



Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 19
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Third Quarter 2006

QUARTERLY PENSION FUND SUMMARY

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The Board of Trustees would like to recognize and "Thank" John Barbuto & Fred Okamoto for all their time and commitment to the System!

On June 30, 2006 our fund had a total market value of \$177,658,000. For the quarter the fund lost -\$2,240,000.

For the quarter the total fund lost -1.14% (gross), while its benchmark was down -1.00%. In the previous quarter the fund gained 3.52%. After investment management expenses, for the quarter our fund's net return was down -1.25%.

For the quarter the average allocation of our fund was 61.4% invested in stocks, 35.2% in bonds, and 3.4% 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 fiscal year to date our fund gained 3.61% (net), beating our benchmark which was up 2.70%.

Stocks are up 6.28%, while the benchmark is up 5.07%. Bonds are up 0.07%, while the benchmark is down -1.12%.



For the fiscal year to date Inverness' large cap stocks are up 6.94%, Davis, Hamilton, & Jackson's growth stocks are up 2.22%, Buckhead's value stocks are up 6.81% and Eagle's small cap stocks are up 10.76%. The S&P 500 index is up 4.85%.

For the second quarter of 2006 the best performing sector among US stocks was utilities, which rose 4.73% and the worst was information technology, which declined -9.78%.

Among the major economic indicators, the Consumer

Price Index (CPI-Urban) rose 4.3% for the twelve months ended in June. In the second quarter, consumer prices rose at a seasonally adjusted annual rate of 5.1%. The Producer Price Index (PPI) for finished goods rose 4.9% for twelve-month period ended in June.

The seasonally adjusted unemployment rate was 4.6% in June compared to 4.7% in March. Real Gross Domestic Product (GDP) rose at an annual rate of 5.6% (final) for the first quarter of 2006, compared with an increase of 1.7% (final) in the fourth quarter of 2005.

During the second quarter of 2006 the Federal Reserve Open Market Committee raised its target for the federal funds rate 50 basis points to 5.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

Total Fund Summary

Trailing Year (7/1/05 to 6/30/06)

For the trailing year our fund gained 6.81%, while its benchmark was up 4.48%. Stocks are up 11.61%, while the benchmark was up 9.07%. Bonds are down -0.51%, while the benchmark was down -0.86%.

For the year Inverness' large cap stocks were up 13.62%, Davis, Hamilton, & Jackson's growth stocks were up 5.77%, Buckhead's value stocks were up 7.22% and Eagle's small cap stocks were up 17.53%. The S&P 500 index was up 8.63%.

Long Term

Since September 30, 1992 the fund has an average rate of return of 8.61% (gross) per year. For the last five years the total fund has an average rate of return of 5.23% per year, which out-performed the overall combined stock and bond markets' 3.97% return. During that time stocks averaged 4.74% and bonds averaged 5.29%, while their benchmarks averaged 2.60% and 4.87%. For the last three years stocks had an average return of 12.14%, while bonds averaged 2.02%.

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>
McDermott Int'l.	Pepisco Inc.	Jackson Hewitt	Microsoft
GE	General Electric	Vail Resorts	JP Morgan Chase
Schlumberger	Microsoft	Arch Capital	Altria Group
Procter & Gamble	Yahoo	Dril-Quip	Home Depot
PepsiCo	American Express	Blackbaud	Tyco International
Roper	Bank of America	FMC Technologies	New York Comm. Bank
Alliant Techsystems	Walt Disney	DJO, Inc.	General Dynamics
Harris	SLM Corp.	Rofin-Sinar Tech.	3M Company
American Express	Wal-Mart	John Wiley	Chevron-Texaco
Carlisle	Danaher Corp.	Edwards Lifesciences	Johnson & Johnson

Congratulations New Trustees

Due to *John Barbuto* and *Fred Okamoto* entering the DROP, the Board experienced two (2) open seats for Trustees. We had a great response from the membership to fill those positions. The Board would like to "thank" those who took the time to run and also congratulate & welcome our newest Trustees.

