Police Pension News

A Hollywood Police Officers' Retirement System Publication

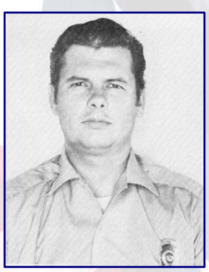
Issue 27

Date of Issue:

Third Quarter 2008

Inside this issue:

Respect
Honor
Remember



Henry T. Minard
Police Officer

Date of Death:
11/18/1972

National LEO Memorial

Panel 36, E - 9

PENSION FUND INVESTMENT SUMMARY

On June 30, 2008 our fund had a total market value of $197,654,000.

For the quarter, the fund lost $1,651,000. During this timeframe, the total fund return was -0.85% (net). Our active investment team posted this stellar return in a down market and beat our benchmark return which was -1.69%.

For the same time period, the average allocation of our fund was 59.8% invested in stocks, 36.9% in bonds and 3.3% 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 was 54% of the total fund.

For the fiscal year to date the total fund return was -5.74% (net), while its benchmark return was -5.94%. The stock return was -11.52%, while the benchmark return was -14.30%. The bond return was 4.48%, while the benchmark return was 4.25%.

While outperforming the market return and bench-marks, the absolute number is not positive.

For the fiscal year to date the Inverness large cap stock return was -11.88%, the Davis, Hamilton, & Jackson growth stock return is -7.71%, the Buckhead value stock return was -16.61% and the Eagle small cap stock return was -10.92%. The S&P 500 index return was -14.85%.

For the second quarter of 2008 the best performing sector among S&P 500 stocks is energy, which is up 16.92% and the worst sector is financials, which declined 19.01%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 5.0% for the twelve months ended in June. In the second quarter, consumer prices rose at a seasonally adjusted annual rate of 7.9%. The Producer Price Index (PPI) for finished goods rose 9.2% for twelve-month period ended in June.

The seasonally adjusted unemployment rate is 5.5% in June compared to 5.1% in March. Real Gross Domestic Product (GDP) rose at an annual rate of 1.0% (final) for the first quarter of 2008, compared with an increase of 0.6% (final) in the fourth quarter of 2007.

During the second quarter of 2008 the Federal Reserve Open Market Committee cut its target for the federal funds rate by 0.25% to 2.00%.

Note: Further investment details may also be viewed on our website.

Total Fund Summary

Trailing Year (07/01/07 to 6/30/08)

For the trailing year, our fund return was -2.09% (net), while its benchmark return was -3.74%. The return of our stocks was -7.01%, while the benchmark return was -12.80%. The Inverness large cap stock return was -5.86%, the Davis, Hamilton & Jackson growth stock return was -2.35%, the Buckhead value stock return was -17.15% and the Eagle small cap stock return was -12.34%. The S&P 500 stock index return was -13.12%. The return of our bonds is 7.12%, while the benchmark return was 7.32%.

Long Term

Since September 30, 1992 the fund has an average rate of return of 8.01% (net) per year. For the last five years the total fund has an average rate of return of 6.95% (net) per year, which out-performed the overall combined stock and bond benchmark return of 6.04%. During that time stocks averaged 9.99% and bonds averaged 3.81%, while their benchmarks averaged 7.91% and 3.54%. For the last three years stocks had an average return of 8.41%, while bonds averaged 4.14%.

TOP 10 STOCKS

INVERNESS COUNSEL ***Large Cap Core***	**DAVIS, HAMILTON & JACKSON** ***Large Cap Growth***	**EAGLE ASSET MANAGEMENT** ***Small Cap Core***	**BUCKHEAD CAPITAL MANAGEMENT** ***Large Cap Value***
National-Oilwell Varco	Microsoft	Lufkin Industries	Exxon Mobil
Alliant Techsystems	Apache	Penn VA Corp.	Chevron-Texaco
Devon Energy	Danaher	NTELOS Holdings	Johnson & Johnson
Roper Industries	Air Products & Chemical	Teledyne Tech.	Chesapeake Energy
Abbott Labs.	Monsanto	Silgan Holdings	AT&T
PepsiCo	Oracle	ITC Holdings	Quest Diagnostics
Procter & Gamble	Cisco	Waste Connections	NY Comm. Bank
McDermott Intl.	Cameron Intl.	National Instruments	ConocoPhillips
Cisco	Walt Disney	Ansys Inc.	GE
Harris Corp.	Apple	Devry Inc.	Amdocs Limited

National

Law Enforcement

Memorial

This is the 2nd issue where the Board of Trustees have honored the memory of a fallen Hollywood Police Officer on the front page of this publication.

