Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 36

Date of Issue:

Fourth Quarter 2010

Inside this issue:

The Board of Trustees wish you & your family the very best over this holiday season and in the upcoming year!

PENSION FUND INVESTMENT SUMMARY

On September 30, 2010 our fund had a total market value of $203,438,000. For the quarter the fund gained $13,381,000.

For the quarter the total fund return was 7.03% (net) and its benchmark return is 7.33%. In the previous quarter the fund return was -4.21%.

For the quarter the stock return was 11.32% and the benchmark return was 11.63%. The bond return was 3.14% and the benchmark return was 3.02%.

For the quarter the average allocation of our fund is 50.3% invested in stocks, 46.0% in bonds and 3.7% 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 is 50% of the total fund.

For the fiscal year the total fund return was 9.18% (net) and its benchmark return was 10.10%. The stock return was 10.24% and the benchmark return was 11.43%. The Inverness bond return was 9.33% and the benchmark return was 8.24%.

For the fiscal year the Inverness large cap stock return was 8.29%, the Garcia Hamilton & Associates growth stock return was 10.94%, the Buckhead value stock return was 6.53, the Eagle small cap stock return was 11.66%, the Eagle mid-cap stock return was 12.10% and the Rhumbline mid-cap stock index return was 17.65%. The S&P 500 index return is 10.16%.

For the quarter the best performing sector among S&P 500 stocks was Telecommunication Services which increased 19.10% and the worst sector was Financials which increased 4.06%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 1.1% for the twelve months ended in September. The Producer Price Index (PPI) for finished goods advanced 4.0% (unadjusted) for twelve-month period ended in September.

The seasonally adjusted unemployment rate was 9.6% in September compared to 9.5% in June. Real Gross Domestic Product (GDP) increased at an annual rate of 1.7% for the second quarter of 2010, compared with a increase of 3.7% in the first quarter.

During the third quarter of 2010 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.

HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM RECEIVES NATIONAL AWARD

PPC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2010

Presented to

City of Hollywood
Police Officers' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

For the fourth year in a row, the Board of Trustees are proud to announce that we received the PPCC Award.

The Public Pension Coordinating Council (PPCC) is a coalition of three associations that represent public pension funds who cover the vast majority of public employees in the US.

The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured. The retirement systems and the state and local governments that sponsor them are encouraged to meet these standards.

The Board *thanks* the PPCC for this special distinction and national honor.

STOCK SPOTLIGHT

T. Rowe Price Group Inc. (Ticker = TROW)

Sector: Financials

Industry: Asset Management and Custody Banks

Market Capitalization: $13.51 Billion

T. Rowe Price Group Inc. is a financial services holding company. The Company, through its subsidiaries, provides investment advisory services to individual and institutional investors. T. Rowe has experienced stronger organic asset growth and expectations relative to its peers in the asset management business and this is expected to continue throughout 2010 due to both strong relative performance across TROW's products. Furthermore, the market recovery from past lows will be a direct benefit to TROW's asset/EPS growth. The Company maintains a strong presence in the 401(k) market place which will bolster future growth as demographic trends to defined contribution plans continues to ramp up.

Average Cost in Hollywood Police Portfolio: $50.98 per share, currently trading at $52.70.

National Fuel Gas Co. (Ticker = NFG)

Sector: Utilities

Industry: Gas Utilities

Market Capitalization: $4.43 Billion

National Fuel Gas Company is an integrated natural gas company with operations in all segments of the natural gas industry, including utility, pipeline and storage, exploration and production, and marketing operations. NFG's natural gas proven reserves reside in California, Appalachia and the Gulf Coast regions and the Company provides transportation to over 700k customers in the northeast via National Fuel Gas Distribution. The company's diverse assets allow it multiple ways of capitalizing on the potential of the Marcellus Shale as well as the secular opportunities unfolding for natural gas as an expanding alternative energy source.

Average Cost in Hollywood Police Portfolio: $50.91 per share, currently trading at $54.10.

