Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 51

Date of Issue:

Third Quarter 2014

Inside this issue:

In Memoriam

Officer Owen Coleman

Officer Henry T. Minard

Officer Byron W. Riley

Officer Phillip C. Yourman

Officer Frankie M. Shivers

Officer Alex Del Rio

HOLLYWOOD POLICE MEMORIAL DEDICATED

Total Fund Summary

Since December 31, 1992 the fund has an average rate of return of 7.72% (net) per year. For the last five years the total fund return was 11.25% (net) per year, in comparison to the benchmark return of 11.92%. For the last three years the total return was 9.50% and the benchmark return was 9.88%.

For the last five years the stock return was 17.93% and the bond return was 5.26%. For the last three years the stock return was 15.37% and bond return was 3.98%. For the year the stock return was 24.24% and bond return was 4.20%.

Top Ten Stocks

INVERNESS	GARCIA	EAGLE ASSET	BUCKHEAD	RHUMBLINE
Roper Industries	Apple Inc.	Harbinger Group	Wells Fargo	Affiliated Managers
Carlisle Cos.	Walt Disney	PTC	ExxonMobil	SI Green Realty Corp.
Adobe	Coca Cola	Chemtura	GE	Equinix Inc.
Discover Financial	Qualcomm	SemGroup	Chevron	United Rentals Inc.
PNC Financial	Blackrock Inc.	Assured Guaranty	ConocoPhillips	Henry Schein Inc.
Pioneer Nat. Resources	Wells Fargo	West Corp.	Blackrock Inc.	Advanced Auto Parts
Mylan, Inc.	Affiliated Managers	Manhattan Associates	US Bancorp	Hanesbrands Inc.
Occidental Petroleum	Roper Industries	GEO Group	AT&T	Realty Income Corp.
Pepsico Inc.	Home Depot	Berry Plastics	Express Scripts	Endo International P
Apple	Baxter International	CNO Financial	Johnson & Johnson	Trimble Navigation

Investment Update

On June 30, 2014 our fund had a total market value of $256,632,000. For the quarter the fund gained $7,472,000. For the quarter the total fund return was 2.98% (net) and its benchmark return was 3.13%. In the previous quarter the fund return was 1.43%. For the quarter the stock return was 4.26% and the benchmark return was 4.64%. The bond return was 1.72% and the benchmark return was 1.58%.

For the quarter the average allocation of our fund was 52.4% invested in stocks, 6.2% invested in real estate, 39.1% in bonds and 2.3% in cash equivalents (i.e., short term liquid interest bearing investments including money market funds and Israeli bonds). Our ongoing target for investment in stocks is 50% of the total fund.

Fiscal Year (10/1/2013 – 6/30/2014)

For the fiscal year the Inverness large cap stock return was 18.07%, the Garcia Hamilton & Associates growth stock return was 13.21%, the Buckhead value stock return was 17.84%, the Eagle small cap stock return was 14.38% and the Rhumbline mid-cap stock index return was 16.38%. The S&P 500 index return was 18.40%.

Calendar Year to Date (1/1/2014– 6/30/2014)

For the calendar year to date the total fund return was 4.45% (net) and its benchmark return was 4.90%. The stock return was 5.96% and the benchmark return was 6.65%. The bond return was 3.15% and the benchmark return was 3.06%.