The officer's name, rank and date of death is highlighted, as well as his/her panel location at the National Law Enforcement Memorial. Further details about each officer may be viewed at anytime by visiting the police pension web site. A memorial page has been established in their memory.

Details of the National Law Enforcement Memorial may be viewed by visiting National Law Enforcement Memorial www.nleomf.org

Retiree Corner

Congratulations to our latest DROP Member

Scott Pardon 07-29-2008

Congratulations to our latest Retirees

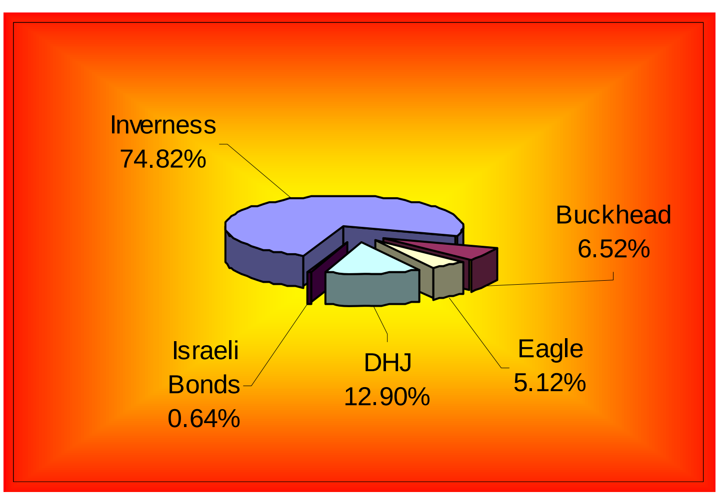
Billy Brantley, Jr. 05-18-2008

Mark May 07-31-2008

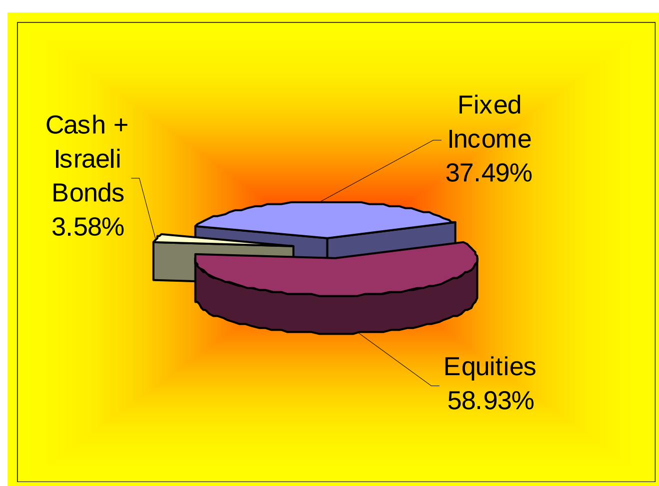
Jack Miller 07-31-2008

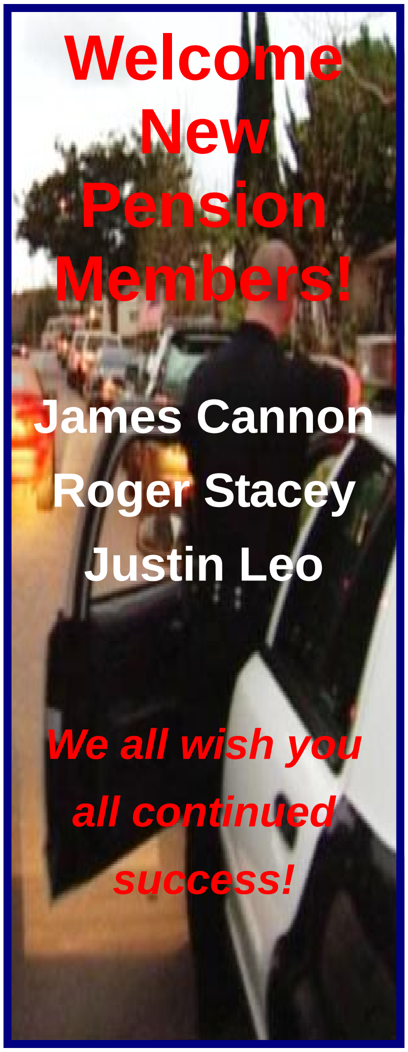
Picture compliments of Captain Carl Miller, Two Georges Marina, Boynton Beach

Division of Assets by Manager as of June 30, 2008



Plan Asset Allocation as of June 30, 2008





Welcome New Pension Members!

