



Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 38

Date of Issue:

Second Quarter 2011

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In It For The Long Haul.....

Our five year combined portfolio (Equities & Bonds) investment return placed our fund in the TOP 11% of the investment universe...

PENSION FUND INVESTMENT SUMMARY

On March 31, 2011 our fund had a total market value of \$227,836,000. For the quarter the fund gained a stellar \$7,569,000.

For the quarter the total fund return was 3.40% (net), slightly edging out its benchmark return which was 3.38%. In the previous quarter the fund return was 5.71%.

For the quarter the stock return was 5.82% and the benchmark return was 6.48%. The bond return was 0.78% and the benchmark return is 0.31%.

For the quarter the average allocation of our fund was 55.3% invested in stocks, 40.3% in bonds and 4.4% 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 to date the total fund return was 9.30% (net) which beat out our benchmark return, which was 8.43%. The stock return was 18.97% and the benchmark return was 18.81%. The bond return was -1.00% and the benchmark return was -1.50%.

For the fiscal year to date the Inverness large cap stock return was 16.31%, the Garcia Hamilton & Associates growth stock return was 18.95%, the Buckhead value stock return was 12.86, the Eagle (Small Cap) stock return was 29.73%, the Eagle (Mid Cap) stock return was 19.71% and the Rhumblin Mid Cap Index Fund was 24.10%. The S&P 500 index return was 17.31%.

For the quarter the best performing sector among S&P 500 stocks was Energy which increased 16.29% and the worst sector was Utilities which increased 1.62%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) increased 2.7% for the twelve months ended in March. The Producer Price Index (PPI) for finished goods advanced 5.8% (unadjusted) for twelve-month period ended in March.

The seasonally adjusted unemployment rate is 8.8% in March compared to 9.4% in December. Real Gross Domestic Product (GDP) increased at an annual rate of 3.1% for the fourth quarter of 2010, compared with a increase of 2.6% in the third quarter.

During the first quarter of 2011 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.

Total Fund Summary

Since September 30, 1992 the fund has experienced an average rate of return of 7.54% (net) per year. For the last five years the total fund averaged 4.91% (net) per year, which out-performed the overall combined stock and bond benchmark return of 4.51%.

For the last five years stocks averaged 4.65% and the benchmark averaged 3.28%. Bonds averaged 6.71% and the benchmark averaged 5.76%. For the last three years stocks have an average return of 3.68% and bonds averaged 6.41%. For the last year stocks increased 18.12% and bonds increased 5.70%.



Top Ten Stocks

INVERNESS	GARCIA HAMILTON	EAGLE SMALL CAP	EAGLE MID-CAP	BUCKHEAD	RHUMBLINE
Roper	Apple Inc.	Solutia Inc.	Dover	ITT Industries	Cimarex Energy
Union Pacific	Exxon Mobil	United Rentals	McKesson	Lockheed Martin	Vertex Pharma.
National Oilwell	IBM	Bio-Rad Labs	Check Point Software	Johnson & Johnson	Borg-Warner Auto Lubrizol
Conoco Phillips	Apache Corp.	Progress Software	Allied World	Wellpoint Health	Chipotle
JP Morgan Chase	Peabody Energy	Oil States Intl.	BE Aerospace	Pepsico	Pride Intl.
Microsoft	Cognizant Tech.	Esterline Tech.	Guess?	Chevron	NY Comm. Bank
Liberty Global	Freeport-McMoran	Plexus	Oil States Intl.	Microsoft	Green Mtn. Coffee
CVS Caremark	Danaher	IAC/InterActive	Amphenol	Procter & Gamble	Bucyrus Erie
Time Warner	Qualcomm	Cooper Tire	Discover Financial	Allstate	Ametek
Liberty Starz	Cameron	General Cable	Lam Research	Quest Diagnostics	

STOCK SPOTLIGHT

Polaris Industries Inc. (Ticker =PII)

Sector: Consumer Discretion

Industry: Leisure Products

Market Capitalization: \$3.45 Billion



This leisure products company manufactures off-road vehicles, snowmobiles, and motorcycles (their higher-end Victory motorcycle competes closely with Harley Davidson). The company is benefiting from recent new product introductions. Specifically, their side-by-side 4-wheel off-road vehicle has been gaining market share in a market that has seen a strong recovery in consumer demand. In addition to this higher margin new product, the company has been expanding its addressable market through a new joint-venture with Bobcat that is taking their products into the industrial segment and also through a growing relationship with the US military, where there have been recent contract wins and a growing backlog of orders for their new side-by-side vehicles adapted for military uses.