Major Economic Indicators

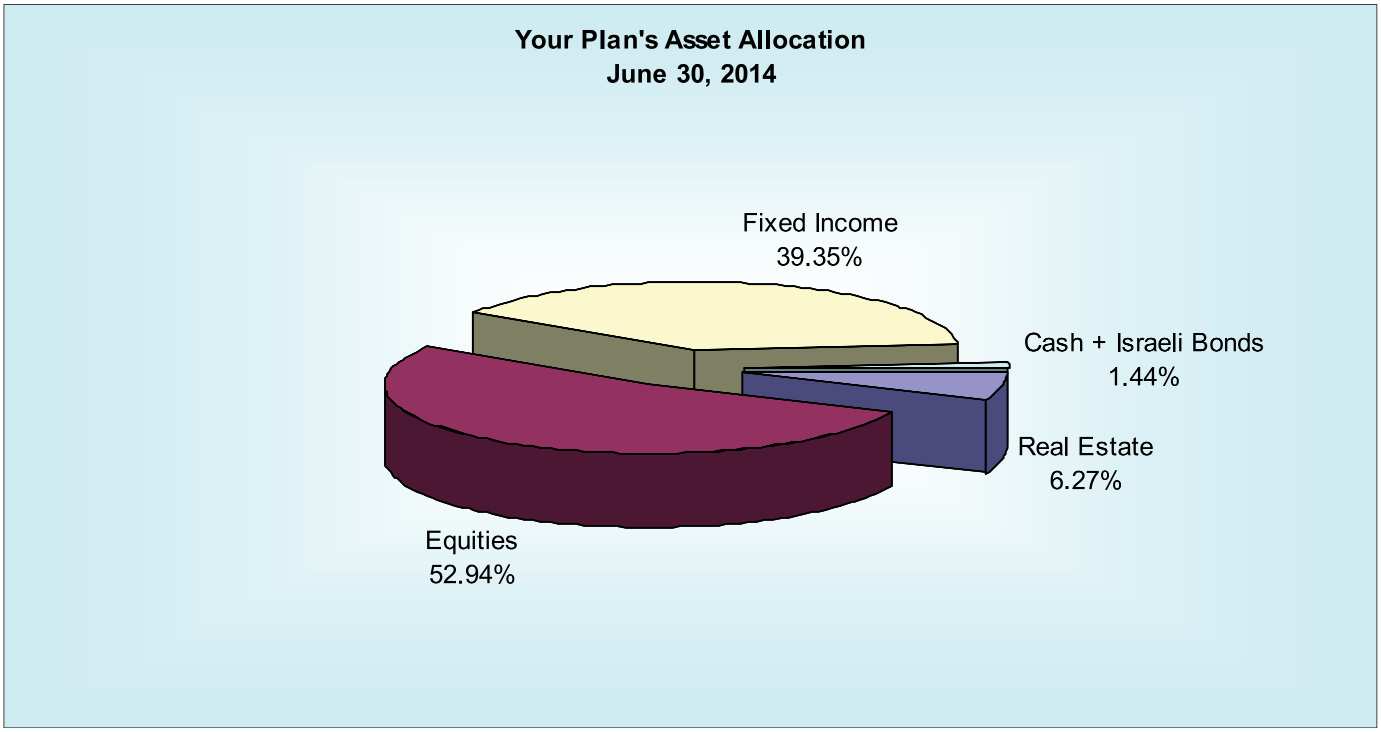
For the last year the best performing sector among S&P 500 stocks was Materials which increased 29.73% and the worst sector was Telecommunications which increased 0.23%.

