

# Police Pension News

A Hollywood Police Officers' Retirement System Publication – Sixth Anniversary Edition

Issue 24

Date of Issue:  
Fourth Quarter 2007

## QUARTERLY PENSION FUND SUMMARY

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Best Wishes  
from your  
Board of  
Trustees.

We wish you  
a safe &  
glorious  
holiday  
season.

As of September 30, 2007, our fund had a total market value of \$214,251,000.

The Board is pleased to announce that for the quarter, the fund gained \$7,966,000.

For the quarter the total fund gained 3.87% (net), beating its benchmark which was up 2.33%. In the previous quarter, the fund gained 4.73%.

For the fiscal year, our fund gained 15.31% (net), again beating its benchmark which was up 11.28%.

Stocks were up 23.49%, while the benchmark was up 16.43%.

Inverness' large cap stocks were up 26.79%, Davis, Hamilton & Jackson's growth stocks were up 18.20%, Buckhead's value stocks were up 13.09% and Eagle's small cap stocks were up 22.24%.

The S&P 500 stock index was up 16.44%. Bonds were up 5.08%, while the benchmark was up 5.27%.

For the quarter, the average allocation of our fund was 60.7% invested in stocks, 33.9% in bonds, and 5.4% 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 third quarter of 2007, the best performing sector among US stocks is energy, which rose 9.39% and the worst is consumer discretionary, which fell -6.53%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 2.8% for the twelve months ended in September. In the third quarter, consumer

prices rose at a seasonally adjusted annual rate of 1.0%. The Producer Price Index (PPI) for finished goods rose 4.4% for twelve-month period ended in September.

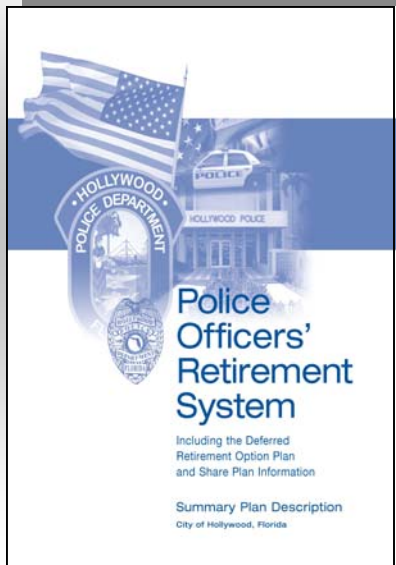
The seasonally adjusted unemployment rate is 4.7% in September compared to 4.5% in June. Real Gross Domestic Product (GDP) rose at an annual rate of 3.8% (final) for the second quarter of 2007, compared with an increase of 0.6% (final) in the first quarter of 2007.

During the third quarter of 2007 the Federal Reserve Open Market Committee cut its target for the federal funds rate by 0.50% to 4.75%. The federal funds rate is the interest rate that banks charge each other for overnight loans.



## Summary Plan Description

The Board of Trustees recently approved and released the latest version of the System's Summary Plan Description.



If you have not received your copy, kindly call the Office of Retirement.

You may also view and download the latest version on our web site.

*(See page 5 for SPD Highlight)*

## Long Term Fund Summary

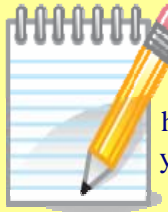
Since September 30, 1992, the fund has experienced an average rate of return of 8.86% (net) per year. For the last five years, the total fund has an average rate of return of 10.45% (net) per year, which out-performed the overall combined stock and bond markets' 10.37% return. During that time stocks averaged 16.27% and bonds averaged 4.28%, while their benchmarks averaged 15.77% and 3.99%. For the last three years, stocks had an average return of 16.17%, while bonds averaged 3.53%.

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>
Alliant Techsystems	Microsoft	Ansys	ExxonMobil
McDermott Intl.	Air Products & Chemical	NTELOS Holdings	Chevron-Texaco
Cisco	GE	Delphi Financial	Quest Diagnostics
DENTSPLY Intl	Cisco	UAP Holding	NY Comm. Bank
National Oilwell Varco	Danaher	Hercules	GE
GE	Oracle	Belo Corp. Series A	Johnson & Johnson
PepsiCo	Walt Disney	Oceaneering Intl.	AT&T
Procter & Gamble	Apache	John Wiley & Sons	Wachovia
Schlumberger	Monsanto	Securities Capital	Sealed Air Corp.
.Harris Corp.	Bard (C.R.)	Silgan Holdings	Procter & Gamble



## 2008 DROP Distributions



Retired Drop members, please note the following dates.