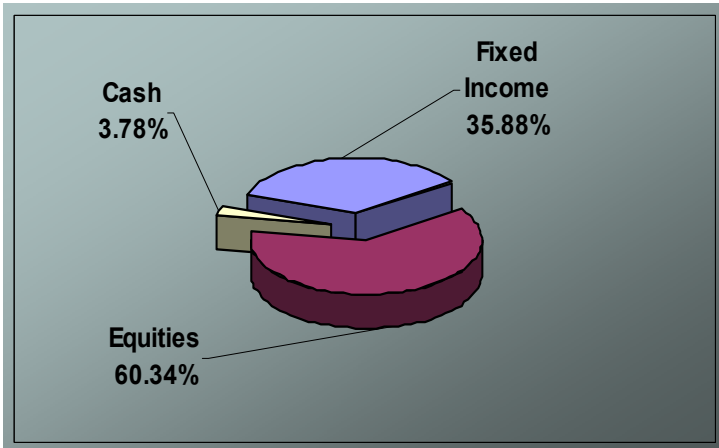
Laskowski - 74 Votes (WON)

Szeto - 66 Votes (WON)

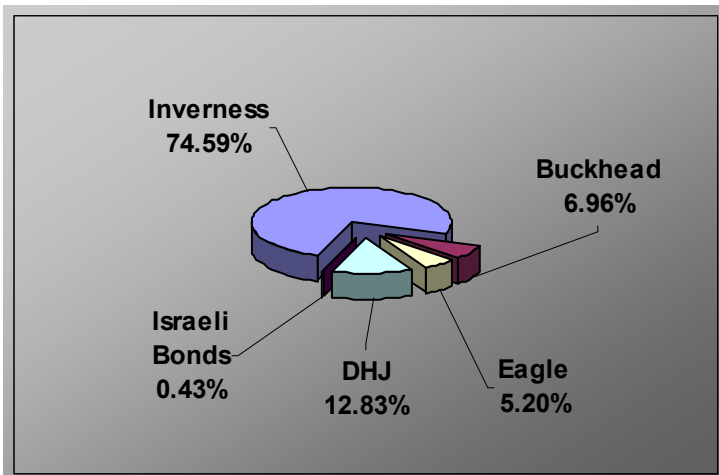
Agnone - 36 Votes, Floyd (Tied 4th) - 35 Votes,
G. Lopez - 35 Votes, Fernander (Tied 5th) - 31 Votes,
Losenbeck - 31 Votes, Scalzitti - 22 Votes

Special thanks for those who took the time to vote!

Plan Asset Allocation as of June 30, 2006



**Division of Assets by Manager
as of June 30, 2006**



Retiree Corner

Congratulations to our latest DROP Members

For July 1, 2006

V. Affanato, R. Alfano, R. Allen, D. Baldwin, J. Barbuto, C. Bates, K. Berwick, L. Boles, B. Boulton, B. Brantley, Jr., M. Brennan, D. Brooks, J. Dalton, T. Dandele, G. Danis, R. Eadie, J. Foley, R. Garlin, R. Good, L. Granteed, J. Jones, S. Kiagiadakis, T. Legacki, B. Maher, S. McDermott, F. McGarry Jr., A. Monteverde, L. Moore, K. Murphy, J. Murray, R. Nardello, J. Nevins, M. O'Hara, F. Okamoto, K. Payne, D. Ramsey, A. Recio, C. Roberts, W. Schatzel, A. Siegel, T. Simcox, J. Vogel, C. Wagner, J. Weatherford, S. Wiedenhoef, K. Wilde.