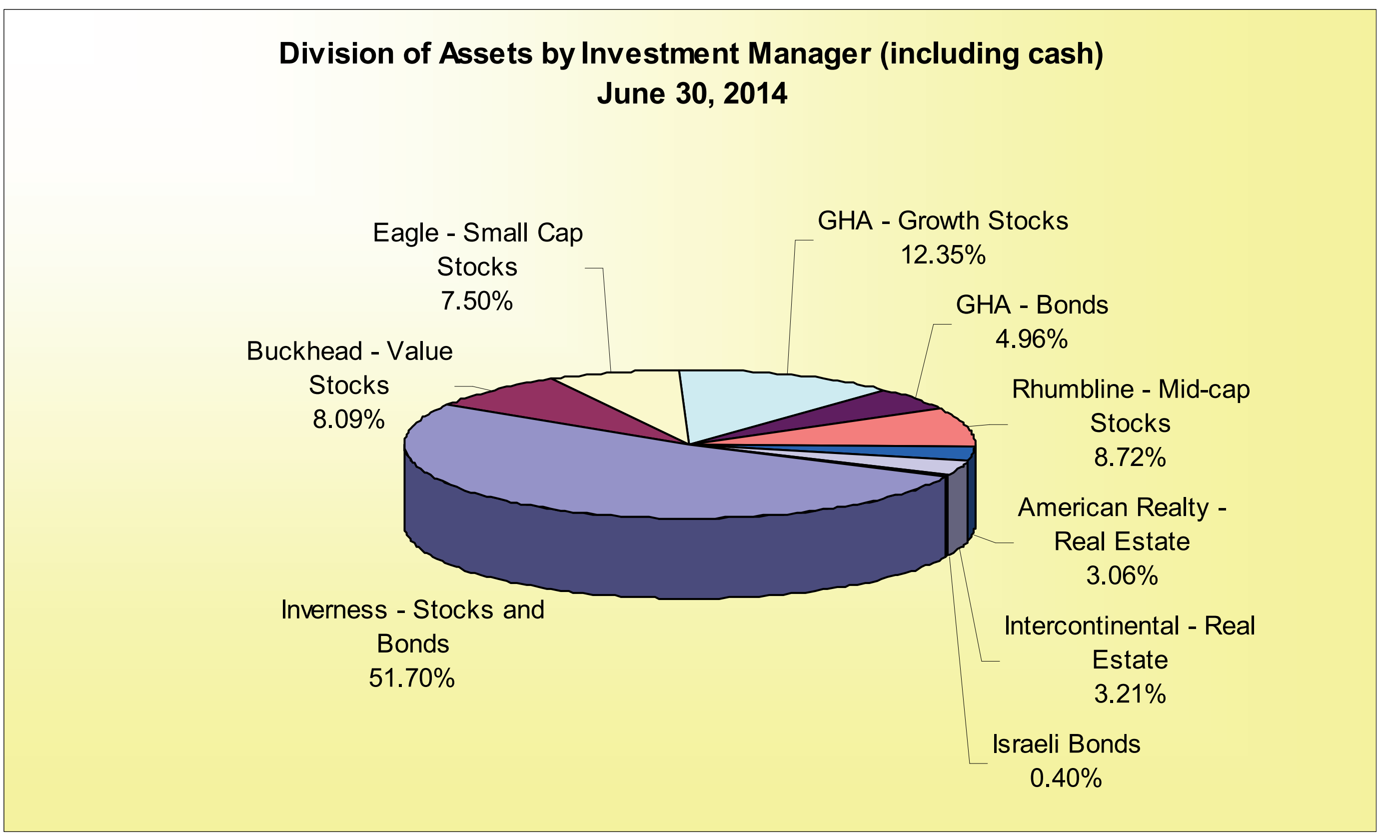
Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.1% before seasonal adjustment for the twelve months ended in June. The Producer Price Index (PPI) for finished goods advanced 1.9% before seasonal adjustment for the twelve months ended in June.

The seasonally adjusted unemployment rate was 6.1% in June down from 6.7% in March. Real Gross Domestic Product (GDP) decreased at an annual rate of 2.9% for the first quarter of 2014, compared with an increase of 2.6% in the fourth quarter of 2013.

During the second quarter of 2014 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.

Track The Fund!





Stock Spotlight

Gilead Sciences Inc. (Ticker = GILD)

Sector: Healthcare

Industry: Biotechnology

Market Capitalization: $133.77 Billion

Gilead Sciences, Inc. is a research-based biopharmaceutical company that discovers, develops, and commercializes therapeutics to advance the care of patients suffering from life-threatening diseases. With particular expertise in antivirals, over 80% of revenues were derived from HIV combination treatments in 2013. The recent rapid adoption of Sovaldi for treatment of hepatitis C will mark the firm's first meaningful diversification beyond its core HIV franchise. Equally important will be a late 2014 launch of Idelalisib, Gilead's initial foray in oncology. By 2016, we expect more than half of firm revenues to be generated outside of the core HIV franchise.

Average Cost in Hollywood Police Portfolio: $76.83 per share, currently trading at $88.25.

