



Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 14
Date of Issue:
Second Quarter 2005

QUARTERLY PENSION FUND SUMMARY

On March 31, 2005, our fund had a total market value of \$166,033,000. For the quarter, the fund lost \$1,300,000.

For the quarter, the average allocation of our fund was 60.9% invested in stocks, 34.8% in bonds, and 4.3% 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 quarter ended March 31st the total fund lost -0.78% (gross) beating out our benchmark that was down -1.47%. In the previous quarter, the fund gained 5.68%. After investment management expenses, for the quarter our fund net return was -0.88%.

For the last year our fund gained 4.94%, while our benchmark was up 4.08%. Stocks were up 7.75%,

while the benchmark was up 7.45%. Bonds were up 0.65%, while the benchmark was up 0.04%.



For the first quarter of 2005, the best performing sector among US stocks was energy, which rose 17.07%. The worst performing sector was telecommunications services, which declined -8.61%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 3.1% for the twelve months ended in March. In the first quarter, consumer prices rose at a seasonally adjusted annual rate of 4.3%. The Producer Price Index (PPI) for finished goods rose 4.9% for twelve-

month period ended in March. The unemployment rate was 5.2% in March, compared to 5.4% in December. Real Gross Domestic Product (GDP) rose at an annual rate of 3.8% (final) for the fourth quarter of 2004, compared with an increase of 4.0% (final) in the third quarter of 2004.

During the first quarter of 2005, the Federal Reserve Open Market Committee raised its target for the federal funds rate 50 basis points to 2.75%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

Readers note: Please see related stories on page two that outline the one year and long term rate of returns.

Not enough investment details for you? No problem, you may also view complete investment reports on-line at: hollywoodpensionfund.com.

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**David Strauss,
John Barbuto &
Steve Diefenbacher**

**THANK YOU
FOR YOUR
CONTINUED
TRUST &
SUPPORT!**

Total Fund Summary

One Year

For the last year our fund gained 4.94%, while its benchmark was up 4.08%. Stocks were up 7.75%, while the benchmark was up 7.45%. Bonds were up 0.65%, while the benchmark was up 0.04%. For the year ending March 31, 2005, Inverness' large cap stocks were up 7.91%, Davis, Hamilton & Jackson's growth stocks were up 4.16%, Buckhead's value stocks were up 8.32%, and Eagle's small cap stocks were up 14.08%. The S&P 500 index was up 6.69%.

Long Term

Since September 30, 1992, the fund has an average rate of return of 8.81% per year. For the last five years, the total fund has an average rate of return of 1.91% per year, which under-performed the overall combined stock and bond markets' 2.04% return. During that time, stocks averaged -2.41% and bonds averaged 7.43%, while their benchmarks averaged -2.71% and 7.00%. For the last three years, stocks had an average return of 4.08%, while bonds averaged 6.42%.

TOP 10 STOCKS

INVERNESS COUNSEL	DAVIS, HAMILTON & JACKSON	EAGLE ASSET MANAGEMENT	BUCKHEAD CAPITAL MANAGEMENT
<i>Large Cap Core</i>	<i>Large Cap Growth</i>	<i>Small Cap Core</i>	<i>Large Cap Value</i>
General Electric	General Electric	FMC Technologies	Sungard Data
Exxon Mobil	Johnson & Johnson	Alamosa Holdings	ConocoPhillips
Devon Energy	Procter & Gamble	Gaylord Entertainment	Altria Group
Walt Disney	Bank of America	Gray Television	Express Scripts
Procter & Gamble	Microsoft	Amphenol Corp.	J.P. Morgan Chase
PepsiCo	CVS	Unit Corp.	Gannett
IBM	Monsanto	Ametek	First Data
Honeywell	Dell	Resmed	Wendy's
Alliant Techsystems	Franklin Resources	Philadelphia Con.	Automatic Data Proc.
American Express	Intel	Esco	NY Community Bank



DROP WINDOW PERIOD

As a reminder, the Board of Trustees have selected four window periods to make a "DROP Investment Return Selection".