Edward Goldbach	08-01-06
James Hetzel	08-01-06
Lori Norris	08-01-06
J. Malerba	08-06-06
K. Companion	08-13-06

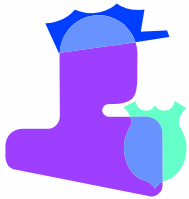
Congratulations to our latest Retirees

Marvin Roberts	06-30-06
John Chidsey	07-01-06
Larry Downing	07-01-06
Rick Fenlon	07-01-06

PLEASE NOTE: On June 20, 2006, Governor Bush approved Senate Bill No. 80, creating Chapter 2006-232. Effective July 1, any Florida agency, including a pension board, that operates a website and uses electronic mail shall post the following statement in a conspicuous location on its website:

"Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public-records request, do not send electronic mail to this entity. Instead, contact this office by phone or in writing".

Welcome
New
Pension
Member!



Perry Beckford

**We all wish you
continued
success!**

Share Account Update

The share distribution for this year is expected to be posted to your account on or about September 1, 2006.

Members who just came off probation should keep in mind that credit (*during probation time*) will not be given to you for this share plan year, unless you buy back your time. If you have questions, or wish to discuss further, please contact our office.

STOCK SPOTLIGHT

Carpenter Technology. (Ticker: CRS)

Sector: Basic Materials

Industry: Steel and Iron

Market Capitalization: 2.66B

Comments: Manufactures specialty metals and engineered products. The need for more large-bodied commercial airliners leaves the company well-positioned for growth in the sale of its high-temperature alloys and titanium fasteners. The company enjoyed significantly improved margins during the most recent quarter and appears ready to benefit from solid industry trends in stainless-steel markets as well as nickel-based alloys. We like the company's cash-flow generation potential in the intermediate term future.

Average cost in the Hollywood Police portfolio: \$85.46, currently trading at \$104.76



FMC Technologies. (Ticker: FTI)

Sector: Basic Materials

Industry: Oil and Gas Equipment and Services

Market Cap: 4.53B

Comments: Provides sub-sea drilling systems and equipment to the oil and gas industry. The company's most recent quarterly results showed sharply improving margins, which were later confirmed on an industry-wide basis in the energy systems industry.

Average cost in the Hollywood Police portfolio: \$25.35, currently trading at \$66.25.



Cognizant Tech Solutions (Ticker = CTSH)

Sector: Information Technology

Industry: Computer Services

Market Capitalization: \$9.1 Billion

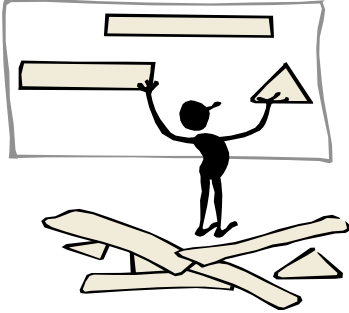
Applications Development Outsourcing

Headquartered in New Jersey, Cognizant Tech Solutions is a leading offshore provider of outsourced applications development and management services. Business trends remain strong as new and existing customers, both domestic and abroad, look to capture the cost advantages related to the well educated, yet lower priced professional resources available in India.

Average Cost in Hollywood Police Portfolio: \$48.70 per share, currently trading at \$67.37.



Membership Approves Pension Changes



The following changes were approved by the membership during a recent pension election.

This summary should not be relied upon to make any decision to include to retire/drop.

Payout

Members entering the DROP may maintain 40 Hours Vacation or Comp Time on the Books. *(Note to reader: Comp Time is pensionable. You may wish to save vacation time to maximize your benefit).*

Twenty Two and Out!

Members may now retire or enter the DROP with 22 years of city service at 80%. A maximum of 30 years of total service with the city.

8 Year DROP

Members entering the Drop may stay up to 8 years in the Drop, not to exceed a total of 30 years with the city.

Share Plan

Members agreed to fund benefit improvements with future 185 deposits from the state. As permitted by law.

Military Time

Members agreed to add non-war time service credit.

Ten Year Certain Rollback

Effective October 1, 2000. See page six of this publication for details.

Amend Beneficiaries

Details also on page six.

GE 3% Multiplier

Police Officers' with prior GE time may now buy up in the GE Plan to receive a 3% multiplier in lieu of something less.

Buy Up in Police Plan

Members may also be able to buy up to 8% in the police plan under certain conditions.