If you are a retired Drop member, and have requested an annual distribution from your Drop account, payments will be released to your bank (*or mailed to you, if requested*) on the first business day after

January 1, 2008.

Additionally, if you have requested quarterly Drop payments (*in addition to January 1, 2008*), they are scheduled for release on April 1, 2008, July 1, 2008 and October 1, 2008, or the first business day thereafter, if those dates fall on a weekend.

# Retiree Corner

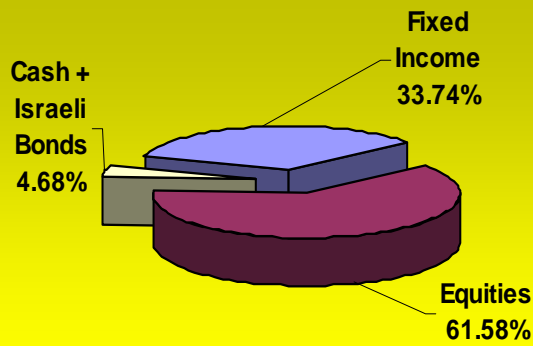
## *Congratulations to our Retirees*

*Richard Sinclair 09-11-07*

*James Scarberry 11-02-07*



### Plan Asset Allocation as of September 30, 2007



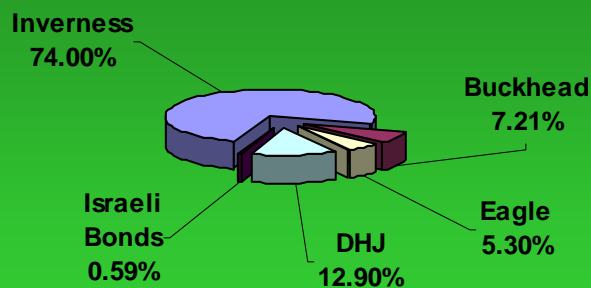
### Insurance Ruling for Retired Widow(ers)

The Plan Administrator was recently notified by the City of Hollywood, Human Resources (Lisa Powell) regarding insurance premiums for widow(ers) of retired executive members (Captain and above). Apparently, the city's position is that when the retired executive member dies, his/her widow(er) may maintain insurance coverage, but must begin to pay for it.

The ordinance states: Retired members may, at their option, continue to be covered by the city's health insurance plan under the same terms and conditions as if they were still active employees. The cost of insurance coverage for retired members shall be paid by the city; the cost of coverage for dependents will be paid by retired members. Any widow(er) of a deceased pensioner receiving a monthly benefit based on service rendered by the deceased pensioner may, at his or her option, continue to be covered by the city's health insurance plan under the same terms and conditions as if he or she were an active city employee. The cost of such insurance coverage shall be paid by the widow(er).

The Board of Trustees wanted to let the affected membership know about this recent interpretation, so the matter may be collectively addressed.

### Division of Assets by Manager as of September 30, 2007





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



**Paul Laskowski, CPPT**  
**Van Szeto, CPPT**



Van and Paul were recently awarded the CPPT "Certified Public Pension Trustee" certification through the Florida Public Pension Trustees Association. Paul and Van proudly join the ranks of past and present Board Members who attained this celebrated distinction.

The CPPT certificate is awarded by attending educational seminars and conferences, and includes *in-depth written examinations* on the material.

The educational material includes such topics as Asset Allocation, Capital Markets Stocks/Bonds, Fiduciary Responsibilities, Economics, Pension Fundamentals, Performance Reporting, Legal Issues and other Public Pension Business.

**Great Job Van and Paul!**

**Inverness Counsel**

As we review the third quarter of the year, it is tempting to feel both euphoric and anxious. After all, the market has experienced such great performance, and yet at the same time, one might have a reasonable fear of heights. The good news is that our strong team of analysts is still finding good ideas in which to invest. On the other hand, they are throwing up the warning flag on pricing for some of the holdings they follow. For this reason, it may be necessary to implement some turnover in the accounts in order to assure that they are holding reasonably priced investments. Even now,

questions about what more the Fed, the housing and sub-prime mortgage crises as well as the Chinese might do to affect interest, inflation, and exchange rates are not settled. Additionally, the war in Iraq along with problems with Iran, Africa and Venezuela have kept the oil markets unsettled with oil ending the 3rd quarter near new highs. While prices may pull back from these highs, we see no reason why the underlying problems should end any time soon.