James Cannon

Roger Stacey

Justin Leo

We all wish you all continued success!

Diversification

A risk management technique that mixes a wide variety of investments within a portfolio. The rationale behind this technique contends that a portfolio of different kinds of investments will, on average, yield higher returns and pose a lower risk than any individual investment found within the portfolio.

STOCK SPOTLIGHT

Synovus Financial Corporation (Ticker: SNV)

Sector: Financial Services

Industry: Regional Banks

Comments: Synovus is the 29th largest U.S. bank with $34 billion in assets. Headquartered in Columbus, Georgia, the company operates 327 branches in Alabama, Florida, Georgia, South Carolina, and Tennessee.

SNV offers traditional banking services, wealth management, investment banking, and other services. Credit concerns across the banking industry coupled with economic headwinds have driven down bank valuations across the board. Although SNV is not without issues, the dividend received from the recent spin-off of TSYS has increased their capital ratios to be among the best in the nation. Also, SNV is currently yielding roughly 8% and trading at less than 1x tangible book.

With a strong management team and footprint, we believe SNV is an attractive long-term investment opportunity.

Average cost in the portfolio: $8.62, currently trading at $8.52.

Pioneer Natural Resources Company (Ticker : PXD)

Sector: Energy

Industry: Oil & Gas-Exploration/Production

Market Capitalization: $8.3 Billion

Pioneer Natural Resources Company is a large independent oil and natural gas exploration and production ("E&P") company with operations focused in the United States, Canada and Africa. Key focus areas include the Gulf Coast region, Permian Basin, Mid-Continent region, Rockies, Canada and Alaska. International operations are focused in Tunisia, West Africa and South Africa.

PXD is compelling investment idea with well above average growth expectations and an attractive valuation relative to other E&P companies. The company sold its deepwater Gulf of Mexico and Argentina assets, repositioning its asset base in long-lived, lower risk assets located within the United States. The company is on pace to increase production over the next several years while generating record cash flows.

Average cost in the portfolio: $70.39, currently trading at $78.28.

Nordson Corp. (Ticker: NDSN)

Sector: Producer Durables

Industry: Machinery Industrial

Comments: Nordson is a global leader in the production of precision dispensing equipment. This equipment applies adhesives, sealants, and coatings to products used in the consumer, industrial, technology, and telecommunications markets. Revenues and margins are expected to expand due to 1) recent acquisitions, 2) an ongoing reorganization of the underperforming Finishing and Coatings division, and 3) corporate-wide cost savings programs. NDSN had traded at the lower end of its historic range on an earnings basis, but as the company realizes the benefits of its many initiatives, we expect significant earnings growth.

Average cost in the portfolio: $49.15, currently trading at $72.99.

What is the FDIC?

With the on-going news of doom and gloom in the financial arena, the Board wanted to know who is the FDIC and what do they do?

The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $100,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. Since the start of FDIC insurance on January 1, 1934, no depositor has lost a single cent of insured funds as a result of a failure.

The FDIC receives no Congressional appropriations – it is funded by premiums that banks and thrift institutions pay for deposit insurance coverage and from earnings on investments in U.S. Treasury securities. With an insurance fund totaling more than $49 billion, the FDIC insures more than $3 trillion of deposits in U.S. banks and thrifts – deposits in virtually every bank and thrift in the country.

Savings, checking and other deposit accounts, when combined, are generally insured to $100,000 per depositor in each bank or thrift the FDIC insures. Deposits held in different categories of ownership – such as single or joint accounts – may be separately insured. Also, the FDIC generally provides separate coverage for retirement accounts, such as individual retirement accounts (IRAs) and Keoghs, insured up to $250,000. The FDIC's Electronic Deposit Insurance Estimator can help you determine if you have adequate deposit insurance for your accounts.

The FDIC insures deposits only. It does not insure securities, mutual funds or similar types of investments that banks and thrift institutions may offer. (Insured and Uninsured Investments distinguishes between what is and is not protected by FDIC insurance.)

The FDIC directly examines and supervises about 5,250 banks and savings banks, more than half of the institutions in the banking system. Banks can be chartered by the states or by the federal government. Banks chartered by states also have the choice of whether to join the Federal Reserve System. The FDIC is the primary federal regulator of banks that are chartered by the states that do not join the Federal Reserve System. In addition, the FDIC is the back-up supervisor for the remaining insured banks and thrift institutions.