CVS Caremark Corporation (Ticker = CVS)

Sector: Consumer Staples

Industry: Drug Retail

Market Capitalization: $89.48 Billion

CVS Caremark Corporation is an integrated pharmacy health care provider. The Company's offerings include pharmacy benefit management services, mail order, retail and specialty pharmacy, disease management programs, and retail clinics. The company operates drugstores throughout the U.S., the District of Columbia, and Puerto Rico. This high quality pharmacy-based health care provider operates 7,300 retail stores, a mail order prescription service, and the second-largest pharmacy benefit management company in the U.S. In conjunction with its MinuteClinic in-store units, the firm is uniquely positioned to lower the cost and improve the outcome of healthcare delivery. Continued generic penetration and share gains from Walgreens should boost margins. Demographic trends remain quite favorable.

Average Cost in Hollywood Police Portfolio: $49.49 per share, currently trading at $76.49.

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.

Shooting Deaths of On-Duty Police Up 67 Percent

Wednesday, 10 Sep 2014 01:27 PM

By John Blosser

It's a very dangerous year to be a cop in America. Overall, police deaths in the line of duty from all causes are up 21 percent, but police deaths from firearms have risen 67 percent over 2013.

The **National Law Enforcement Officers Memorial Fund** reports that so far this year, there have been 35 firearms-related police deaths in the line of duty, compared to only 21 by this time in 2013.

Bernard Kerik, former police commissioner of New York, told Newsmax he believes the problem is, "People just have less respect for the police and are more confrontational with the police.

"When you start assassinating cops, it's an anti-government perspective, and police need to stay vigilant and realize there's this mind-set out there that people can resist the police," he said.

"Any spike of over 50 percent in the number of police dying in gun battles is a major, major spike."

Kerik cited the murder of Jersey City police rookie Melvin Santiago, 23, gunned down in an ambush by Lawrence Campbell, who fired 13 rounds into the windshield of a police car responding to a drug store Campbell had invaded. He never intended to rob the store, telling a witness he was "going to be famous" as he waited for his intended victims, the police, to arrive. Campbell was killed in turn by police, **Fox News** reported.

"Police have been gunned down who weren't even in confrontations," Kerik tells Newsmax. "We see a lot of that today. Walk up to a guy, say, 'You're under arrest,' a peaceful confrontation, and the guy resists.

"There is a lack of respect for authority and a lack of respect for the police."

Police officers Igor Soldo and Alyn Beck were having lunch when they were killed in June by the white supremacist couple Jerad and Amanda Miller in Las Vegas. A bloody gun battle erupted and 52 shots were fired before cops killed Jerad and Amanda killed herself, the **New York Daily News** reported.

"One of the biggest challenges that all of us have is if somebody is set on taking their own life, they're not afraid of taking another person's life," Richard Beary, vice president of the International Association of Chiefs of Police, told **Fox News**.

"I think that's what we're seeing in a lot of these cases, where they murder and then commit suicide.

"We've had some good years and right now, we're in a bad one," Beary told Fox. "In general, we're seeing more violence in society and that violence in society leads to violence against police officers."

"I personally think we're too focused on politics and political posturing and all this political correctness," Kerik tells Newsmax. "There are bad guys out there who do bad things and we have to go out and get them."

67 Law Enforcement Officer Fatalities Nationwide in First Half of 2014

Washington, DC—The National Law Enforcement Officers Memorial Fund recently issued a report stating that 67 officers have been killed in the line of duty during the first half of 2014—a 31 percent increase over the same period last year.