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.

Total Fund Summary

Long Term

Since September 30, 1992 the fund has an average rate of return of 7.23% (net) per year. For the last five years the total fund averaged 4.06% (net) per year, which out-performed the overall combined stock and bond benchmark return of 3.59%.

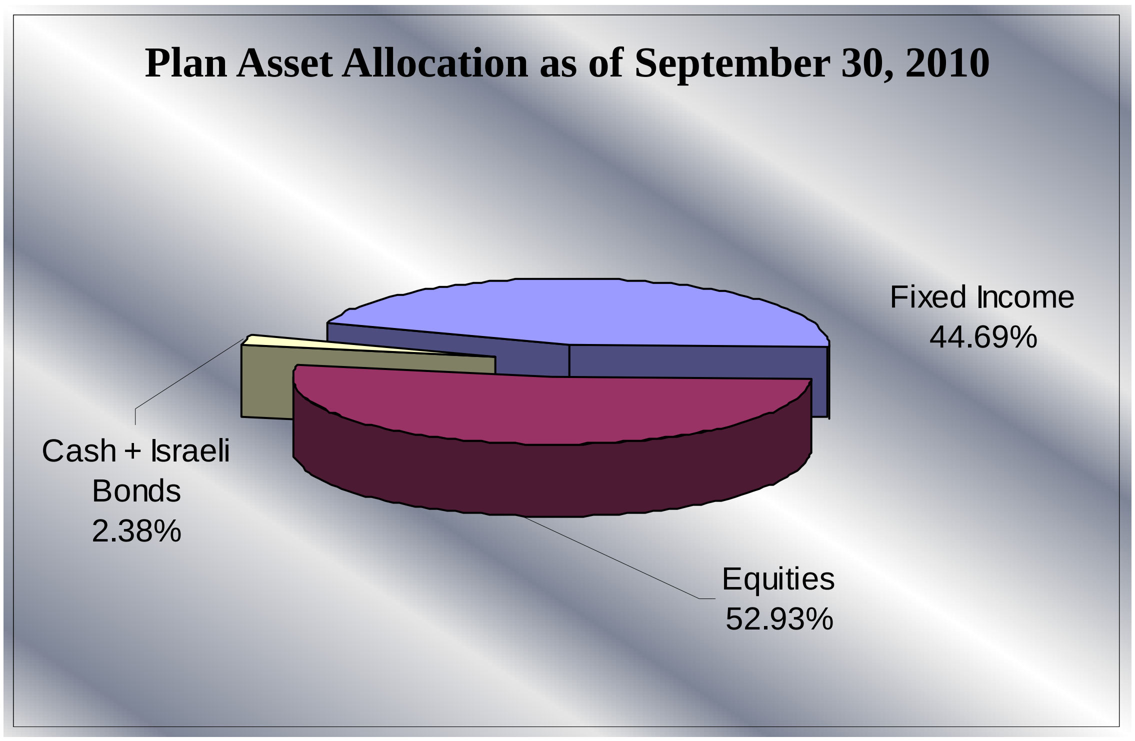
For the last five years stocks averaged 2.73% and the benchmark averaged 1.16%. Bonds averaged 6.91% and the benchmark averaged 6.05%. For the last year stocks increased 10.24% and bonds increased 9.33%.