Average Cost in Hollywood Police Portfolio: \$77.62 per share, currently trading at \$101.36

QUALCOMM Incorporated (Ticker = QCOM)

Sector: Information Technology

Industry: Communication Equipment

Market Capitalization: \$93.84B



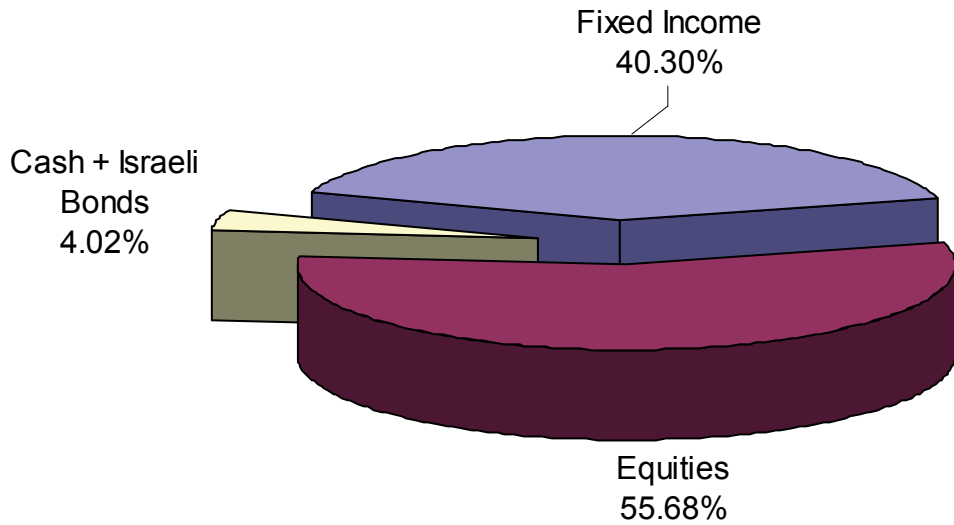
QUALCOMM Incorporated designs, manufactures, and markets digital wireless telecommunications products and services based on its patented technologies. The global trend toward wireless voice and data communications is driving strong demand for faster, thinner, higher function devices. Through its licensing operations, QCOM generates royalties on an estimated 75% of the mobile devices sold in the world. Through its semiconductor manufacturing operations, QCOM sells chipsets into an estimated 45% of all mobile devices sold in the world. Design win activity, combined with the popularity of tablet devices, suggests QCOM can sustain 20% sales growth for years to come.

Average Cost in Hollywood Police Portfolio: \$43.38 per share, currently trading at \$56.70