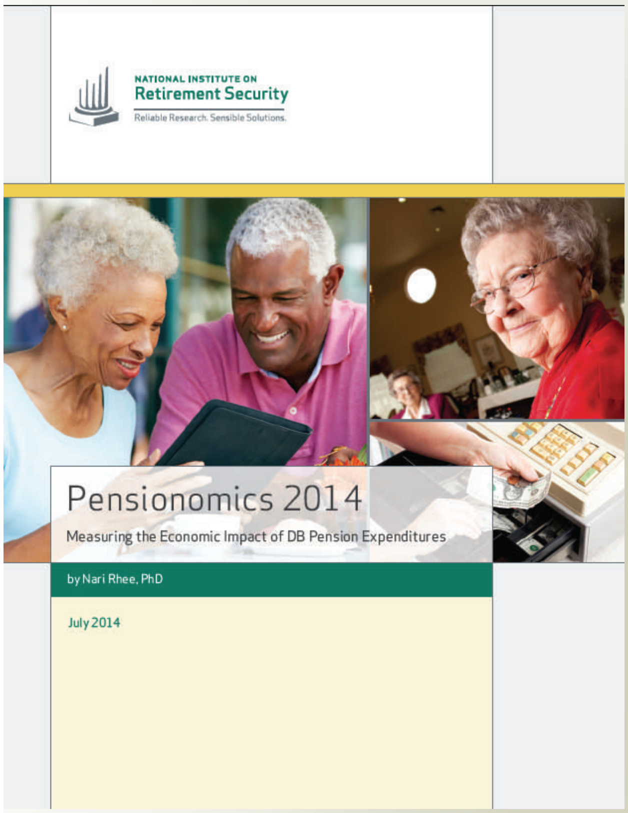
Of these 67 officers, 26 were killed in traffic-related incidents; 25 were killed by gunfire; and 16 died due to job-related illnesses and other causes.

Key Facts

- Traffic-related incidents were once again the leading cause of officer fatalities, with 26 officers killed in the first half of 2014—a 37 percent increase over the same period last year.
- Firearms-related fatalities spiked to 25 in the first half of this year—a 56 percent increase over the first six months of 2013. Investigating suspicious persons or situations was the leading circumstance of fatal shootings, with six officer fatalities; followed by ambushes, with five officer fatalities.
- Sixteen officers died due to other causes in the first half of 2014, the same as the number reported during the same time last year. Job-related illnesses, such as heart attacks, increased 62 percent in the first half of 2014, with 13 officer fatalities compared to eight during the same period last year.
- California led all states with eight officer fatalities; followed by Florida, New York, Texas and Virginia each with four peace officer fatalities.

NIRS Reports on the Economic Impact of Defined Benefit Pension Expenditures

On July 30, 2014, the National Institute on Retirement Security (NIRS) published its report, Pensionomics 2014: Measuring the Economic Impact of Defined Benefit Pension Expenditures. The biennial study finds that public and private pension benefits offer significant support for the U.S. economy. ***According to the study, each dollar of benefit paid to retirees supports $1.98 of total economic output.*** In addition, these benefits help to stabilize the economy, since retirees with monthly pension income continue spending on basic needs, even during economic downturns.



During the fiscal year ending in 2012, the study reports:

- Public and private pension plans provided about $477.0 billion in benefits to nearly 24.0 million retirees and beneficiaries. Of this amount, $228.5 billion was paid to 9.0 million state and local government retirees and beneficiaries; $70.7 billion was paid to 2.5 million federal government beneficiaries; and $175.6 billion was paid to 12.7 million private sector beneficiaries;
- These benefits supported more than $943 billion in total U.S. economic output, and provided an estimated $555 billion in value added to the national economy; and
- This, in turn, supported approximately 6.2 million American jobs paying more than $307 billion in total compensation, as well as $135 billion in annual federal, state, and local tax revenues. The largest employment impacts were in retail trade, health care, real estate, and food service industries.

The study also finds that over the period from 1993 to 2009, government (i.e., taxpayer) contributions to public pension plans averaged 24.5% of the total annual plan receipts, with the remainder coming from investment earnings (63.2%) and employee contributions (12.3%). As a result, the study estimates that every dollar contributed by taxpayers to public pension funds supports an estimated $8.06 in total economic output. The analysis was conducted using data from the U.S. Census Bureau and input-output modeling software (IMPLAN) to assess the economic impact. In addition to providing national estimates of economic activity, the report also estimates the economic impact of public pensions in all 50 states and provides fact sheets for each state.

The report and state fact sheets are available at:
http://www.nirsonline.org/storage/nirs/documents/Pensionomics%202014/pensionomics2014_final.pdf

Or scan here......