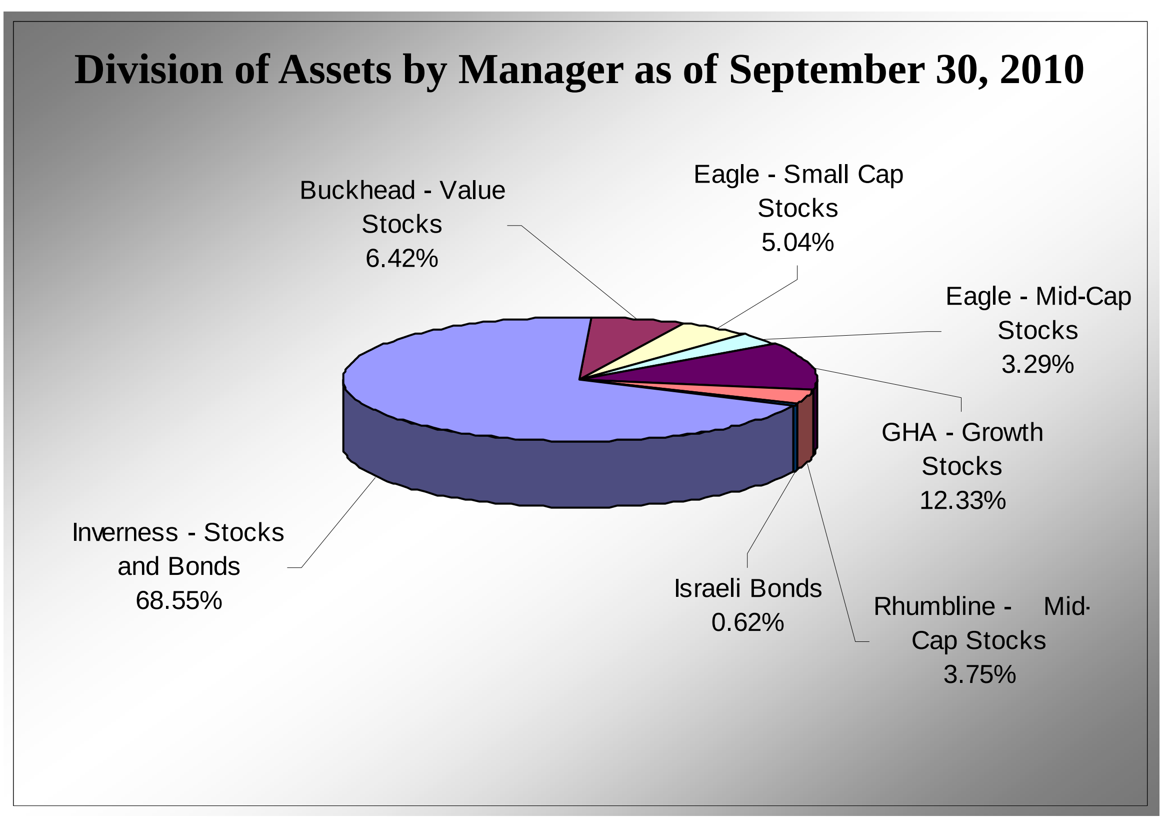
The Total Fund was in the TOP 6% of the investment universe for 5 year return!

Top Ten Stocks

INVERNESS	GARCIA HAMILTON	EAGLE SMALL CAP	EAGLE MID-CAP	BUCKHEAD	RHUMBLINE
Corning	Apple Inc.	Quest Software	Amphenol	Johnson & Johnson	F5 Networks
Union Pacific	Apache Corp.	John Wiley & Sons	Allied World	Allstate	Newfield Expl.
Teva Pharma. ADR	Exxon Mobil	Wolverine WW	St. Jude Med	Pfizer	Edwards Life.
ConocoPhillips	Danaher	Leggett & Platt	Agilent Technologies	Annaly Capital	Joy Global
Cisco	Nike Inc.	Actuant Corp.	Precision Castparts	Microsoft	Lubrizol Corp.
Alberto Culver	IBM	MDC Partners	Check Point Software	JP Morgan Chase	NY Comm. Bank
Roper	Microsoft	UGI Corp.	Crown Holdings	Procter & Gamble	Vertex Pharma.
Kellogg	Cameron	Progress Software	VF Corp.	NY Comm. Bank	Netflix
Activision	Microchip Tech.	Mednax Inc.	Solutia	H&R Block	Dollar Tree
JP Morgan Chase	American Tower	Cardinal Financial	Albemarle Corp.	ITT Industries	Borg-Warner Auto.