To protect insured depositors, the FDIC responds immediately when a bank or thrift institution fails. Institutions generally are closed by their chartering authority – the state regulator, the Office of the Comptroller of the Currency, or the Office of Thrift Supervision. The FDIC has several options for resolving institution failures, but the one most used is to sell deposits and loans of the failed institution to another institution. Customers of the failed institution automatically become customers of the assuming institution. Most of the time, the transition is seamless from the customer's point of view.

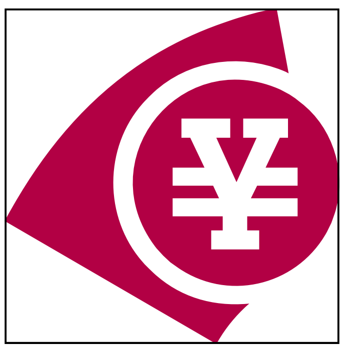
The FDIC employs about 4,500 people. It is headquartered in Washington, D.C., but conducts much of its business in six regional offices and in field offices around the country.

Buckhead Capital Management - Financial Perspective

After a dismal first quarter, climaxed by the shotgun marriage of Bear Stearns to J.P. Morgan, investors entered the second quarter hoping the worst was over. And for the first half of the quarter that seemed to be the case. But as oil prices mounted ever higher and one financial storm after another blew across the market, stocks started dropping in May and the decline seemed to gain momentum as the quarter progressed. Because of its rise in the first half of the quarter, the market's fall in the second half left investors feeling that the entire quarter was worse than it actually was. The S&P 500 declined 2.7% in the second quarter, while the NASDAQ Composite Index was up a slight 0.8%, and the Russell 2000 Index of smaller stocks produced a positive return of 0.6%. However, these barely positive returns were not enough to offset the losses in the first quarter. For the first six months of 2008, all three indices posted negative returns, with the S&P 500 off 11.9%, the NASDAQ Composite Index down 13.2%, and the Russell 2000 Index down 9.4%. (All returns are total return, reflecting reinvestment of dividends.)

As suggested by the tech heavy NASDAQ Composite outperforming the S&P 500, growth stocks continued to outperform value stocks in the second quarter. The S&P 500 / Citigroup Growth Index gained 2.1% compared to a loss of 7.8% for the S&P 500 / Citigroup Value Index. With oil prices up sharply and mortgage-related losses piling up at banks and other financial institutions, it was not hard to predict the best and worst sectors for the quarter or year to date. Energy (+17.3%), Utilities (+8.0%), and Materials (+4.4%) were the top performing sectors for the quarter, while Financials (-18.2%), Industrials (-10.0%), and Consumer Discretionary (-7.7%) sectors were the worst. For the first half of 2008, Energy (+8.8%), Materials (+1.2%), and Utilities (-2.8%) were once again the best performing sectors, with the Financial (-29.4%), Telecommunication (-17.1%), and Industrial (-13.6%) sectors the worst performing.

Unfortunately for investors, the bond market did not provide much protection in the second quarter. Although yields fell in the first half of the quarter, they ended higher than their March 31 levels. Having cut rates aggressively in the fourth quarter of 2007 and first quarter of this year, the Federal Reserve made only one reduction in the Fed Funds rate, cutting it from 2.25% to 2.00% in April. Despite this reduction, bond yields rose as the fixed income market focused its attention on the inflationary pressures resulting from higher energy and food prices. The benchmark 10-year Treasury note's yield rose from 3.4% to 4.0% while the 2-year note rose even more, from 1.6% to 2.6%. Despite the rise in rates, bond issuance picked up in the quarter as investment grade spreads declined from 3.0% to 2.7% and below-investment grade spreads shrank from 8.2% to 7.4%. However, bond spreads remain substantially higher than a year ago.



During the quarter, the dollar's value was essentially unchanged against the Euro and gained 6% against the Japanese Yen. Over the last year, however, the dollar has dropped in value by 14% against both the Euro and the Yen. Although the weaker dollar has helped U.S. exporters, it also has increased prices of imports. The Fed's pause in interest rate cuts in June seems to have been driven in part by growing concern about inflationary pressures. This increased threat of inflation, coming at the same time house and stock prices are deflating, puts the Federal Reserve in a very difficult position.

The continuing slump in the housing market, financial institution woes, higher energy prices, and a weakening consumer dominated market news in the second quarter. Housing prices continued to fall. Banks continued to take reserves and raise capital. Crude oil prices rose 38% and gasoline topped $4.00 per gallon. Unemployment increased to 5.5% of the labor force. With all this news, it's no surprise that consumer confidence is dropping. And weakening consumer demand is not good news for an economy where consumer spending has accounted for 70% of GDP in recent years.