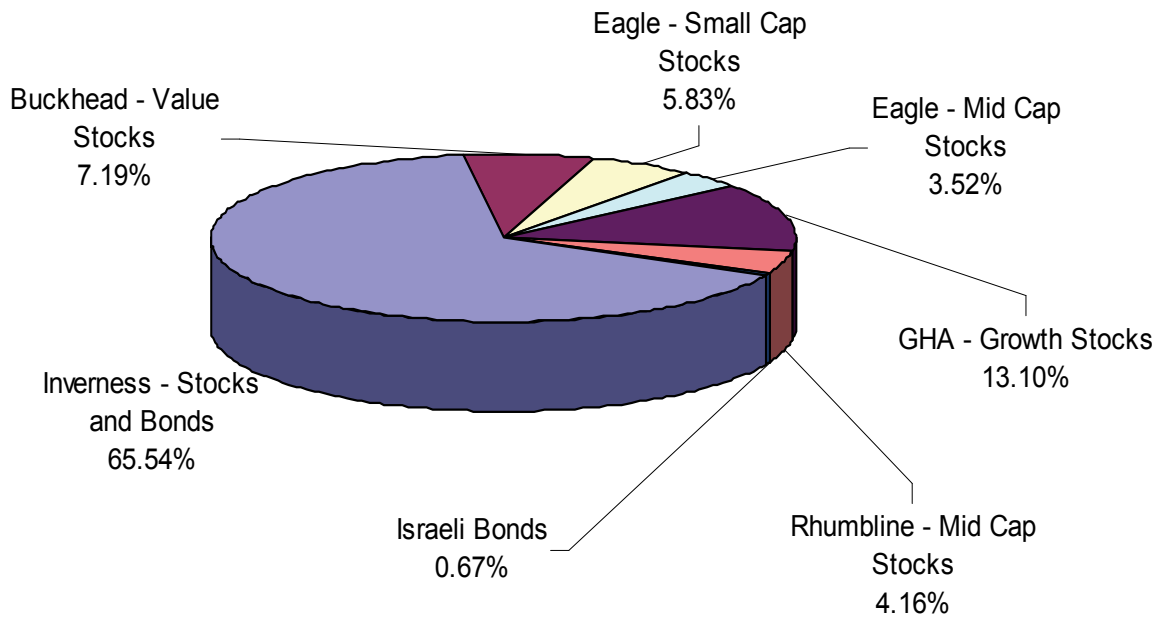
Please note that the Board of Trustees provide this data for informational purposes only. It is in no way to be interpreted as investment advice.

Track The Fund!

Plan Asset Allocation as of March 31, 2011



Division of Assets by Manager as of March 31, 2011



HOLLYWOOD POLICE OFFICERS' PENSION FUND

Welcome New Pension Members!

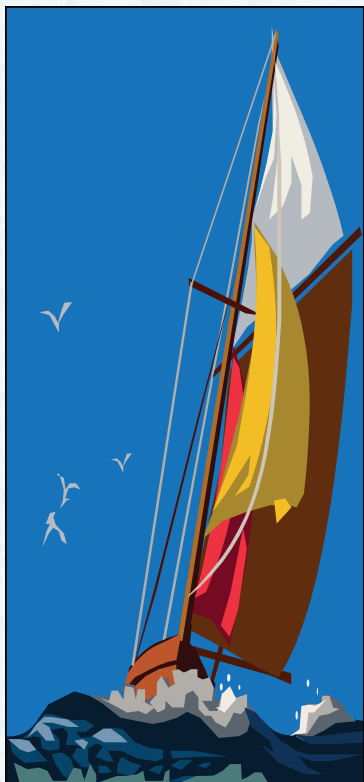


Aldo Blanco
Danielly DeAndrade
Justin Lang
Dilvory Edgecomb
Joseph Gratz
Meredith Tisch

4/27/2011
 4/27/2011
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 4/27/2011
 4/27/2011

We all wish you all continued success!

WWW.HOLLYWOODPOLICEPENSIONFUND.COM (954) 967-4395



Retiree Corner

Congratulations to our latest DROP Members

Jack Anterio	05-02-2011
David Daly	05-02-2011

Congratulations to our latest Retirees

Alert Busk	04-30-2011
Samuel "Chip" Osborne	04-30-2011

Legislative Update

As you may know by now, SB 1128 has been passed by both the Senate and the House. Below is an analysis of the law that was prepared by Bonni Jensen, Attorney of Jensen & Perry, PA.

Committee Substitute for Committee Substitute for SB 1128 sponsored by Representative Jeremy Ring

Florida Statutes 112 - applies to all governmental pension plans.

1. 112.63 Actuarial reports and statements of actuarial impact; review. Retirement plans must disclose the present value of the plan's accrued benefits using the FRS assumed rate of return (currently 7.75%). Calculations are to be performed under FASB 35. This change is designed to promote comparability of local plans.

IMPACT: Requires a new page in the actuarial valuation.

2. 112.66 General Provisions

- a. For service earned before July 1, 2011 or service earned under a collective bargaining agreement entered into on or after July 1, 2011, pension benefits may be calculated using up to 300 hours of overtime per year (as provided for in the Plan or the collective bargaining agreement) but may not include payments for accrued unused sick or annual leave. FRS is exempt from this provision. Law applies only to defined benefit plans.