Track The Fund!





Garcia Hamilton & Associates
Market Review - Daniel Kallus

Stock prices finished the quarter strongly, with the S&P 500 Index posting its best September month since 1939. While economic activity continued to improve gradually, the driver behind equity price gains was a clear communication of additional quantitative easing from the Federal Reserve. The domestic stock market, as measured by the S&P 500 Index, increased 11.3% for the quarter ending September 30th.

Gains were broad based, reflecting a high correlation among stocks during the rally. All economic sectors of the S&P 500 posted positive returns, as did each of the capitalization sub-indices of the Russell 3000 Index. Preferences for cyclical exposure resulted in growth sectors generally performing better than value sectors. Specifically, the Russell 1000 Growth Index rose 13.0% for the three month period compared with 10.1% for the Russell 1000 Value Index.

Looking forward, equity market valuations remain attractive given current earnings forecasts and the favorable interest rate environment. Economic activity will be supported by accommodative central banks around the world. Operating leverage should be impressive as corporate cost structures are lean. Balance sheet cash levels suggest share repurchase activity, dividends, and merger activity will pick up. We expect equity markets to move higher into year end.

Since March 2009, macro-factors and high beta names have dominated stock market activity with underlying fundamentals all but ignored. However, traditional metrics such as earnings growth, P/E multiples, and cash flows are likely to be increasingly important to investors as the recovery progresses. Large cap, high quality companies seem particularly well-positioned, with attractive competitive positions, established global distribution channels, and strong balance sheets.

MEET THE PORTFOLIO MANAGER

DANIEL J. KALLUS, CFA/CIC

Partner, Director of Equity Investments

Mr. Kallus received a B.B.A. Summa Cum Laude in Finance from the University of Houston in 1993 and a M.B.A. from the University of Houston in 1997. From 1991 to 1993, Mr. Kallus held the position of Analyst/Equity Trader at Shell Pension Trust. He was a Systems Specialist at American Capital Management and Research from 1993 to 1994. Prior to joining Garcia Hamilton & Associates L.P., he was an Investment Consulting Analyst in Smith Barney's Managed Money Division in Houston. Mr. Kallus joined the firm in 1997 as a portfolio manager and was elevated to Director of Equities in 2008.

Mr. Kallus is a Chartered Financial Analyst, a Chartered Investment Counselor, and a member of the CFA Institute and the Houston Society of Financial Analysts. He received the Financial Executive Institute's Outstanding Student Award for 1992, as well as the Houston Society of Financial Analysts' Outstanding Student Award for the same year.

Welcome New Pension Members!

Geni Burts	10-04-2010	Natasha Bush	11-15-2010
Jonathan Commella	10-04-2010	Johnathan Byers	11-15-2010
Steven Fernandez	10-04-2010	Rosalynn Lahara	11-15-2010
Michael Malone	10-04-2010	Michael Wagener	11-15-2010
Raul Toledo	10-04-2010		
Dwayne Valentin	10-04-2010		

We all wish you all continued success!

Retiree Corner

Congratulations to our latest DROP Members

Michael Burrowes*	07-20-2010
Ricardo Penton	10-11-2010

Congratulations to our latest Retiree

James Vogel	10-20-2010

* The Editor missed Mr. Burrowes in the last publication and apologizes for the oversight.

FLORIDA LEAGUE OF CITIES LAUNCHES FULL FRONTAL ASSAULT ON PENSIONS

Concluding that the Florida Legislature must act to help cities reduce “runaway” pension costs for firefighters and police officers before they “cripple municipal balance sheets,” The Florida League of Cities has released its 2011 Pension Reform Proposals. Here, with no editorializing on our part, are the eleven League Pension Reform proposals:

· Allow cities receiving insurance premium tax revenues under Chapters 175 or 185, Florida Statutes, (fire and police defined benefit pension plans) to use these funds to pay for current plan benefits. This would remove the state law mandate that specified insurance premium tax revenues be used only for "new or extra" pension benefits for firefighters and police officers.