They are as follows: August 1-31st for the October 1 Quarter; November 1-30th for the January 1 Quarter; February 1-28th for the April 1 Quarter and May 1-31st for the July 1 Quarter.

DROP & SHARE ACCOUNT HISTORY

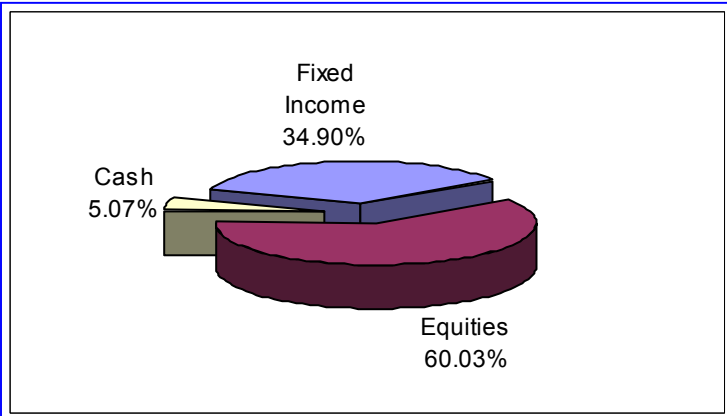
Effective immediately, you may now see your historical DROP/SHARE Account data on-line at www.hollywoodpensionfund.com. As you may know, until now only your latest Drop/Share balance was available to you on-line. Now detailed account information is at your fingertips. Furthermore, if you have a 457 DROP Account, that too can be viewed in the same manner.



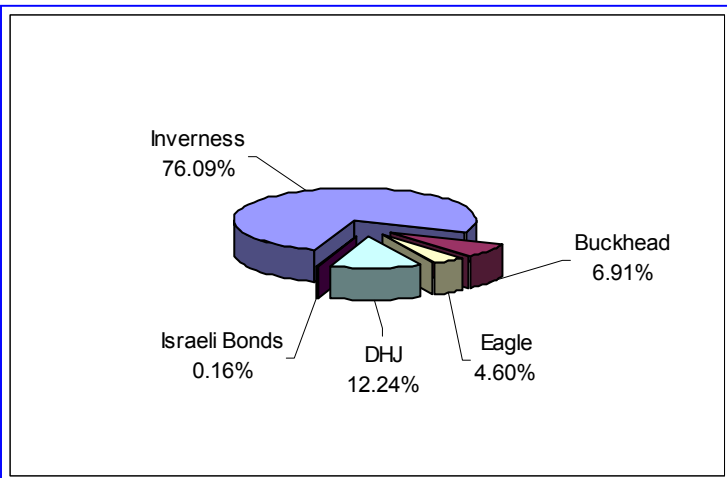
If you already have a password, please check it out. If you do not have a password and wish to participate on-line, please let us know. If you do not participate in the program, your DROP/SHARE data is not posted to the web.

The Board of Trustees is always striving to update and expand the services rendered to you. This is yet another example of the efforts being made on your behalf. We hope you find this helpful.

Plan Asset Allocation as of March 31, 2005



Division of Assets by Manager as of March 31, 2005



Retiree Corner



Congratulations to our latest Retirees

**Victoria Zawistowski 04-11-05*

Larry Hoisington 05-01-2005

Richard Nester 05-01-2005

Joseph Stasio 05-01-2005

**Jackee Nester 06-01-2005*

Congratulations to our latest

Drop Member

Veronica Mangan 05-01-2005

Carol Sykes 05-01-05

** Vested Retirement*

Just The Plan Facts

The following information was obtained from our Plan Actuary, Mellon Consultants regarding our police pension system. Where do you fit in?

As of October 1, 2004, the average years of service for a police officer was 11.9 years, which compared to 12.0 years in 2002.

There were 52 members who had 1-4 years on the department. Their average pensionable earnings were valued at \$48,737.00, which was slightly higher than 2002, when the average pensionable earnings were \$48,418.00.

The largest pool of officers were in the 20-24 year mark. There were 63 officers in that range with the average pensionable earnings of \$87,232.00.

The average age of a police officer was 38.9 years.

