.

"Obviously, the NYSE had every reason in the world to leave specialist firms alone, since specialists have seats on the exchange, and since management benefited financially through the type of huge compensation packages, such as was provided to Dick Grasso, who resigned from the exchange after his salary became public. The specialist trading practices are the poster child for failed regulation."

The action comes amid a probe at U.S. securities exchanges by the Securities and Exchange Commission (SEC), which has already resulted in the resignation of the former NYSE chairman on Sept. 17.

Grasso's replacement, former Citi-

group chief John Reed, is currently pushing through plans to reform the exchange's governance structure.

CalPERS officials said they decided to sue rather than rely on the SEC, which is conducting its own investigation into floor-trading, because the agency has not fulfilled its regulatory duties. CalPERS is seeking an unspecified amount of money, but officials of the pension fund said it could add up to hundreds of millions of dollars if others also join the suit.

The seven specialist trading firms named in the lawsuit are: LaBranche and Co.; Bear Wagner Specialists; Spear, Leeds & Kellogg Specialists; Van Der Mollen Specialists USA; FleetBoston Financial Corp.; Performance Specialist Group; and Susquehanna Specialists Inc.

The job of specialist firms is to make a market in stocks assigned to them by matching buyers and sellers on the NYSE trading floor. The CalPERS suit contends the specialist firms used their position to make stocks sales and purchases to their benefit, and that the NYSE failed to stop them.

The firms are accused of failing to fill outstanding buy-and-sell orders at the best prices and routinely and unnecessarily intervening in trades, earning fees for themselves and the exchange at the expense of investors.

### Alyssa McBride Education Fund

**As reported on page 8 of this publication, Officer Mike McBride and his three year old daughter Alyssa recently suffered a tragic loss. Mike's wife and Alyssa's mother, "Angie" passed away at the young age of 34, after a three year battle with cancer. An educational fund has been established for Alyssa at the Sun Credit Union. If you find it in your heart to contribute to this cause: *Alyssa McBride Education Fund c/o Sun Credit Union 4205 Hollywood Blvd. Hollywood FL 33021***

## Hometown Heroes Survivors Benefits Act of 2003

President Bush has signed into law the Hometown Heroes Survivors Benefits Act of 2003. Effective December 15, 2003, the law extends federal benefits to public safety officers (including firefighters, police officers and other first responders) who die of heart attack or stroke in line of duty.



White House photo by Eric Draper

Basically, PSOB benefits are extended to public safety officers who die as a result of heart attack or stroke resulting from strenuous physical activity that occurred (1) while responding to an emergency or participating in a training exercise, (2) while still on duty after the response or participation, or (3) within 24 hours of the response or participation. Heart attacks and strokes represent a significant risk among public safety officers, accounting for nearly half of all firefighter deaths each year. In 2002, 37 on-duty firefighters died of heart attacks. PSOB, administered by the Department of Justice, provides a one-time financial benefit -- currently set at about \$267,000 -- to families of public safety officers killed or permanently disabled in line of duty.

Prior to the new law, burden of proof was placed on the officer or his family to demonstrate a direct relation between the heart attack or stroke and the duty-related actions. The new law shifts that burden to the Justice Department, by adding language presumptively qualifying heart attacks and strokes as line-of-duty deaths, absent competent medical evidence to the contrary. As you may know that Section 185.34, Florida Statutes, provide similar presumptions with reference to pension and retirement benefits. Lets hope our friends at the League of Cities are listening!



### AUDIT REPORT

On January 30, 2004, the Board of Trustees received the results from our independent audit. Mr. Don Bellantoni of Koch, Reiss had an unqualified opinion of the plan. Mr. Bellantoni reported that the financial statements presented fairly in all material respects and were in conformity with accounting principles accepted in the United States.

The Board thanks Ms. Elizabeth Capota and Mr. Bellantoni for their efforts. The Board also commended Dave Williams and Cheryl Winton for the tireless efforts in maintaining the financial records of the plan to such a high degree.



### 13th Check News

The Board of Trustees would like to acknowledge our investment team for a job well done. Without their diligent work, your supplemental distribution could not be made. The date of distribution is set for March 2, 2004, if you have completed & returned the necessary forms, as prescribed.

Keep in mind that the 13th check is not guaranteed. Please do not base your annual finances on this payment. We cannot predict the economic future of the fund. So, for now be happy and hope for the best next year!

The Board of Trustees congratulates our most recent Certified Public Pension Trustee !!