· Require that determinations of average final compensation in public employee defined benefit pension plans include salary only, and do not include pay for overtime, unused leave times, or any other additional payments.

· Allow cities to convert firefighter and police officer defined benefit pension plans operating under Chapters 175 or 185, Florida Statutes, to the Florida Retirement System without losing insurance premium tax revenues.

· Allow cities desiring to place their public safety officers (fire and police) into the Special Risk Class of the Florida Retirement System the opportunity to purchase past credit service at an up-to-3% annual accrual rate rather than the current up-to-2%. This will remove a practical barrier to convert plans to the Florida Retirement System.

· Change the governance structure of pension boards of trustees to move away from having plan participants serve on the boards.

· Require 30 year cost projections on any proposed benefit increase to a defined benefit pension plan.

· Allow cities to reduce defined benefit pension levels within all plans if it is determined to be actuarially appropriate in order to stabilize the plan's funding and keep the plan properly funded.

· Restrain the state Division of Retirement's non-rule based administrative activities and restrict the Division's broad interpretations of the provisions in Chapters 112,175 and 185, Florida Statutes, that result in increased pension costs to cities.

· Provide flexibility to cities in the Florida Retirement System by allowing them to either retain a standard defined benefit plan, or at the employer’s option move to a different retirement plan, such as a hybrid, or modified “defined benefit/defined contribution” plan. This will provide flexibility to cities in the FRS to decide at the employer level which pension plan to provide to its employees. The goal would be to reduce long term tax payer impacts and provide a reasonable pension plan with economic diversification for plan members.

· Remove statutory disability presumptions for firefighters and police officers claiming disability pension or workers’ compensation benefits.

· Remove statutory provisions requiring that cities and other governments offer subsidized health, hospitalization and other insurance coverages to retirees.

Along with these proposals the League has published some general information about Florida defined benefit pension plans, including those for firefighters and police officers:

· *There are approximately 450 different municipal defined benefit pension plans with a total asset market value of approximately $23 billion; 100,000 active employees; and 60,000 retirees/beneficiaries.*

· *Approximately 150 municipalities voluntarily participate in various membership classes of the Florida Retirement System, but make up less than 5% of the participants/members of FRS. FRS membership classes include special risk (fire and police), general employees, elected officials and senior management.*

· *Chapter 175, Florida Statutes, Municipal Firefighters’ Pension Fund was enacted in 1939. Chapter 185, Florida Statutes, Municipal Police Officers’ Pension Fund, was enacted in 1953.*

· *In 1986, the legislature revised Chapters 175 and 185, Florida Statutes, to establish minimum standards for a uniform retirement system for firefighters and police officers. The revision included a general change to compensation of plan’s board of trustees to include five members: two members selected by the city, two members selected by the plan participants/employees and the fifth member selected by the other four. Several local governments challenged constitutionality of the 1986 amendments, but Florida courts held they did not violate the constitution.*

· *In 1988 the legislature lowered the percentage charge of the tax on insurance premiums used to fund the plans (fire was lowered from 2% to 1.85% and police was lowered from 1% to .85%).*

· *Chapter 99-1, Laws of Florida, was signed into law by Governor Bush on March 12, 1999. That law made virtually all provision of Chapters 175 and 185, Florida Statutes, expressly applicable to all participating firefighter and police pension plans. All plans were required to meet specific minimum benefits standards and provide extra benefits from additional premium tax revenues.*

Source: Cypen.com

Buckhead Capital Management
Quarterly Commentary-Value Equity
Third Quarter 2010

U.S. equity markets rallied significantly in the third quarter with most indices gaining more than 10%. However, the advance was not a straight line, as stock indices rose 5-7% in July on corporate earnings reports and fell in August by a similar amount as economic data indicated weaker growth. Shifting direction again in September, equity markets rose more than 10%, as investors were cheered by the Federal Reserve's statements about the prospects for additional quantitative easing in the face of continued weak economic conditions. For the third quarter, both the S&P 500 Index and the Russell 2000 Index of small cap stocks gained 11.3%. For the first nine months of the year, however, the Russell 2000 Index of small cap stocks has gained 9.1% compared to 3.9% for the S&P 500. (All returns are total returns, reflecting both price changes and the reinvestment of dividends.)