IMPACT: Overtime over 300 hours per year may not be included in the pension calculation and so a system to exclude hours over 300 needs to be designed.

IMPACT: Additionally, the term of the most recent collective bargaining agreement should be determined and the parties should be informed that accrued sick and vacation leave earned after July 1, 2011 (or the expiration of the current collective bargaining agreement) is not to be included in the pension calculation. The bargaining parties should determine how to treat time accrued before July 1, 2011 or the expiration of the collective bargaining agreement in effect on July 1, 2011. The Board can provide some assistance in this process.

IMPACT: For non-collectively bargained plans, the Board, as the agency, can provide interpretation of the language.

- b. The actuarial or cash surplus in the plan may not be used to pay expenses outside of the plan.
- c. A plan may not temporarily reduce contributions required to fund normal cost. This section does not apply to FRS.

3. 112.665 Duties of Management Services. Management Services will be required to provide a fact sheet for each governmental defined benefit plan summarizing the actuarial status which will be posted in the department's website.

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Florida Statutes 175/185 - Amendments related to Police and Fire Pensions

4. Sections 175.032/185.02 Definitions. The bill proposes amendments as follows:

- a. Firefighter Chapter 175.032(3) Compensation - For service earned and collective bargaining agreements in place before July 1, 2011 compensation definition remains the same. For service earned and collective bargaining agreements entered into on or after July 1, 2011, definition of compensation remains the same except overtime may be included up to 300 hours per year (as specified in the collective bargaining agreement or the plan) and accrued unused sick or annual leave may not be included. Also deletes the ability to make a different definition of compensation.
- b. Police Officer Chapter 185.02(4) Compensation - For service earned and collective bargaining agreements in place before July 1, 2011 compensation definition remains the same. For service earned and collective bargaining agreements entered into on or after July 1, 2011, definition of compensation remains the same except overtime may be included up to 300 hours per year (as specified in the collective bargaining agreement or the plan) and accrued unused sick or annual leave may not be included.

IMPACT: Overtime over 300 hours per year may not be included in the pension calculation and so a system to exclude hours over 300 needs to be designed.

IMPACT: Additionally, the term of the most recent collective bargaining agreement should be determined and the parties should be informed that accrued sick and vacation leave earned after July 1, 2011 (or the expiration of the current collective bargaining agreement) is not to be included in the pension calculation. The bargaining parties should determine how to treat time accrued before July 1, 2011 or the expiration of the collective bargaining agreement in effect on July 1, 2011. The Board can provide some assistance in this process.

IMPACT: For non-collectively bargained plans, the Board, as the agency, can provide interpretation of the language.

5. Sections 175.061/185.05 Board of Trustees; members; terms of office; meetings; legal entity; costs; attorney's fees. Amendment permits a municipality to change the municipal representation on a Board but such change can not reduce the percentage representation of police officers or firefighters. This law applies only to those Boards grandfathered by the law in effect in 1986.

6. Section 175.091/185.07 Creation and maintenance of fund. The amendment allows member contribution rates to be increased without a corresponding benefit increase by:
consent of the collective bargaining representative; or
majority consent of the members of the Fund.

7. Sections 175.351/185.35 Municipalities having their own pension plans for firefighters/ police officers - The amendment changes the date that identifies those Special Act local law plans deemed in compliance with the minimum benefits to May 27 (from May 23).

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Legislative Update

Con't from page 7

Provisions of the Bill Creating a Process to Determine Financial Rating of Pension Funds and to Study Disability Presumptions