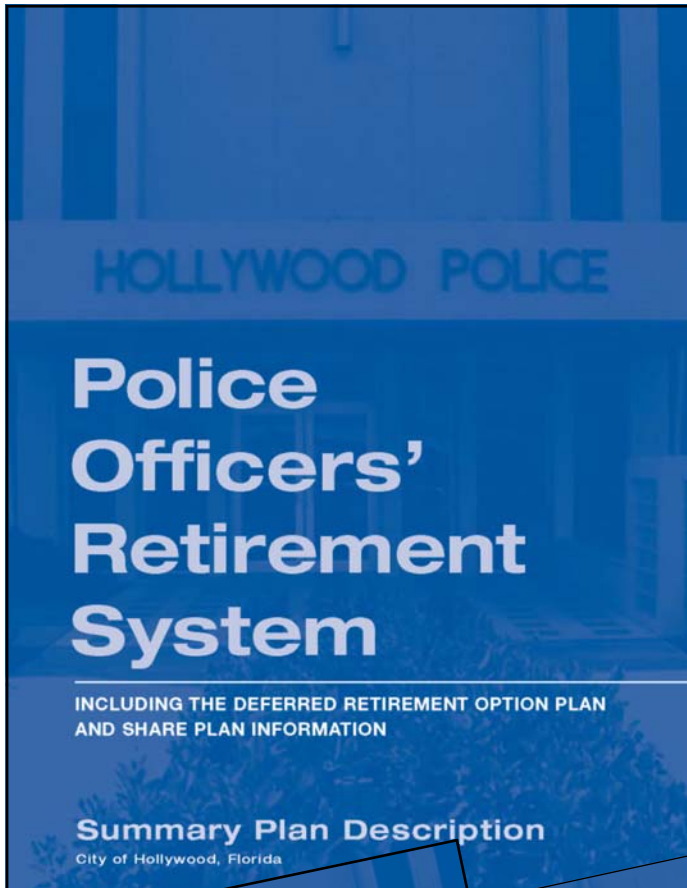
## Cathleen Marano



Cathleen was awarded the CPPT certification through the Florida Public Pension Trustees Association. Cathleen proudly joins the ranks of several other past and present Board Trustees.

The CPPT certificate is attained by attending educational seminars and conferences which includes examinations on the material. The educational seminars include such topics as Asset Allocation, Capital Markets Stocks/Bonds, Fiduciary Responsibilities, Economics, Pension Fundamentals, Performance Reporting, Legal Issues and other Public Pension Business.

# ***SUMMARY PLAN DESCRIPTION ON THE WAY!***



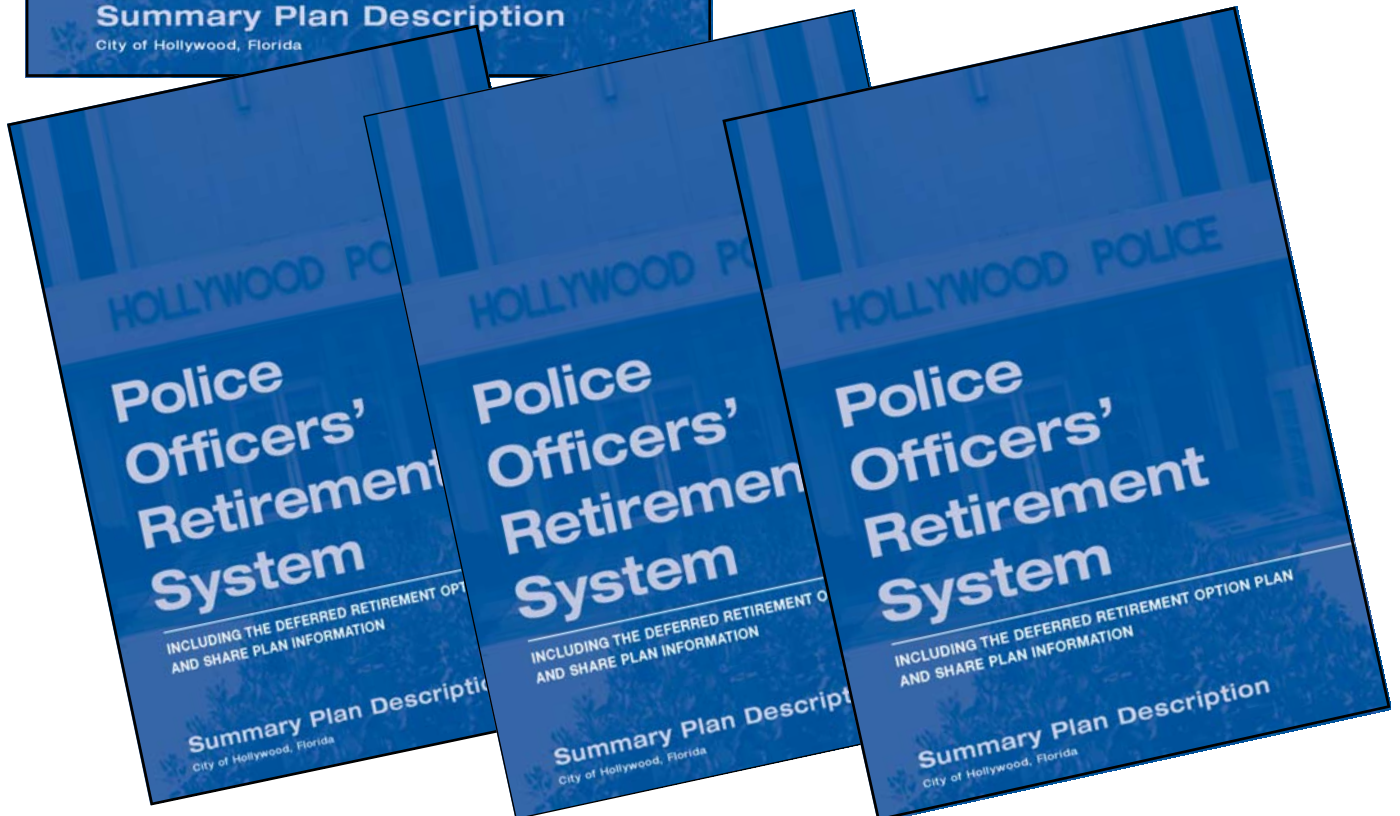
The Board of Trustees is pleased to announce that a summary of the pension plan (SPD) has been created and will be distributed to you shortly.