We are still enthusiastic about the tech names which, after a seven year break, are showing real strength driven by a rising demand for bandwidth as well as some products which can be applied to alternative energy generation.

Year to date movement in Corning, Applied Materials, Cisco, EBay and EMC have exceeded the S&P 500. We expect this strength to continue. We think that the world is proving an increasingly more dangerous place and regard names like ATK as important components of any well diversified portfolio.

The equity bear market at the beginning of the decade is still fresh in everybody's mind so we think that it is increasingly likely that the market will see another correction between now and the end of the year.

**Continued Page 5**



## Eagle Asset Management

By: Mary Howell

A lot has been written about the sub-prime problem in recent weeks and we will not add to it greatly here. Although financial securitization has lowered borrowing costs for the consumer and corporation alike, some securitization structures are complex and lack transparency. This has led to a lack of due diligence on the part of investors, several of whom are highly levered. The side effects of forced de-leveraging have been painful and in many cases risk laid off by large trading banks through the front-door (via securitizations) came sneaking in the back door from the prime brokerage arms of these same banks. Some had hoped that securitization would lead to occasional runs on the market instead of a run on the bank. Recent prob-

lems have taught us that these markets and the banking system are still related.

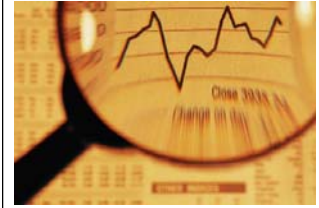
Thankfully, at the time of this writing, fundamental buyers are returning to the fixed income market and the liquidity crunch (although not the credit crunch) seems to have passed. Investment banks have made their product more straightforward and the rating agencies are adding new codes to cover liquidity and volatility risk for complex products.

The trading activity on August 16<sup>th</sup> reminds us that aside from stability factors (which are part and parcel of our strategy) the portfolio has a size factor bet. Although part of this bet comes from the fact that the larger firms in the index are less operationally levered and therefore cheaper, activ-

ity on the 16<sup>th</sup> reminds us to continually monitor our size bet. Is the market attractive to us? Yes. Although yields in the bond market were considered to be too low they are attractive in out markets. Free-cash-flow yields are around 4.5 percent and that is equivalent to a 10 year US treasury bond. The key factor here is that good management will reinvest that cash into growth or share buybacks which will ultimately drive share price appreciation. The 10 year US Treasury can not do that.

The Fed has been responsive to abnormal financial market volatility and cut rates.

Core inflation should weaken as housing weakens and with real federal fund rates still relatively high to historical levels – the Fed still has room to act .



## Inverness Counsel

Con't from page 4

Concerns about inflation, oil, war, nationalization, hedge funds, the consumer and housing continue to threaten and any one or combination of them could provide the excuse needed to pull the market back.

As always, Inverness Counsel continues to focus on making sure that what we buy and hold for client accounts is trading at a reasonable price based on valuation AND growth. We think that now more than ever, this approach will be essential.

## Summary Plan Description - Highlight

### Who Pays the Cost of the Plan?

You and the City share in the cost of your Pension Fund. You must contribute 8.5% of your annual earnings in order to receive benefits under the Fund. You are required to make contributions each year up to and until you complete 27 years of continuous service. Note To The Reader: The members 8.5% contributions stop when you DROP or Retire.

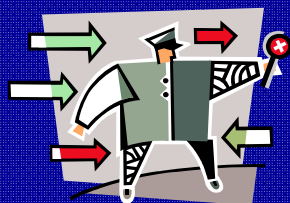
After completion of 27 years of continuous service, you will contribute only 0.5% of your earnings. Payments for overtime in excess of 400 hours in a calendar year will be excluded from earnings for this purpose. Note To The Reader: The contributions noted above to include the 0.5% after 27 years of service only applies if you fail to DROP or Retire.



# Happy Holidays



## Welcome New Pension Members



*Ronald Cannella  
Robert Marren  
Oscar Sola-Vega*

*We all wish you  
continued success!*



## Share Account Update

Annual share account statements have been distributed to all members who have an account.