8. The Department of Management Services is charged with the responsibility to develop a standardized rating system to classify the financial strength of local government defined benefit pension plans.
 - a. To determine the rating, the department shall consider:
 - i. Current and future unfunded liabilities.
 - ii. Net asset value, managed returns, and funded ratio,
 - iii. Metrics related to sustainability, including employer's contribution as a percentage of payroll,
 - iv. Municipal bond ratings.
 - v. Whether there is a reduced contribution rate when the plan has an actuarial surplus.
 - vi. Whether actuarial surplus is used for obligations outside of the pension plan.
 - b. Pension Boards and State agencies shall cooperate with providing the necessary information.
 - c. Department shall submit a plan to the Governor, the Chief Financial Officer, the President of the Senate and the Speaker of the House by January 1, 2012.
9. The bill establishes a Task Force on Public Employee Disability Presumptions to review the disability presumptions in Florida Statutes 112.18, 175.231 and 185.34.
 - a. Members of the task force will be appointed on or before July 15, 2011 and the first meeting will be held before August 15, 2011. The members are:
 - i. Three members appointed by the Senate President:
one attorney who primarily represents Plaintiffs and who has experience in the relevant laws;
one who is a representative of organized labor and a member of a 175 plan; and
one who is from the Florida Association of Counties.
 - ii. Three members appointed by the Speaker of the House:
one attorney who primarily represents Defendants and who has experience in the relevant laws;
one who is a representative of organized labor and a member of a 185 plan; and
one who is from the Florida League of Cities.
 - iii. A member employed by the Division of Retirement of the Department of Management Services who has experience in local government pensions, appointed by the Governor.

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- iv. A member employed by the Department of Financial Services who has relevant experience in state risk management appointed by the Chief Financial Officer.
- b. The task force shall address:
 - i. data related to operation of presumptions and fiscal impact to employers in pension and workers compensation.
 - ii. presumptions in other states.
 - iii. proposals for changes.
 - iv. evidentiary standards and burden of proof including consideration of non-work related conditions such as blood cholesterol level, body mass index, history of tobacco and alcohol use and other medical conditions.
- c. Department of Financial Services shall provide administrative support.
- d. Members of the task force will not receive compensation but shall receive expense reimbursements.
- e. The task force may obtain data from state and political subdivisions, who shall cooperate in the effort.
- f. The task force shall submit a report by January 2012.
- g. The task force is dissolved upon submission of its report.

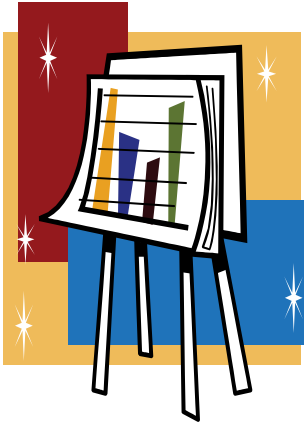
10. Last section contains a finding that this legislation has a proper and legitimate state purpose.

The entire 23-page bill can be reviewed at <http://www.flsenate.gov/Session/Bill/2011/1128/BillText/er/HTML>

FRS Legislative Update (SB 2100)

By: Steve Cypen, Board Attorney

- ✦ Effective July 1, 2011, all Florida Retirement System members are required to make employee contributions of 3% of compensation ("picked-up" by employer). Participants in Deferred Retirement Option Program are not required to make employee contributions.
- ✦ For employees initially enrolled on or after July 1, 2011, the definition of "average final compensation" means the average of the 8 highest fiscal years of compensation for creditable service prior to retirement, for purposes of calculation of retirement benefits. For employees initially enrolled prior to July 1, 2011, the definition of "average final compensation" continues to be the average of the 5 highest fiscal years of compensation.
- ✦ For employees initially enrolled in the FRS pension plan on or after July 1, 2011, such members will vest in 100% of employer contributions upon completion of 8 years of creditable service. For existing employees, vesting will remain at 6 years of creditable service.
- ✦ For employees, initially enrolled on or after July 1, 2011, normal retirement age and years of service requirements are as follows:
 - (1) Special Risk Class -- increases the age from 55 to 60 years of age; and
 - (2) For all other classes -- Increases the age from 62 to 65 and increases years of credible service from 30 to 33 years.
- ✦ DROP is maintained, and employees entering DROP on or after July 1, 2011 will earn interest at a reduced accrual rate of 1.3%. For employees currently in DROP or entering before July 1, 2011, the interest rate remains 6.5%.
- ✦ The cost-of-living adjustment for service earned on or after July 1, 2011 is eliminated. Subject to the availability of funding and the Legislature enacting sufficient employer contributions specifically for the purpose of funding the reinstatement of the COLA, the new COLA formula will expire effective June 30, 2016, and the current 3% cost-of-living adjustment will be reinstated.