ECONOMIC ENVIRONMENT

A Welcome Spring

Coming on the heels of a 2.9% downturn in the first quarter's GDP, the second quarter's economic picture has brightened substantially. Estimated GDP growth of 4.0% this spring erased the winter downturn. Signs of the improvement ranged from excellent job growth to further tapering of the Fed's quantitative easing program. Not only have we seen a constructive hint of inflation in higher metals and energy prices, but we've also seen housing prices continue to rise. Healthy consumer confidence numbers and manufacturing gains are further indicators of economic strength. Geopolitical problems in the Middle East and antagonism between Ukraine and Russia failed to dampen economic enthusiasm.

The 2nd quarter economic highlights were:

- GDP growth for the first quarter declined 2.9% after increasing 2.6% in the prior quarter. This decline was directly attributable to weather-related reductions in inventory and continued reductions in state and local government spending. Consumer purchases increased, but not significantly. Going forward, economists predict healthy GDP expansion for the rest of 2014 and 2015.

- Job gains, as reported by the Bureau of Labor Statistics, were 288,000 in June. For the quarter, gains averaged 272,000 per month. As a result, the unemployment rate dipped to 6.1%, close to the Fed's 6% interim goal. Another positive was the broad arc of the job gains, which spanned manufacturing, services, retail and health care. Still, the overall employment level remains at a relatively low 62.8% and the number of part-time workers rose to 7.5 million.

- Home prices in May rose 8.8%, year-over-year. All fifty states participated, with Hawaii and California enjoying the largest gains. May was the 27th consecutive month for such gains. Home prices are still 13.5% below their April 2006 peak.

- Manufacturing and service sector activity was very pronounced. The Institute of Supply Management reported the June manufacturing index at 55.3%, well above the 50% expansion threshold. New orders for the manufacturing sector were up 58.9%. Additionally, 15 of the 18 manufacturing industries experienced growth. Only chemical products, textiles and plastics contracted. The service sector reading was 56% in June, with new orders at 61.2%.

- As of June, the Conference Board's Consumer Confidence Index gained 3% in one month, rising to 85.2, its highest level in 5-½ years! The consumer survey indicates reasonable satisfaction as projected out for the next six-months. While relatively few workers expect their incomes to grow by yearend, still fewer expect an income decline. This report was yet another reflection of a growing economy.

- The DJ-UBS Commodity Index was little changed from the first quarter. Decreases in grain prices (-13%) and cotton (-21%) largely offset gains in metals (+9%) and energy (+4%). The dramatic price drops in grain and soft farm products was inversely correlated with excellent growing conditions. Gold demand drove metals, while uncertainty in Russia and a more robust world economy contributed to higher energy prices.

- CPI inflation has begun to reflect economic expansion. June's CPI increase was a moderate 2.1%, year over year, but is likely to rise further when Fed tapering ends in October. For the next three months, the Fed's mortgage and long maturity Treasury purchases will be $35 Billion per month, down dramatically from the $85 Billion initiated last year. Further, on June 17th, the Fed announced it would likely end the program altogether in October. Clearly, this news anticipates a growing economy and ongoing employment gains.

INTERNATIONAL EQUITIES

Developed Markets and EM Both Advanced

The MSCI EAFE developed markets returned a solid 4.3%. In a reversal from the prior quarter, results in the Far East dwarfed those in Europe. In the Pacific region, Japan performed surprisingly well (+6.7%); the gain was mainly because its economy grew faster than expected in the first quarter and Japanese consumers were indifferent to the 3% tax increase on goods. Hong Kong also turned in excellent results (+8.3%), as its financial companies reported good profits. Singapore's political stability helped its stock market to advance 5.7%. However, Australia trailed the region, adding just 2.9%; the announcement of a tight federal budget for the next fiscal year contributed to the subpar return.

European countries (x-UK) didn't fare as well, adding only 2.6%. Investors in these markets were not impressed by the ECB's continued rate cutting in an effort to stimulate capital spending. France and Germany, the two largest member countries, added 2.4% and 2.3%, respectively. Spain's improving economy surprised on the upside (+7.4%). However, Norway was the European winner (+10.8%), in sync with its oil-based economy. Three southern European countries were the laggards, after performing well in the first quarter: Ireland lost 9%; Portugal was down 1.9%; and Italy rose a marginal 0.3%. The UK market climbed 6.1%, as investors took note of an ongoing turnaround after last year's recession.