As a reminder, the funds normally distributed are now helping to offset the costs of the new pension benefits negotiated in the current collective bargaining agreement.

Want on-line access to your account? Simply complete a request form on our website.

We will do the rest.

## STOCK SPOTLIGHT

### Oceaneering International (Ticker: OII)

Sector: Basic Materials

Industry: Industrial – Oil and Gas Equipment Services

Market Capitalization: 4.29 Billion

Comments: provides engineering products and services to the offshore oil and gas industry. The company's focus is deepwater application. The company reported an excellent quarter beating revenue, earnings and margin estimates. Business visibility also improved with the backlog for sub-sea products reaching an all-time high. All product lines showed equational growth. We believe its growth will continue as a result of increasing demand for deep-water oil and gas rigs, the addition of new units to the fleet and continued pricing power.

Average cost in the portfolio: \$39.25, currently trading at \$78.09



### Morningstar (Ticker: MORN)

Sector: Financial

Industry: Asset Management

Comments: an information-and-services company mostly known for its mutual-fund rankings but that also provides data, research and analysis of stocks and variable annuities. The company publishes print, software and internet products for individual and professional investors. Morningstar's second-quarter profit rose 64 percent: completing seven straight quarters with earnings growth. The company had two successful acquisitions: the fund-data unit of Standard & Poor's in March and Ibbotson Associates last year. The revenue growth would have been the half of the reported numbers without those acquisitions. Considering the increased global interest in the stock market, with more individual and institutional players entering the investment area daily, Morningstar's brand name should, in our view, continue to expand its business.

Average cost in the portfolio: \$42.06, currently trading at \$71.25



### Proctor & Gamble Company (Ticker: PG)

Sector: Consumer Staples

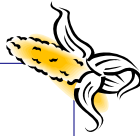
Industry: Household Products

Market Capitalization: \$221 Billion

The Proctor and Gamble Company and its subsidiaries engage in the manufacture and marketing of various products worldwide. P&G operates in three Global Business Units, Health and Beauty, Home Care and Gillette. The company offers its products under the brand names, Always, Head & Shoulders, Olay, Pantene, Wella, Crest, Oral B, Dawn, Downey, Tide, Bounty, Charmin, Pampers, Folgers, Iams, Pringles, Gillette, Braun, and Duracell. P&G is the largest consumer products company in the world giving it tremendous scale advantages in manufacturing, advertising and promotion. The company is increasingly focusing its products on the faster growing categories while at the same time innovating to spur growth in more mature categories. Management has become more successful at entering and gaining share in faster growing emerging markets, increasing share from below 20% to 29% over the last five years.

Average cost in the portfolio: \$63.00, currently trading at \$70.00





## DROP Investment Options Expanded

On August 17, 2007, the Board of Trustees authorized a change in the drop rules. That change is related to your option to select the investment return for your DROP account.

Before explaining the rule change, please allow for a recap. As of October 1, 2002, the System has allowed DROP members the option to select a fixed rate of return (*FRR*) or a variable rate of return (*VRR*).

The *FRR* is based on the actuarial assumed rate of return for the System, which is currently set at 8%. The *VRR* is based on the actual earnings of the System, and can go up or down, based on investment market conditions.

The *VRR* Account is subject to small administrative fee as determined by the Board of Trustees.

Prior to August 17, 2007, a DROP member only had the ability to change investment option annually. That has changed under the revised DROP rules.

As of August 17, 2007, DROP members can change their drop investment option (example: *FRR* to *VRR* or *VRR* to *FRR*) monthly.

In order to make a change, the DROP member must complete a "Notice of Optional DROP Investment Return" form.

That form must be updated by the DROP member and received by the Office of Retirement by the 15<sup>th</sup> of the month for the change to take place the next month.

If the form is received after the 15<sup>th</sup> of the month, it will be held till the next cycle.

For example: If a completed DROP Investment form is received on August 14<sup>th</sup> of the month, the change requested will take place on September 1<sup>st</sup>. If a completed DROP Investment form is received on August 16<sup>th</sup> of the month, the change requested will take place on October 1<sup>st</sup>.