The average police officer's pensionable salary in 2004 was valued at \$70,342.00, which increased from \$63,999.00 in the 2002 report.

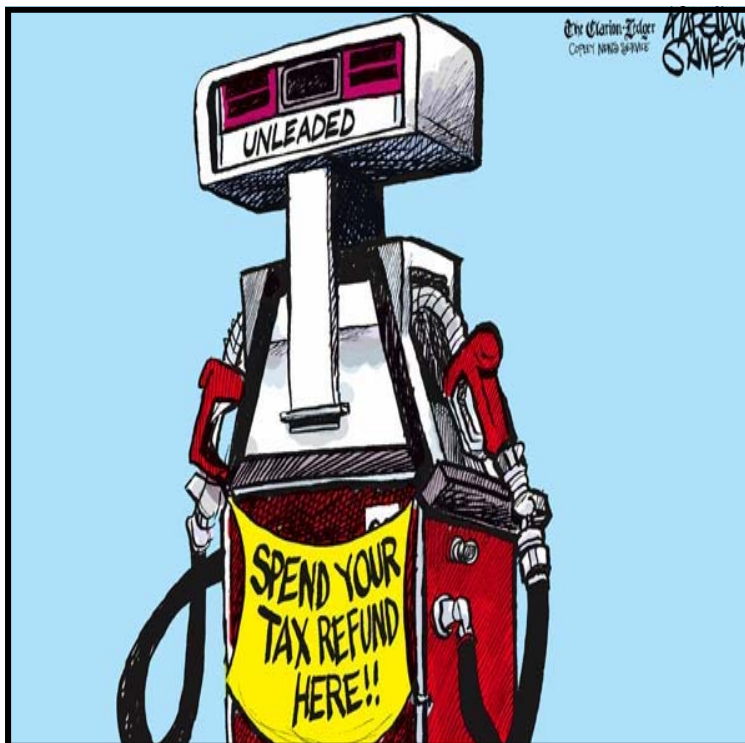
The average non-disabled retiree monthly benefit was valued at \$3,817.83, which increased from \$2,698.00 in 2002.

The average disabled retiree monthly benefit was \$1,873.66.

The average beneficiary (widow) monthly benefit was \$775.32. *Which annually is \$266.16 below the 2005 poverty level.* *** SOURCE: *Federal Register*, Vol. 70, No. 33, February 18, 2005, pp. 8373-8375.

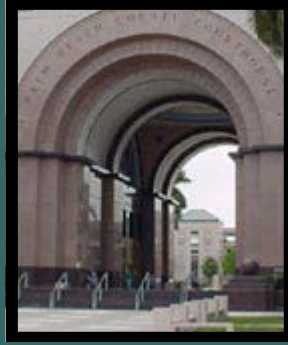
We had a total of 529 members in the System.

Out of that number, 276 were active members, 5 were vested (*left the agency and will collect a retirement benefit in the future*). This leaves 248 retirees (and beneficiaries).



Manager's Market Spin—Eagle Asset

We mentioned that the consumer may be in a precarious position due to leverage. This is particularly true for the lower-end consumer as most of the personal-debt accumulation resides at the lower 70% of the income distribution. Most of our consumer names (Elizabeth Arden, Gray Television, Vail Resorts, Orient Express Hotels and Columbia) do not have great exposure to the low-end consumer. We remain slightly overweight in technology and equally weighted in industrials, as corporate balance sheets should support measured capital-spending increases. We are convinced higher energy prices are here to stay and maintain a market weight in this area (FMC, Unit and Energy Partners). Energy is different from other commodity sectors in that governments control a large portion of the world's output. We believe high prices may cause governments to drill less, as lower production in an extractive industry is a form of saving. High prices allow governments to pay bills and maintain prized assets for a longer period of time. Given this backdrop, we may add another energy stock to our portfolio if the sector has a substantial pullback.