While the surge in equity prices was broad-based, growth stocks out-performed value stocks in the quarter, though value stocks remained in the lead for the first nine months of the year. The S&P 500 Value Index gained 10.0% compared to 12.6% for the S&P 500 Growth Index in the quarter, while the Value Index was up 4.2% to the Growth Index's 3.6% gain for the nine months through September 30. The following table shows the best and worst performing sectors in the S&P 500 for the third quarter and the first nine months of the year.

3rd Quarter 2010		Year-To-Date 2010	
Best Performing		**Best Performing**	
Telecommunications	19.1%	Consumer Discretionary	13.3%
Materials	17.8%	Industrials	13.2%
Consumer Discretionary	15.1%	Telecommunications	8.8%
Worst Performing		**Worst Performing**	
Financials	4.3%	Energy	-0.9%
Health Care	8.8%	Health Care	-0.7%
Consumer Staples	10.6%	Information Technology	-0.1%

The second quarter's worries about sovereign debt in Europe faded into the background (despite the late quarter downgrade of Irish debt) as investors took comfort from the European Central Bank's stress test of banks and an improving Eurozone economy. While the Federal Reserve maintained its short-term interest rate target of 0.0% – 0.25%, the most important monetary policy development in the quarter was indications that the Fed was prepared to engage in another round of quantitative easing (i.e., purchasing bonds in the market) in order to increase liquidity and stimulate the economy. This news cheered the bond markets as well as the equity markets, with the 10 year Treasury yield falling from 2.96% on June 30 to 2.51% at September 30. Corporate treasurers were quick to take advantage of this drop in rates. Below investment grade bond issuance was almost $190 billion in the quarter, with year-to-date "junk bond" sales already exceeding the highest annual issuance on record.

Please continue to next page...............

Buckhead Capital Management
Quarterly Commentary-Value Equity
Third Quarter 2010 - Con't from page 9

Meanwhile, very high quality issuers set records of a different sort, selling bonds at yields that have not been seen in decades. For example, Microsoft sold 3 year notes with a yield-to- maturity of 0.875%

U.S. economic reports continued to show a very sluggish economy in the third quarter. The end of the housing tax credit cast a pall over the housing market which is still working through a backlog of bank foreclosures. Very weak private sector hiring, combined with a reduction of temporary census workers and continued layoffs of state and local government employees, left unemployment rates at best unchanged and arguably worse than widely reported due to "discouraged" workers not being counted as unemployed in the official statistic.

The talk of further monetary easing in response to the weak U.S. recovery, along with a less accommodative stance by the European Central Bank and a stronger recovery in northern Europe, led the Euro to gain almost 6% against the dollar in the third quarter. The dollar also fell to a record low against the yen in September, prompting the Japanese government to intervene to suppress the value of the yen. With the dollar falling in value, commodities priced in dollars rose. The price of oil was up 6% in the quarter, while gold rose 5%. Other commodities were more affected by reports of global supply concern, with wheat and corn, for example, up 30% and 42%, respectively.

Although the official recession is over, the daunting challenges of high levels of consumer leverage, a weak housing market, a fragile banking system, and high unemployment remain. The equity market has responded to increased economic uncertainty by embracing more of a trading mentality, with shifting economic sentiment leading to market swings of 7% or more (both up and down) in each of the last seven months. Most recently, investors have viewed comments by the Federal Reserve that it may increase its quantitative easing as a signal to add risk to their portfolios. It remains unclear, however, that additional liquidity will jump-start the real economy while the costs of a weaker currency and the threat of competitive devaluations increase.