An improving global economy, fewer political uncertainties and rising energy prices all helped emerging markets; the MSCI EM Index earned a healthy 6.7% after being in negative territory for the prior quarter. On a country-by-country basis, however, performance varied widely, from Turkey's positive 15.4% to Greece's 10.7% loss.

The BRIC Index, comprising Brazil, Russia, India and China, rose 8%. Brazil gained 7.7%, supported by higher energy prices. Russian stocks bounced back 10.8% after a 14.5% plunge in the first quarter. India was a star performer (+12.7%). The key to this market was the election of Narendra Modi, a pro-business candidate for Prime Minister. His victory fueled investor hopes for government reforms after decades of political gridlock. China's stock market added 5.7%; investors weighed government reforms and an effort to balance future growth in several sectors against a slowing real estate market and lower than normal GDP growth.

Given its dominant weight in the EM Latin America Index, Mexico was an outstanding performer. The Mexican market returned 6.6%, benefiting from an improving economic picture in general and energy prices in particular. With the sole exception of Chile's underperformance, returns for the other Latin American countries were equivalent to those of Mexico. Finally, Greece dropped like a stone, losing 10.7%, as optimism turned to pessimism regarding progress toward economic reform. Nonetheless, Greece's market still managed to rise a spectacular 55% for the latest year.

DOMESTIC EQUITY MARKET

Solid Performance across the Board

US stocks of all stripes advanced for the quarter. The bellwether S&P 500 returned 5.2%. The tech-oriented NASDAQ gained a similar 5.3%. The DJIA's 2.8% trailed, reflecting a dearth of tech giants in that index. Large-cap and mid-cap names fared far better than smaller-sized companies; the Russell 1000 Index (5.1%) and Russell Mid-Cap Index (5.0%) performed well ahead of the Russell 2000 (2.0%). REITs were again the exception this quarter, as the quarterly NAREIT Index climbed 7.1% and 16.2%, year-to-date. Results for the mid-cap and small-cap value style indices were moderately ahead of comparable growth index returns.

Every S&P sector was in the black for the quarter. Energy was the big winner (11.9%), reflecting armed clashes in Iraq and the Ukraine, with their potential to disrupt supplies. Utilities also performed well, adding 9.5%. This typically sleepy sector benefited from a series of announced takeovers, such as Exelon's acquisition of Pepco. Computer technology also rose 9.5%, buoyed by Apple's 20% price rise. The remaining sectors also posted gains, but in a more narrow range of 2.3% - 8.8%. Financials brought up the rear (2.3%), as the Federal government settled mortgage cases against the largest banks.

CRS Updates Report on Social Security Insolvency

On August 28, 2014, the Congressional Research Service (CRS) released its report, Social Security: What Would Happen If the Trust Funds Ran Out? Based on the 2014 Social Security Trustees Report, CRS found that the Social Security trust funds are projected to be exhausted in 2033. According to the trustees, under intermediate assumptions, tax income will be sufficient to cover about 77% of scheduled benefits in 2033 and declines to 72% in 2088.

According to the report, "Maintaining financial balance after trust fund insolvency would require substantial reductions in Social Security benefits, substantial increases in income, or some combination of the two. The trustees project that following insolvency of the combined funds in 2033, Congress could restore balance by reducing scheduled benefits by about 23%; the required reduction would grow gradually to 27% by 2088. Alternatively, Congress could raise the Social Security payroll tax rate from 12.40% to 16.2% following insolvency in 2033, then gradually increase it to 17.3% by 2088. To maintain balance in later years, larger benefit reductions or tax increases would be required.

If the trust fund became exhausted, there would be a conflict between:

1) the Social Security Act that requires beneficiaries to remain legally entitled to full, timely benefits; and

2) the Antidefiency Act that prohibits government spending in excess of available funds. CRS clarified that insolvency would not mean that Social Security would be completely bankrupt and unable to pay any benefits. Instead, because the Antideficiency Act prohibits government spending in excess of available funds, full Social Security benefits would likely be reduced or delayed. If this were to occur, Congress or the courts would need to resolve the legal conflict between benefit entitlement and the Antideficiency Act.