Job Announcement — PBSO Court Services Bailiff

Are you a retired Police Officer, about to retire? If so, you may be interested in a position as a *Court Services Bailiff*. The *Palm Beach County Sheriff's Office* is currently hiring bailiffs to supplement the existing team of law enforcement professionals that serve the courts in Palm Beach County. This is an exciting profession, which offers many advancement opportunities and an excellent benefit package. Bailiffs work closely with judges and judiciary employees in a courtroom setting at the beautiful Palm Beach County Main Courthouse as well as other satellite courthouse locations throughout the county.

HOW TO APPLY: Submit an application with SHIELD scores, and a copy of your current Florida Law Enforcement Certificate or your out of state academy curriculum, to the Palm Beach County Sheriff's Office Human Resources 3228 Gun Club Rd, West Palm Beach, FL 33406. **Position open until filled.** To download an application visit our website at www.pbso.org.

Palm Beach County Sheriff's Office is an Equal Opportunity Employer

Veterans' Preference to be requested at time application is submitted

Applicants with a disability who require accommodation within the application/interview process should direct a request in advance to Human Resources.

GOVERNMENT JOBS PAY AND BENEFITS HIGHER THAN IN PRIVATE SECTOR *By: Steve Cypen, Board Attorney*



Pay and benefits costs for state and local government workers were 46% higher last year than private sector employees, according to a new study by Employee Benefit Research Institute, but the nature of the jobs and skills also differ sharply. Cost of state and local government workers' pay was 40% higher than for private-sector workers and was 60% higher for benefits, like health care and retirement. One key reason for the difference in total compensation costs ~ wages, salaries, employee benefits ~ is composition of the respective work forces. A large portion of state and local government workers is concentrated in occupations such as teachers, police officers and firefighters, which require higher levels of education or involve greater physical risk and training, and tend to be more highly paid. By comparison, the largest percentages of private-sector workers are in sales and office occupations, which require less education, are more sedentary and tend to be paid less. The study also contained the following additional findings:

- More than half of all state and local government employees worked in the education sector. By contrast, the largest concentration of private-sector workers was in services, trade, transportation and utilities.
- State and local government workers are more highly unionized than private-sector employees, and thus more likely to receive higher pay. Last year, 37% of state and local workers were members of a union, compared with 8% of private-sector employees.
- Among full-time state and local government employees, 86% participated in health insurance coverage in 1998 (the latest year available), compared with 66% of private-sector workers in 2003.
- Virtually all full-time state and local government workers participated in some retirement and savings plan in 1998, compared with 60% of full-time employees in the private sector in 2004.

STOCK SPOTLIGHT



Procter & Gamble (Ticker = PG)

Sector: Consumer Staples

Industry: Household Products

Market Capitalization: \$138 Billion

Household, Personal Care, and Food Products

The company has benefited from strong same-store sales growth driven by global consumer demand for nondurable goods. We view this as driven by an expansion of a number of overseas countries, most notably China and India. While many analysts are looking for a likely readjustment of the Chinese currency versus the US dollar to slow the growth of China's economy, we note that such a readjustment would reduce the cost of energy in terms of Yuan which would be beneficial for the Chinese economy and it would make P&G's products more affordable for the Chinese consumer. We are looking for a surprising continuation in the strong growth of P&G's revenues and earnings. We also regard the pending acquisition of Gillette as an excellent fit which will enable a broader distribution of Gillette products across a global distribution system.

Average Cost in Hollywood Police portfolio: \$13.10 per share, currently trading at \$54.75.

NII Holdings Inc. (Ticker = NIHD)

Sector: Services

Industry: Communication Services

Market Capitalization: 3.50 Billion

Comments: Digital wireless-communications company that targets Latin-American markets, recently acquired wireless capacity in Mexico at a much lower-than-expected cost. This, coupled with reduced corporate tax rates in Mexico, should have a positive impact on the company's cash flow.