Another major challenge for the economy in the coming months will be reduced credit availability from banks as they work to restore their balance sheets. Indeed, the economy as a whole seems to be going through a period in which credit or leverage is being reduced. For it's not only bank balance sheets that need to be improved – consumer balance sheets also have been hurt by the decline in housing and stock prices. With personal savings rates having been at extremely low levels for years, baby boomers enter retirement more dependent on the promises of a Federal government tremendously leveraged by its off balance sheet liabilities of Social Security and Medicare.

This reduction in leverage is painful since it has a direct, negative effect on asset prices inflated by easy credit. And it will take some time for the overall financial system to regain equilibrium. But we are confident that the U.S. economy can straighten itself out, as it has in the past when faced with difficult circumstances. The biggest risk we face is that the desire of politicians to protect voters (and themselves) from too much pain will lead to the Federal government propping up insolvent institutions. When Japan did this following its real estate market collapse in the 1980's, the result was an economy weighed down by over-priced assets for over a decade.

Although the markets are extremely challenging, it is at times like these that the best opportunities present themselves. Capitalizing on opportunities and preservation of capital must be balanced to achieve superior long-term returns.

Inverness Counsel - Market Spin

While the market had certainly recovered during the first part of the second quarter, concerns that this had been a bear market rally have since been borne out. After all, the price of oil rose into the $140s before falling back recently with some suggesting that the price may go to $200/bbl. This of course has had a deleterious impact on the consumer's ability to spend on discretionary items and is even forcing difficult decisions about spending on staples. Certainly, a confluence of continued demand growth around the world, coupled with even greater shocks to the nations supplying oil, could drive the price up that far. But we note that the consumer is also starting to make difficult decisions about energy consumption. This is something that we have not seen up till now.

Further, there are reasons to suspect that nations like China and India may have to pause or slow their energy consumption growth. Their growth has been driven by increasing exports to the rest of the world (particularly the U.S.) and a growing local consumer (dare we say middle?) class. However, their growth in business is likely to experience a slowdown as the American consumer continues to buy less and as the softness in the U.S. dollar makes U.S. goods more attractive. This slowdown in business is likely to affect employment and the growth of consumer demand in China and India. Also, the price of oil is taking its toll on China as well. They have maintained internal price controls on the price of fuel and are likely to keep those controls in place in some areas through August in the face of the pending Olympics and the need to rebuild the areas hit by earthquake. But, they are starting to institute some price increases or fuel rationing in other areas which is likely to slow if not reduce their energy consumption.

On the supply side, China and India have been aggressively pursuing new oil and gas sources inside and out of their territories. The U.S. is beginning to look at new sources of oil and gas which were not reasonably priced when oil was $30 but now make sense at these prices. Finally the alternative and sustainable energy solutions are beginning to look attractive at these prices and as they are developed further and achieve economies of scale they will be attractive at even lower prices. So while it is possible that oil could go higher for a while, such increases will only hasten the day when people reduce consumption and switch over to non OPEC and non fossil energy not just temporarily but permanently.

While we see weakness from the consumer durables for some time, we also see growth and strength in the areas that will support the development of domestic oil, gas and coal as well as in the development of alternative energy and the electrical system which will distribute it. Some of the names that we follow in capital goods and technology address those area and we are looking at others.

We are still underweight in financials (with 10-13% versus the S&P 500 which is at 16%) but not as much as we once were. We think there may be a couple more blows but that we are approaching their end. Meantime, the yield curve is positively sloped with a big enough spread to derive real profit from less risky "plain vanilla" business. We think that the sector is being set up for a strong recovery down the road.

We remain concerned about inflation and view the commodities, staples and energy names as ways to cope with those threats.

The length of the slowdown/recession remains a matter for debate driven by concerns about how many nasty surprises in the financial sector are likely to occur, what the price of oil will do in the near term, how many layoffs in housing and finance will go against the new hires in energy, alternative energy, electrical infrastructure, and businesses exporting more, due to the weak dollar. The other uncertainty that may affect the decision to make new hires, is driven by the political environment with the possibility of higher taxes and more regulations causing some businesses to hold off until after the elections.

Fortunately, our investment style is not driven by timing. While performance year to date at Inverness has suffered in absolute terms, we have outperformed on a relative basis. Inverness Counsel continues to focus on our "bottom up" selection process by making sure that what we buy and hold for client accounts is trading at a reasonable price based on both valuation and growth. Given the uncertain economy and market, this approach will be more essential than ever.

Meet Inverness Counsel Inc. Investment Managers

Henry Renard, Executive Vice President joined Inverness Counsel over 20 years ago.