In its report, CRS urged Congress to act promptly to restore Social Security solvency since the sooner Congress acts, the smaller the necessary tax increases or benefit reductions would need to be to maintain solvency. By doing so, Congress would be able to phase-in changes which would allow workers to plan in advance for their retirements.

GARCIA HAMILTON & ASSOCIATES

GH&A

2014 Q2 Market Recap

Equity

We have enclosed performance for your account for the period ending June 30, 2014. Relevant indices have been included for comparison purposes.

Domestic stocks rallied in May and June to post solid gains for the year's second quarter. Economic activity remained sluggish and forward earnings projections were again lowered. Yet, stock prices responded to U.S. Federal Reserve communications indicating liquidity injections will continue should the economy not respond as anticipated. Overseas conflicts boosted crude oil prices, but were largely ignored by overall equity prices. For the quarter, the S&P 500 Index returned 5.2% with dividends.

Returns were broad, with all capitalization ranges and styles rising over the three month period. Similar to several past quarters, all the gains came in the closing weeks. Energy stocks outperformed, reflecting crude oil prices. Sectors considered cyclical lagged, including Consumer Discretionary and Industrials.

Looking forward, equity prices are apt to match earnings growth rates, perhaps in the upper single-digit range. Second quarter results are expected to be good enough to satisfy investors. If not, any dip in stock prices is likely to be brief as long as the Federal Reserve remains supportive.

Risk factors, not fundamentals, have determined stock price movements for much of post-financial-crisis period. Safety, balance sheet strength, and global strategic positioning have meant little as long as market participants are encouraged to reach for risk. As a result, large cap, high quality growth companies appear to represent quite attractive opportunities. We expect companies combining strong capital positions, healthy cash flows and global business opportunities to again be rewarding investments.

Don't Forget To Visit Us !!!

www.hollywoodpolicepensionfund.com

Office & Mailing Address
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

Phone: 954.967.4395
Out of town? - Please Call Toll Free: 866.738.4776
Fax: 954.967.4387

QUOTABLE QUOTE

I am determined to be cheerful and happy in whatever situation I may find myself. For I have learned that the greater part of our misery or unhappiness is determined not by our circumstance but by our disposition.

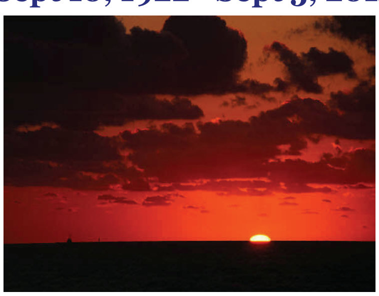
—Martha Washington, wife of George Washington, first U.S. president

In Closing....

In Memoriam:

Tony Sandelier

Sept 10, 1922 - Sept 5, 2014



Tony Sandelier, 91, of Hollywood passed away Sept. 5, 2014. He was born Sept. 10, 1922, in Glassboro, NJ, and served in the U.S. Army Air Corp during WW II. Following his discharge, Tony moved to Hollywood where he joined the Hollywood Police Department in 1952. He retired with the rank of Captain on June 16, 1982.

Tony was a member of the Hollywood Rotary Club for almost 30 years, where he served on the Board of Directors and was a Paul Harris Fellow.

Survivors include his daughter, Renee Crudo; son, Gary Sandelier and grandson, Jordan Crudo. Tony was preceded in death by his wife Ruth on Nov. 7, 2013, and by two sisters.

Also, please keep Leo Soccol in your thoughts and prayers for the recent passing of his wife Suzie.

Supplemental Distribution Update

The Board met and discussed this matter with counsel on July 25, 2014.

The Board disagrees with the state's position. The Board will continue to follow the ordinance. Stay Tuned...

Welcome New Members

Catlin Giffen

Wilson Gouveia

Carlos Idarraga

Ryan O'Malley

Jeremy Ownbey

PRB Update

The Board's intention is to treat PRB Members as close as traditional DROP Members as they can. PBR Rules have been developed and the entire database system has been rewritten and is currently being independently tested. Further details will follow!