Average cost in Hollywood Police portfolio: \$ 28.46, currently trading at \$50.05

Unit Corporation (Ticker = UNT)

Sector: Energy

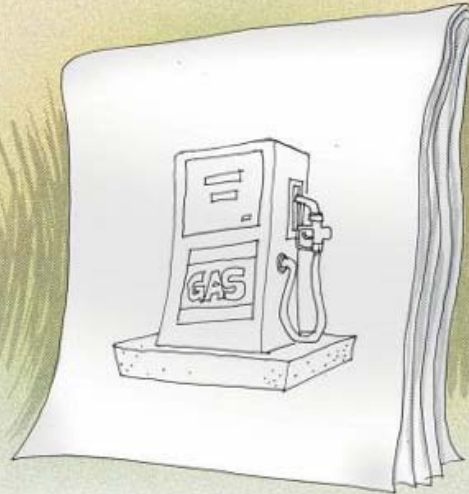
Industry: Oil and Gas Operations

Market Cap: 1.84 Billion

Comments: Explores oil and natural gas properties, has a large drilling fleet, couples with high inventories. Oil and natural-gas pricing and demand continue to be strong.

Average cost in Hollywood Police portfolio: \$26.48, currently trading at \$40.15.

POLICE ARTIST SKETCH OF ROBBERY SUSPECT



VICHARVILLE
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State Income Tax Withholding



Do you live in a state that has state income tax? Then the Board of Trustees wanted to share this information with you. The bank that our system uses is set-up to withhold state income tax in the states listed below. If you reside in one of the states listed and you wish to enroll, please contact our Plan Administrator. If you reside in a state other than the ones listed, we cannot offer state income withholding for you at this time. As other states are added, we will keep you informed.

Arizona	Calif	Colorado	Conn
Georgia	Illinois	Indiana	Kansas
Maine	Mass	Maryland	Minn
Montana	Mich	Nebraska	New Mexico
N.J.	N.Y.	Ohio	Oregon
S.C.	Va	W. Va	



Welcome New Pension Members!

Daniel Casey
Cassandra Jones
02-08-05

Derek Albers
Mark Alford
William Comerford
02-23-05

Josh Brasso
Kevin McClintock
04-21-05

Don't Forget To Visit Us !!!

www.hollywoodpolicepensionfund.com

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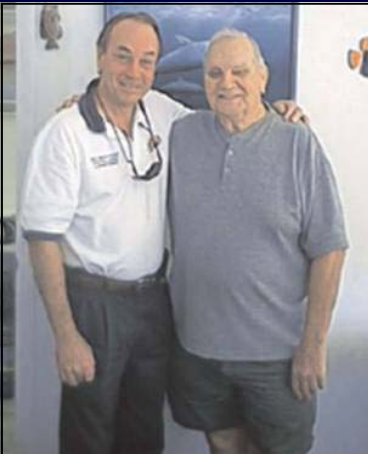


Disclaimer

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.

Odds and Ends

In Memoriam - Victor Gaston



Pictured here last year during a visit to the pension office with Jerry Christensen

The Board of Trustees extends their condolences & sympathy to the Gaston Family for their loss.

Victor was one of the founding fathers of this pension system.

Victor retired from the HPD in 1981.

Notice of Board Election Results

Nominations were accepted in March for three open trustee seats. At the close of the nomination process, only the incumbents submitted their names for the positions (*David Strauss, John Barbuto & Steven Diefenbacher*). As such, no election was warranted and the three members were reaffirmed for another term.

Welcome Home Barry!

The Board of Trustees welcome back Barry Boulton from Active Duty in Iraq. Barry served from July 2004 to March 2005 as the Deputy Commanding Officer in charge of Detainee Operations.



Barry pictured above enjoying the lush landscape of Iraq.

Buy Back Yet?

A quick check of dates of hire compared to dates entered the plan, shows that over 100 members still have not bought back their first year and/or academy time. You have until retirement to make the decision to buy back your time, but keep in mind the interest continues to grow. When and how to buy back the time is also a personal decision. You can even buy the time with a 457 rollover from your deferred compensation account, tax free. With the new contract looming, senior members may wish to take a *wait and see* stance. Just a thought!



Supplemental Distributions

The 13th checks were distributed to the retired members on May 2, 2005. For members that are not familiar with the program, in basic terms if the plan has a good investment year, a segment of the fund assets are shared among the retirees in the form of a 13th check. This year's full distribution was valued at \$3,052.48.