Mr. Renard earned his B.A. and his MBA at Cornell University. Prior to working at Inverness Mr. Renard was with Marine Midland Grace Trust Company of New York as well as American General Capital Management (formerly Van Strum & Towne, Inc).

Mr. Renard is a member of the New York Society of Security Analysts.

Robert Maddock, III, Senior Vice President is Chairman of the investment committee.

Mr. Maddock joined Inverness in 1994. Prior to that, Mr. Maddock worked with White Oak Capital Management, Bank of New York, and Heller Financial. Mr. Maddock earned his B.A. at the University of Utah and his M.B.A. at New York University.

Social Security unveils new online benefits calculator

By ANDREW TAYLOR
Associated Press
Published on: 07/22/08

Washington — People planning for retirement got a new tool this week: a fast and easy online estimator for their Social Security benefits.

The Social Security Administration unveiled its new retirement estimator on its Web site Monday. On it, it takes just a few points and clicks and some personal information to produce benefit estimates within a few minutes.

The new calculator will be followed this fall by an updated online application for benefits that Social Security Administrator Michael Astrue promises will reduce application time from the current 45-minute process to 15 minutes — and eliminate the need for follow-up visits to agency field offices.

"These initiatives will help us better handle the baby boomer wave and make it easier for the public to do business with us online," Astrue said.

SOCIAL SECURITY ONLINE
THE OFFICIAL WEBSITE OF THE U.S. SOCIAL SECURITY ADMINISTRATION

Retirement Estimator

You may access the new Social Security at

http://www.ssa.gov/estimator/

Or by visiting our website under the icon "Resource Links"

Currently, workers get an annual benefit estimate mailed to them. It's based on prior earnings but assumes people's salary stays the same until retirement age. The online calculator supplements the annual mailing but won't replace it.

The online calculator permits future retirees to create a more accurate estimate of benefits since people can factor in a higher estimate of their upcoming earnings. People can also factor in different alternatives for retirement ages.

The calculator replaces a laborious online calculator that required people to type in their earnings history, which can involve guesswork for people who don't keep voluminous records. The new version uses the Social Security database to provide accurate earnings information, though the calculator requests the most recent year of earnings since there's a lag in getting salary information into the Social Security database.

There's inherent uncertainty about the estimates since for many people it's not easy to predict future earnings, particularly for younger workers.

"The closer you are to the retirement age, the more accurate this estimate is going to be," Astrue said.

What's more, Social Security benefits are likely to be at least somewhat curbed in future years as lawmakers shore up the system to prepare for the retirement of millions of baby boomers. Social Security now runs a surplus and is expected to do so until 2017, when the agency will have to start cashing in special Treasury notes to help pay benefits.

Social Security's trustees say it's possible to produce actuarial balance over the next 75 years in various ways, including an increase in the combined payroll tax paid by workers and employers from 12.4 percent to 14.1 percent or an immediate reduction in benefits of 12 percent. More likely there will be some combination of the two.

Astrue said the agency has taken steps to make sure people's personal information won't be divulged. The agency has also worked up a new security system for when it accepts online applications, though many foreign-born recipients will still be required to furnish proof of retirement age at field offices.

News Flash

There has been numerous articles in local news publications where the pension plans were essentially being blamed for the city's budget deficit. A recent news piece included this quote that the Board wanted to highlight in case you missed it.

City Manager Cameron Benson explained that unless the city found budget alternatives, 112 staff cuts -- including 81 layoffs -- will be needed to plug the hole created by voter-approved property tax changes, a drop in real estate values and a rise in foreclosures. **The truth prevails!**

Market **Value** (data shown as of June 30, 2008)

EAGLE Asset Management

Account Inception: January 8, 2003

Activity		Value
Initial Contribution	$	5,000,000
Net Deposits(Withdrawals)	$	(219,999)
Income	$	392,574
Appreciation(Depreciation)	$	4,946,483
Total	$	10,119,058

Hollywood Police Officers' Retirement System

Pension Survey Update

The Board of Trustees recently completed the annual retiree satisfaction survey. The purpose of the survey is to gauge the level of service being provided to the retired membership. The survey is currently being tabulated and the results will be released in our next publication. The entire report will also be posted to our web site.

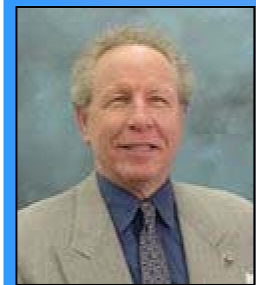
The survey form has a section for comments, as we welcome input from the membership. As the survey is anonymous, the Board will use this forum to highlight a few comments.