While this change provides the DROP member more latitude in the ability to make investment decisions, it should not be taken lightly. Trying to time the market is next to impossible. Jumping in and out by switching investment options, may adversely affect the ultimate DROP account balance.

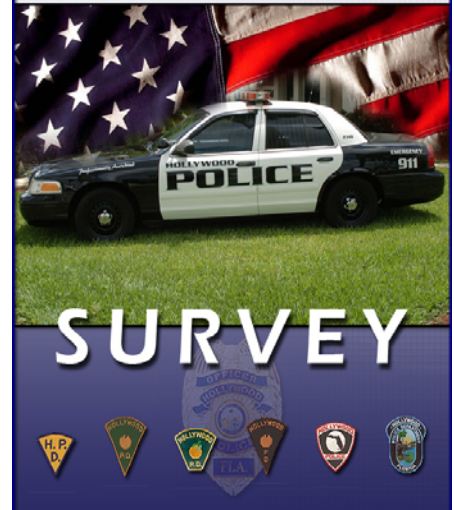
This rule change comes with a suggestion to seek the advice of a professional financial advisor before making any decision to switch.

The "Notice of Optional DROP Investment Return" form is available on-line. You may also call the Office of Retirement for a copy.

This is yet another example of your Board expanding current programs, and providing you more control in your financial future.

*See Page 9 for historical returns.*

### City of Hollywood Police Officers' Retirement System 2007 Pension Satisfaction Survey Results



The Board of Trustees recently completed an anonymous pension satisfaction survey of the retired members of the plan. While a member was encouraged to provide their name, it was optional.

The surveys are sent out with a self-addressed stamped envelope so as not to inconvenience the member's time and expense.

The Board was pleased to see that 54.25% of the retired membership took the time to respond to the survey. With that said, the Board would still like to see 100% participation.

The survey asks 14 specific questions about the services provided or rendered.

The survey also solicits members to provide comments. Members who provide their name are contacted, should their comments be less than positive. Our ultimate goal is to provide the highest level of service to all members.

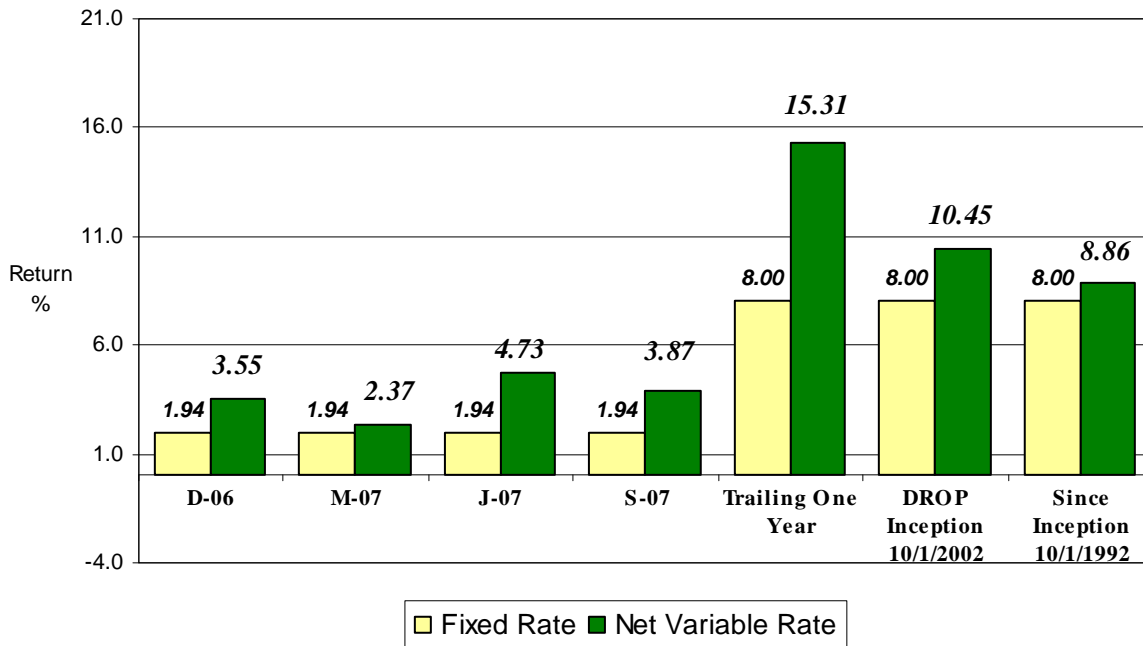
The entire survey report may be downloaded or viewed on-line.