The SPD briefly describes your pension plan benefits to you in plain language. In addition to the normal retirement benefits, the SPD highlights disability and line of duty death. The SPD also has a section for the Share Plan and the Drop Plan.

The SPD may now be viewed under the icon "Summary of Plan" on line at our web site [www.hollywoodpolicepensionfund.com](http://www.hollywoodpolicepensionfund.com).

Please note: *Adobe Reader* is required to access this file on-line. For your convenience, a link has been added to *Adobe* should you need to download this program at no cost.

As always, should you have any questions, give us a call at the pension office 954.967.4395.



Don't Forget To Visit Us !!!

[www.hollywoodpolicepensionfund.com](http://www.hollywoodpolicepensionfund.com)

#### THE BOARD OF TRUSTEES

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John Barbuto, Trustee

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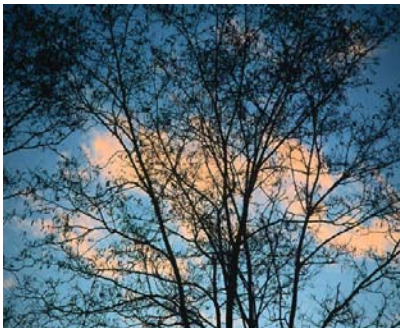
#### Disclaimer

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.



**WHAT'S WRONG WITH THIS PICTURE?**

## Odds and Ends



### In Memoriam

The Board of Trustees joins you by extending their condolences to Michael McBride for the loss of his wife, Angela.

The Board also extends their sympathy to the Kella Family for the loss Joan Kella (*widow of Lenny Kella*). Lenny retired from the HPD in 1975.

### Officer Buy-Back

Probation time can be bought back at any time before you retire or enter the Drop. Once you complete probation,

you have one year to pay for this time interest free. When that year has elapsed, interest begins to accrue from the date your probation was successfully completed and you enter the pension plan as a member.

When to buy-back your time is a personal financial decision. However, the sooner the cheaper! The average buy-back is running about \$4,500.00. Factor in the 8% interest rate and the cost rises quickly.

If you would like a buy-back analysis, call the Office of Retirement.



### Change of Address

#### *Active Members and Retirees!*

*Active Members:* If you move, please keep us in the loop. In addition to notifying the department, please let us know. A change of address form is only a phone call away, or on the web at [hollywoodpolicepensionfund.com](http://hollywoodpolicepensionfund.com).

*Retirees:* Please notify the Office of Retirement if you have moved. Recently, members have been calling our bank. Do not call our bank directly. We will notify them on your behalf once you let us know.

### The Window is Open

The VRR/FRR window is open for all Drop Members wishing to change their investment option until February 29, 2004, for the April 1, 2004 Quarter. You must complete a Drop Investment form if you want to change. Keep in mind once a change is enacted, you are locked for one year!