Members with GE Time

Members with prior GE time cannot exceed 22 years of credited service

No COLA in the DROP

New DROP members will not receive a COLA while in the DROP. Members who separate service after completing three years in the DROP will get the COLA at once.

Retire or Enter DROP Date

Members may now enter the DROP (or retire) upon actual eligibility date instead of having to wait to the first of the following month.

Overtime Capped

Pensionable overtime is now capped at 400 hours annually.

Once the final ordinance is passed, the summary plan description will be updated and distributed.

Eagle Asset Management (Small Cap Update)

Eagle Small Cap Core portfolio outperformed the Russell 2000 Index on a relative basis. We are never happy to report negative absolute performance but our investment process and discipline protected investors on the downside as it's designed to do.

Our weighted average market cap is \$1,649 million compared to \$1,061 million for the Russell 2000 Index. Last year we began a gradual shift into slightly larger stocks within our discipline because we believe this move would prove beneficial in the current environment. Our market cap was beneficial during the quarter, with stocks above \$1 billion achieving the highest performance in the Russell 2000 Index. We continue to see attractive valuations in some of the larger small-cap stocks.

We saw significant relative out performance in both the technology and energy sectors during the quarter. Our out performance in technology can be attributed in large part to strong selection in the semiconductor industry. Within the energy sector, our sub-sea drilling-equipment holdings in FMC Technologies and Dril-Quip significantly helped the portfolios.

Our biggest detractor during the quarter was financials. In particular our underweight position and negative selection in REITs, as well as our overweight position and negative selection in capital markets, had a significantly negative effect on relative performance. Our non-participation in the utilities sector was also a small detractor.

Don't Forget To Visit Us !!!

www.hollywoodpolicepensionfund.com

THE BOARD OF TRUSTEES

David Strauss, Chairman

Cathy Marano, Secretary

Richard Brickman, Trustee

Larry Wiener, Trustee

Steven Diefenbacher, Trustee

Paul Laskowski, Trustee

Van Szeto, Trustee

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Royal Palm Beach, Florida 33411

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Out of town? - Please Call Toll Free: 866.738.4776

Fax: 954.967.4387

Email: info@hollywoodpolicepensionfund.com

Attention Active Members!



The *Web DROP Calculator* has now been updated to 96 months. The new calculator has been designed to default your years of service to 22 and 80%. Simply enter your best three year salary, the months of participation in the DROP (*up to 30 years of service with the city*) and the calculator will do the rest!

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.

In Closing....

Retired DROP Members



If you are a retired Drop Member who has been withdrawing from his/her Drop Account, you have until September 30th

to notify this office of any change for the 2006 distribution year. If no such change is requested, you will receive the same amount in the same format as this year!

DROP Window Periods

The next opportunity for Drop Members to switch from either the fixed rate of return or the variable rate of return will be August 1-31st for the October 1 Quarter .

Change of Beneficiary

Also as a result of the recent labor agreement between the City of Hollywood and the Broward County PBA, retired members may now change their spouse/beneficiary.

Simply put, if you were married at the time of your retirement (or entry into the Drop), and since divorced and re-married, you may add your new spouse as a beneficiary. However, any such change must be cost neutral to the System.

This change does not permit a member of changing his/her form of benefit selected at retirement, only the beneficiary (spouse). Should you wish to discuss further, schedule an appointment with Dave Williams.

Contract Language

For your reference, a copy of the contract language as it relates to the recent changes, can be viewed on-line, on our website.

Ten Year Certain Rolled Back!

If you retired/or entered the Drop between October 1, 2000 & September 30, 2001, the Board of Trustees have good news for you.



As a result of the recent labor agreement between the City of Hollywood and the Broward County PBA, a "Ten Year Certain" provision was added as a benefit to you at no cost.

What does that mean? Should you die before receiving 120 payments, your beneficiary would be entitled to the balance of those 120 payments. Need further details, call Dave Williams for details.

The Board of Trustees would like to acknowledge the efforts by the PBA and its Reps for getting this done!