1. **Comment:** "Unless there are complaints, I do not think this survey is necessary each year." **Response:** It is a lot of work to conduct the survey. However, the Board of Trustees want to make certain that you are being provided the highest level of service, which is what you deserve. The Board of Trustees feel it is important to address an issue before it may become a problem. For that reason, the Board solicits input on an annual basis. (It should be noted that this member answered the survey in each category in the highest level possible.)
2. **Comment:** "Raise the COLA!!!" (Cost of Living) "It has been 2% forever." **Response:** First thought would be to remind this member that there is a segment of our retirees that receive no COLA whatsoever. Many retirees would be very satisfied with a 2% COLA. It should also be noted that you don't have to look very far to see a news article bashing public pension plans. Finally, the Board of Trustees administer the System based on the City Ordinance. Improvements such as COLA's are part of the labor agreements, which are negotiated between the City of Hollywood and the PBA.
3. **Comment:** "The newsletter is untimely". **Response:** The newsletter data is derived from various sources. Investment managers, financial institutions, government agencies, etc. All of these sources have vast responsibilities. Reporting information for our quarterly newsletter is not always at the top of their "to do list". In terms of other data released, we strive to be up-to-date with all pressing matters and current events.

The Board of Trustees thank all of you who took the time to respond to this year's survey.

DB VS. 401(K) PLANS

Provided by Stephen H. Cypen, Board Attorney



Watson Wyatt has been comparing rates of return between defined benefit and defined contribution plans for more than ten years. Earlier studies found that, over time, DB plans attained higher returns than did 401(k) plans.

Between the bull markets of the late 1990s, 401(k) plans outperformed DB plans. But Watson Wyatt's 2004 analysis of data through 2002 found a reversal of fortune in both the stock market and rates of return, suggesting that DB plans outperformed DC plans during bear markets. The analysis finds that DB plans outperformed 401(k) plans even in the bull markets of 2003 through 2006. Achieving consistently high investment returns in volatile financial markets is challenging. The shift from DB plans to 401(k) plans has raised concern about whether today's workers will have sufficient resources for a secure retirement. In a DB plan, the sponsor assumes investment risk and, generally, responsibility for providing lifetime retirement income. With 401(k) plans, however, it is up to employees to invest wisely and build up enough savings to last a lifetime. Watson Wyatt's most recent comparison of investment returns finds that between 1995 and 2006, DB plans outperformed DC plans by an average of 1% per year. In terms of asset-weighted medians, DB plans substantially outperformed 401(k) plans through the recent bear-to-bull market cycle (2000-2006). Over the 12 year span from 1995 to 2006, DB plans outperformed 401(k) plans through all the ups and downs of financial markets by an average of 109 basis points. In addition, 401(k) plans have more administrative expenses, which are bundled into fees and deducted out from returns, which could explain a portion of the performance difference.

Once these bundled noninvestment-related expenses are added back into rates of returns, however, DB plans still outperform 401(k) plans by 100 basis points. In terms of plan-weighted medians, 401(k) plans actually outperformed DB plans during the 2003-2005 bull market, while DB plans outperformed 401(k) plans in 2006. Comparing investment returns using both plan- and asset-weighted methods does not change the fact that, on average, DB plans outperformed 401(k) plans over the 12-year analysis.

Basis Points: The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points, and 0.01% = 1 basis point.

Trustees for DB plans have a fiduciary responsibility for investment performance. They or the professionals they hire also usually have considerable financial education, experience, discipline and access to sophisticated investment tools -- advantages not typically shared by individual participants in 401(k) plans. These advantages help DB plan investors maximize their returns and maintain well-diversified portfolios so they can generally ride out market fluctuations more smoothly than 401(k) plan participants. Time will tell whether 401(k) participants will learn to manage their new investment responsibilities more effectively to ensure adequate retirement income in the future. Plan sponsors and regulators have implemented devices and strategies to help offset the knowledge gap between institutional and individual investors, such as the recent regulation that defines default investments for participant-directed plans. In the absence of investment direction from a

401(k) plan participant, the regulation allows the fiduciary to invest the participant's assets in a qualified default investment alternative (QDIA), which must be a life-cycle/target date fund, a balanced fund or a professionally-managed account. These default investments may help mitigate the risk many 401(k) employees incur by failing to rebalance their assets over time. While these results do not reflect effects of the new "autopilot" investment returns, future analyses will investigate whether these widespread design changes will help close the gap in returns.

Don't count on it.