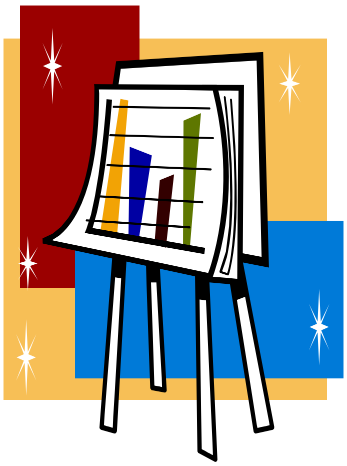
MEET THE PORTFOLIO MANAGER

Buckhead Capital Management

Michael C. Harhai, CFA

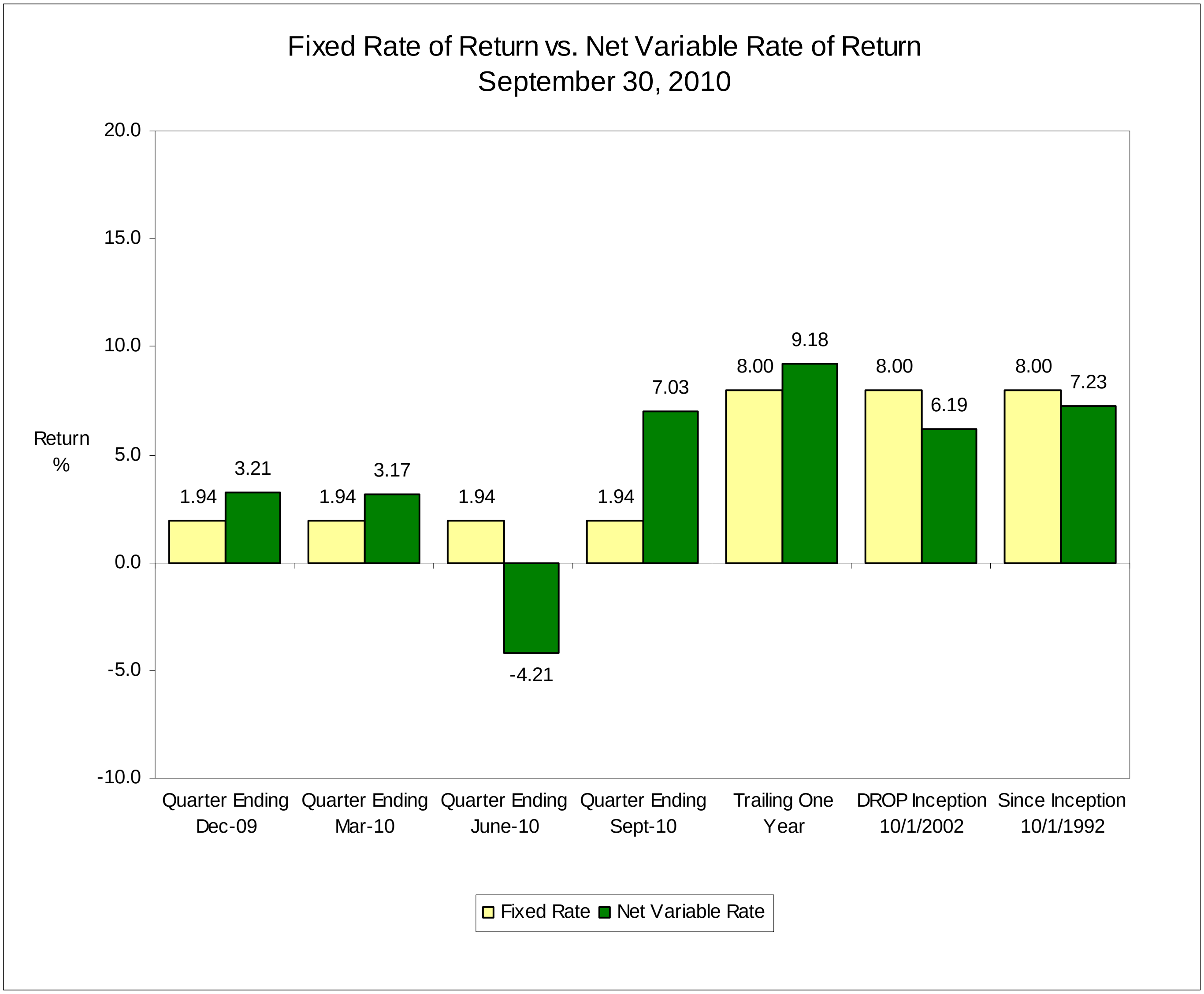
Mr. Harhai serves as a Portfolio Manager for the Value Equity and All Cap portfolios. Prior to joining Buckhead Capital Management, he was a Partner, Portfolio Manager and Head of Equities at Invesco Capital Management. He also served as a senior member of the management and investment committees. Previously, Mr. Harhai was the head of balanced accounts at Sovran Capital Management and has thirty years of investment experience managing both equity and fixed income securities. Mr. Harhai received his B.A. in Finance from the University of South Florida and an M.B.A. from the University of Central Florida. He is a CFA Charterholder, a Chartered Investment Counselor, a member of the CFA Institute, and a member of the Atlanta Society of Financial Analysts.