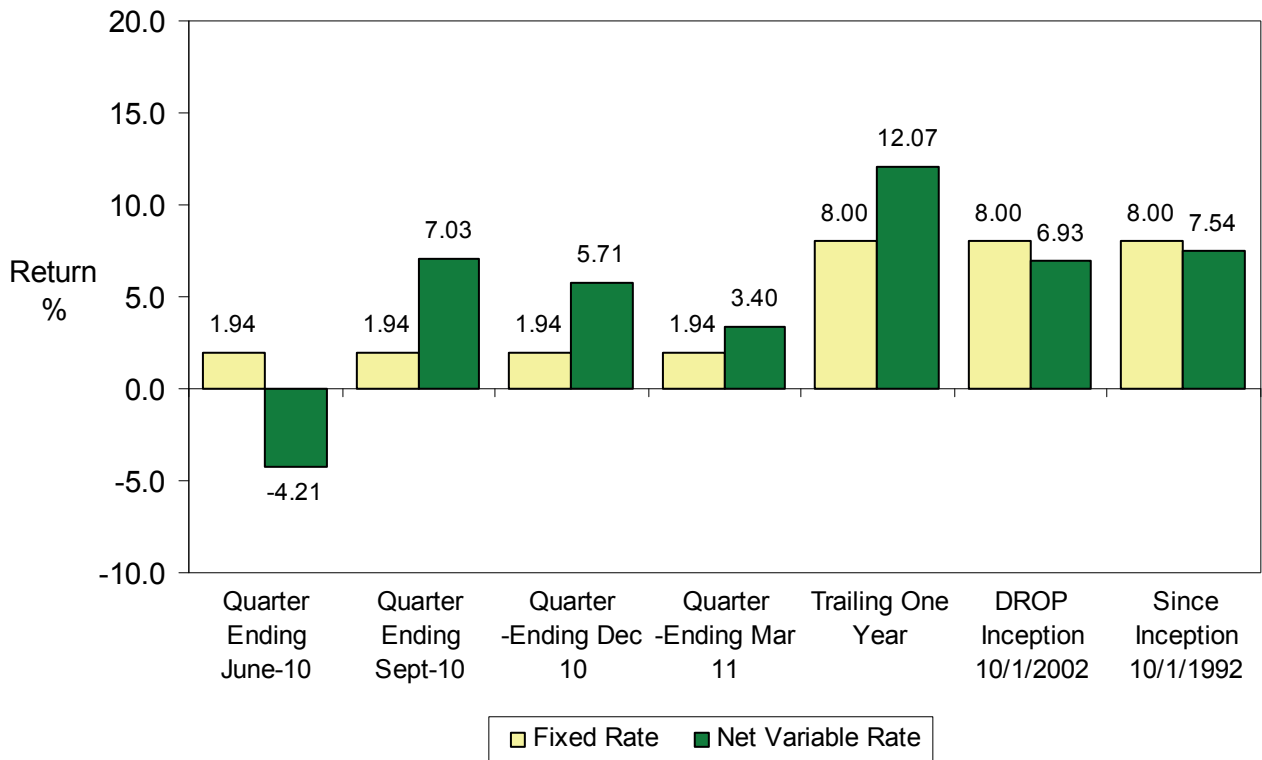


What does it all mean?

The updated 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. For the last year, the chart exhibits how the VRR has out-paced the FRR by 407 basis points. There are currently only three drop members who have selected the VRR, the balance are in the FRR.

Fixed Rate of Return vs. Net Variable Rate of Return March 31, 2011



Garcia Hamilton & Associates - Market Recap

Stock prices started the year strongly, posting the best first quarter returns since 1998. Economic activity showed steady improvement through the quarter, evidence of a self-sustaining global recovery. The domestic stock market, as measured by the S&P 500 Index, increased 5.9% for the quarter ending March 31.

Gains remained broad based, as they have been since the current market rally began in March 2009. All economic sectors of the S&P 500 posted positive returns. Rising crude oil prices provided a strong tailwind for Energy stocks, but cyclical sectors in general posted slightly more favorable performance. Investment style results differed little, with the Russell 1000 Growth Index rising 6.0% for the three month period compared with 6.5% for the Russell 1000 Value Index.