PERFORMANCE MEASUREMENT—WHO, WHAT & WHY?

Thistle Asset Consulting, formerly GRS Asset Consulting Group, Inc (a division of Gabriel, Roeder, Smith & Company), is retained by the Board of Trustees as an *Independent Performance Monitor*. While Thistle's duties are vast in nature, essentially they are the "investment watchdog" for the Plan. Thistle representatives usually meet with the Board of Trustees on a quarterly basis.

Here are a just a few examples of their responsibilities:

Investment Review: Thistle Asset measures investment returns with comparisons to appropriate custom or index benchmarks and respective peer groups. This analysis is completed for the total portfolio and each individual investment manager. Thistle's quarterly report to the Board clearly articulate performance results, in addition to providing an analysis of risk and to investment objectives of the Investment Policy Statement/Guidelines.

The Investment Policy Statement/Guidelines (IPS/G): Thistle Asset is the architect of the IPS/G, and assists the Board with this decision making process. A well written IPS/G is a paramount to the success of our investment program. A clear IPS/G serves as an effective foundation for our investment managers, by helping guide their investment selections. The IPS/G is reviewed on a periodic basis. If necessary, the IPS/G is redeveloped or refined in a manner that is consistent with the goals and objectives of the Board of Trustees and in compliance with applicable laws.

Asset Allocation: Thistle Asset assists the Board of Trustees in another important decision, which is the manner in which the portfolio assets are allocated. Asset allocation and portfolio diversification is felt to account for a majority of long-term investment performance. Thistle Asset gauges the Board's particular investment objectives and their ability to reduce risk and increase returns. Other consideration is given to such issues as liquidity, diversification, actuarial assumptions and funding status.

The Board of Trustees post the performance evaluation report on-line each quarter for your review. The investment policy statement of the plan is also posted to the web. You are invited and encouraged to review these items next time you visit our pension web site.

Further information can also be learned about Thistle Asset Consultants at www.thistleasset.com. A link to this site is also available on our pension web site under the service provider icon.

John McCann & George Ling
Thistle Asset Consultants

Order of the Thistle

John McCann, Thistle Asset &
Dave Williams, your Plan Adm.

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

HOLLYWOOD POLICE ALUMNI ASSOCIATION

10th ANNUAL REUNION - SEPTEMBER 19th to 21st 2008

Plantation Inn 9301 West Fort Island Trail, Crystal River, Florida 34429

FOR ROOM RESERVATIONS Contact the Plantation Inn 800-632-6262 directly for our special rate of $79/night. Reservations must be made by August 20th, after that the regular rates will apply. For RV's: There are several nearby RV Parks. If you need assistance in finding a location, contact Arliss or Dick Hynds. Contact us for their phone number.

Donations for the Hospitality Room and/or door prizes are appreciated.

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....

In Memory -

The Board is saddened to announce the loss of **Cami Ceritelli,** the loving wife of retired HPD member, Marco Ceritelli. Please keep the family in your thoughts and prayers.

LEO Safety Act

Four years ago the Law Enforcement Officers Safety Act became law. It amended the Federal Criminal Code to authorize a qualified law enforcement officer carrying photographic governmental agency identification to carry a concealed firearm, notwithstanding any state or local law. It declared that this provision shall not be construed to supersede or limit laws of any state that (1) permit private persons or entities to prohibit or restrict possession of concealed firearms on their property or (2) prohibit or restrict possession of firearms on any state or local government property, installation, building, base or park. "Qualified law enforcement" is defined as (1) a current governmental agency law enforcement officer who is authorized to carry a firearm, who is not the subject of disciplinary action, who meets agency standards that require the employee regularly to qualify in the use of a firearm, and who is not under the influence of alcohol or another intoxicating or hallucinatory drug or substance and (2) a retired law enforcement officer who retired in good standing from public agency service, who was regularly employed as a law enforcement officer for at least 15 years, who has a nonforfeitable right to agency retirement benefits, who has met the state's standards for training and qualification for active law enforcement officers to carry firearms during the most recent 12-month period and who is not under the influence of alcohol or another intoxicating or hallucinatory drug or substance.

Machine guns, firearm silencers and destructive devices are excluded from the definition of "firearm." However, despite its purported effective date of 2004, the law had no meaning in Florida until July 2007. Huh?

Yes, that's right. Until July 1, 2006 the State of Florida had no statewide shooting standards. Thus, the federal law had no application to Florida retirees until July 2007, 12 months later. Better late than never, we guess.

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 2009 distribution year. If no such change is requested, you will receive the same amount as this year!