What does it all mean?



The chart below compares the rate of return of the plan (VRR), to the fixed rate of return (FRR) . Each DROP participant makes a personal selection upon entering the DROP to receive the VRR or the FRR for his/her DROP assets. DROP participants may alternate the rate of return applied to their account month to month, or stay with one investment return. DROP participants are advised to speak to a qualified financial advisor to assist you with this important decision.

This chart also demonstrates that since inception, the minimum impact that the FRR has had to the Fund. On the short term, the chart exhibits how the VRR has out-paced the FRR by 118 basis points.



Don't Forget To Visit Us !!!

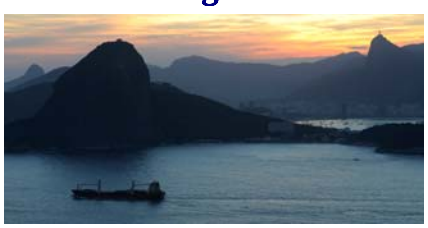
www.hollywoodpolicepensionfund.com

HAPPY NEW YEAR!!!!

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

In Closing....



In Memory -

The Board is saddened to announce the loss of HPD Retiree Robert Mowers**,** he is survived by his widow, June Mowers.

We are also sad to report the loss of widow, Elaine Bennison. Elaine was the widow of HPD Retiree Robert Bennison (1952– 1980).

Please keep the Mowers and Bennison Families in your thoughts and prayers during this holiday season and the upcoming year.

Supplemental Distributions

Well, we saved the best till almost last. Based on the rate of return for the fiscal year, the Board is pleased to announce that there will be a 13th check issued in 2011. As in years past, you will receive formal notification in the mail in January 2011. In that notice will be a form for "retired members" to execute and return to the Office of Retirement.

Active DROP Members will also be notified in January, but your payment will automatically deposited into your DROP Account.

The formal distribution is scheduled for the April 1, 2011 payroll.

Retiree's 1099R

The 2010 1099R's should be delivered via the US Mail no later than the end of January 2011 by Fiduciary Trust.

If you do not receive it by that time, kindly contact the Office of Retirement. We will get it for you!

DROP Distributions

Annual DROP Distributions are scheduled for release on the first business day of the new year.

For those members who have quarterly payments, your first payment of the year will also be the on the first business day of 2011. Subsequent payments are scheduled for the first business day of April, July and October 2011.

Thank You ….from Dave Williams

As the year draws to a close, I would like to take this opportunity to say "Thank You" to the Plan Members (both active and retired) for your support throughout the years.

I recognize and value your daily efforts serving the public and as such it is my honor to serve you.

Wishing you & your families a safe and joyous holiday season.