Looking forward, corporate earnings projections call for low double digit increases in 2011. Given the improving economic backdrop, revisions are likely to be upward. Valuations appear reasonable in the current interest rate environment, suggesting stock prices will at least match earnings growth. Corporate cash flows are extremely healthy, allowing dividend increases, stock repurchases, and acquisition activity to further support stock prices.

Typical stock market recoveries favor smaller, lower quality, higher risk names early in the cycle. As cycles mature, companies able to generate sustained revenue and earnings growth tend to become stock market leaders. Large cap, high quality companies now seem particularly well-positioned, with access to emerging economies, tight control over costs, and sizable cash flows.



In other investment news.....

Our Investment Consultant, Mr. John McCann, Thistle Asset Management recently outlined that the portfolio was out of balance as it was over-weighted in equities by 3.0%. This was caused by the outstanding performance of our equity managers.

Mr. McCann proposed expanding the role of Garcia Hamilton & Associates by adding a Fixed Income Intermediate Bond component (*Barclays Capital Aggregate Bond Index*). Mr. McCann indicated that the portfolio would be funded by transferring 7 million currently in the Garcia Hamilton Equities Account and future funding of (4 million) from new contributions until being funded a total of 11 million. Mr. McCann advised the performance of Garcia Hamilton Fixed Income has been outstanding. It was further stated the type of fixed income product suggested would compliment our existing bond portfolio of Inverness Counsel.

Mrs. Hamilton of Garcia Hamilton & Associates provided a presentation for the Fixed Income Management product. That presentation contained their goals and philosophy, their investment methodology and portfolio characteristics & performance.

The Board of Trustees agreed to expand the services of Garcia Hamilton & Associates by adding a Fixed Income component to the portfolio. Currently, Inverness Counsel was the sole Fixed Income (Bond) Manager. While Inverness has done an outstanding job, Garcia Hamilton & Associates will be bring a different type of Fixed Income vehicle to the Fund.

Don't Forget To Visit Us !!!
www.hollywoodpolicepensionfund.com

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Cathy Marano, Secretary - CPPT
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Van Szeto, Trustee - CPPT
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Richard Brickman, Trustee
Larry Wiener, Trustee

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Quotable Quotes...

As we survive the pension storm from Tallahassee this session & we begin the Financial Urgency season in Hollywood, ponder the following:

“I've developed a new philosophy. I only dread one day at a time.”

Charlie Brown

Disclaimer

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In Closing....



In Memoriam

The Board of Trustees is saddened to report the loss of Marjorie Rohloff. Marjorie was the widow of HPD Member Frederick Rohloff, who retired in 1977.

Our thoughts and prayers remain with the Rohloff Family.

Trustee Election

As you may recall from the last newsletter, a Trustee Election was scheduled for March 1, 2011 for three open seats. Prior to the election, the only challenger formally

requested that his name be withdrawn. That left the three incumbents. Due to the foregoing, no formal election was necessitated. As such, Mr. David Strauss, Mr. Van Szeto and Mr. Chris O'Brien were reappointed for another two year term.

DROP Distributions - Reminder



If you are a retired Drop Member who has been withdrawing funds from his/her Drop Account, you have until September 30th to notify the Office of Retirement of any change for the 2012 distribution year. If no such change is requested, you will receive the same amount as this year!

Pension Contribution

As a reminder, you and the City share in the cost of the Retirement System. As an active member, you must contribute a percentage of your annual earnings in order to receive benefits

under the System. Effective October 1, 2011 the employee contribution rate will increase to 9.50% of earnings.

Normal Form of Retirement

When you qualify for a System benefit, your pension will be figured from the pension benefit formula provided by city ordinance. Normally, the benefit payment will be in the form of a 10-year certain and life annuity. This payment form guarantees at least 120 payments (10 years of full payments). If you are married at the time of your Retirement (DROP) your spouse is entitled to a 50% annuity, if after your death or the 10-year certain period, whichever is later.

Further details may be learned by reviewing your summary plan description. Always available on-line at:

www.hollywoodpolicepensionfund.com