The Board of Trustees proudly announces that our pension system has received national recognition. This is the first time in our history that our system has received such a coveted award! The Board thanks the PPCC for this honor.





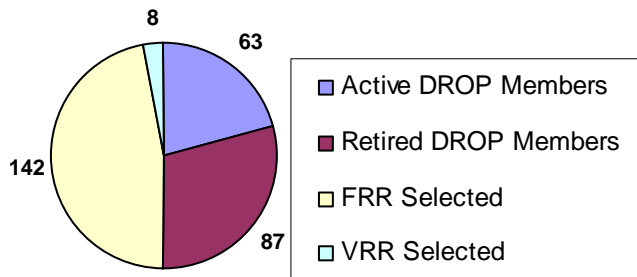
### Fixed Rate of Return vs. Net Variable Rate of Return September 30, 2007



### What does it mean?

As noted on page 7 of this publication, there has been a change to the DROP rules pertaining to DROP investment options. This chart outlines the rate of return of our system (VRR), in comparison to the fixed rate of return (FRR). The chart outlines the breakdown for each quarter for the last fiscal year, the collective fiscal year return, the return since the optional rate of return has been established in 2002, and finally a long term snapshot back to 1992.

Retired/Active DROP Members vs. FRR - VRR



### What are your peers doing?

The chart on the left denotes how many DROP Members we have in our system as of September 30, 2007, and how they breakdown between Active and Retired DROP Members.

The chart also highlights what investment option the members have selected.

This data should NOT be relied upon for your individual investment decision.

## 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

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

Email: info@hollywoodpolicepensionfund.com

## A message from *Dave Williams*, Plan Administrator

As the year comes to a close, I reflect upon the last year to see where we were, and where we are now. With the events of the last year still fresh in our minds, I say turmoil would be an understatement. On the other end of the spectrum, I was also very proud at the same moment as to how your Board of Trustees handled themselves during the subsequent pension proceedings. This was a difficult task, but I feel the Board acted with an open and fair mind. The Board of Trustees operated in accordance to and under the color of law. So in retrospect, I've seen the best and the worst this year. I am happy to say that in this forum, that truth, honor and dignity prevailed.

From my family to yours, I wish you a joyous holiday season.

## 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 report the following retired members who we recently lost.

**Blaine Howard**, age 69, (HPD Member 1967-1991).

**Robert Loos**, age 77, (HPD Member 1958-1980).

The Howard and Loos Families are in our hearts and prayers.

## 2008... Here We Come!

Contained within this mailing is the 2008 calendar from the Board of Trustees. This information is provided as a reference to all of your scheduled meetings for the year. Also, all of our contact information is also at your fingertips.

**2008**  
 Hollywood Police Officers' Retirement System  
 4205 Hollywood Blvd., Suite 4 • Hollywood, FL 33021  
 Phone: 954.967.4395 • Fax: 954.967.4387  
 Toll Free: 866-738-4776  
 Web address: www.hollywoodpolicepensionfund.com

**JANUARY** S M T W T F S  
 1 2 3 4 5  
 6 7 8 9 10 11 12  
 13 14 15 16 17 18 19  
 20 21 22 23 24 25 26  
 27 28 29 30 31

**FEBRUARY** S M T W T F S  
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**MARCH** S M T W T F S  
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**APRIL** S M T W T F S  
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**MAY** S M T W T F S  
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**JUNE** S M T W T F S  
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**JULY** S M T W T F S  
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**AUGUST** S M T W T F S  
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**SEPTEMBER** S M T W T F S  
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**OCTOBER** S M T W T F S  
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**NOVEMBER** S M T W T F S  
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**DECEMBER** S M T W T F S  
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 7 8 9 10 11 12 13  
 14 15 16 17 18 19 20 21  
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Board of Trustees Meeting 10:30 A.M.  
 www.hollywoodpolicepensionfund.com

## 13th Check

With the rate of return the System experienced this fiscal year, a 13th check will be issued in accordance with city ordinance. The amount of the payment is not known at this point, and as soon as it is known, you will be notified in written form. This written notification will be after the first of the year.

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 tentatively set for April 1, 2008, 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.