Police Pension News

A Hollywood Police Officers' Retirement System Publication

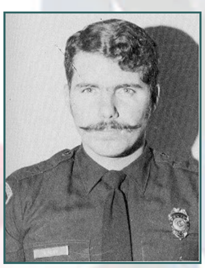
Issue 30

Date of Issue:

Second Quarter 2009

Inside this issue:

Respect
Honor
Remember



Byron W. Riley

Police Officer
Date of Death:
08/30/1973

National LEO Memorial

Panel 23, W - 8

PENSION FUND INVESTMENT SUMMARY

On March 31, 2009 our fund had a total market value of $158,336,000.

For the quarter the total fund return was -4.00% (net), which outperformed our benchmark which returned -5.45%. In the previous quarter the fund return was -10.81%.

For the quarter the stock return was -8.14%, while the benchmark return was -10.60%. The bond return was 0.65%, while the benchmark return was -0.67%.

For the quarter the average allocation of our fund was 47.6% invested in stocks, 48.6% in bonds and 3.8% 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 remains at 50% of the total fund.

For the fiscal year the total fund return was -14.39% (net), while its benchmark return was -15.01%. The stock return was -28.80%, while the benchmark return was -30.65%. The bond return was 6.04%, while the benchmark return was 4.93%.

For the fiscal year the Inverness large cap stock return was -30.48%, the Davis, Hamilton, & Jackson growth stock return was -25.79%, the Buckhead value stock return was -26.71% and the Eagle small cap stock return was -31.49%. The S&P 500 index return was -30.54%.

For the first quarter of 2009 the best performing sector among S&P 500 stocks was Information Technology which increased 3.96% and the worst sector was Financials which declined 29.49%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) decreased 0.4% for the twelve months ended in March. In the first quarter the seasonally adjusted annual CPI rose 2.2%. The Producer Price Index (PPI) for finished goods fell 1.2% for the twelve-month period ended in March.

The seasonally adjusted unemployment rate was 8.5% in March compared to 7.2% in December. Real Gross Domestic Product (GDP) decreased at an annual rate of 6.3% for the fourth quarter of 2008, compared with an increase of 0.5% in the third quarter of 2008.

During the first quarter of 2008 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

Long Term

Since September 30, 1992 the fund has an average rate of return of 6.24% (net) per year. For the last five years the total fund averaged 0.48% (net) per year, which outperformed the overall combined stock and bond benchmark return of -0.50%.

For the last five years stocks averaged -2.05% while the benchmark averaged -4.66% and bonds averaged 3.96% while the benchmark averaged 3.72%. For the last three years stocks had an average return of -9.96% and bonds averaged 5.74%.

TOP 10 STOCKS

INVERNESS	DHJ	EAGLE SMALL CAP	EAGLE MID-CAP	BUCKHEAD
URS Corp.	Microsoft	Rayonier	AON Company	Chevron-Texaco
Roper Industries	IBM	Waste Conn.	Lincare Holdings	Exxon Mobil
Abbott Labs	Wal-Mart	Neutral Tandem	Ametek Inc.	AT&T
Johnson & Johnson	Cisco	Zenith Insurance	Arch Capital	Johnson & Johnson
Cisco	Danaher	Ansys	Waste Conn.	Quest Diagnostics
Agnito Mines	Bard (C.R)	Ametek Inc.	Fiserv Inc.	Covidien
Bard (C.R.)	Hewlett-Packard	Aspen Insurance	Lorillard Inc.	H&R Block
Procter & Gamble	Qualcomm	Hanover Insurance	Danaher	Procter & Gamble
Bristol Myers	PepsiCo	Meridian Bio.	Lab. Co. of Amer.	TJX
Alliant Tech.	Oracle	Teledyne	Noble Energy	Pfizer

National Law Enforcement Memorial

The Board of Trustees would like to honor the memory of Hollywood Police Officer Byron W. Riley, who adorns our cover page.

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

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

Retiree Corner

Congratulations to our latest DROP Members

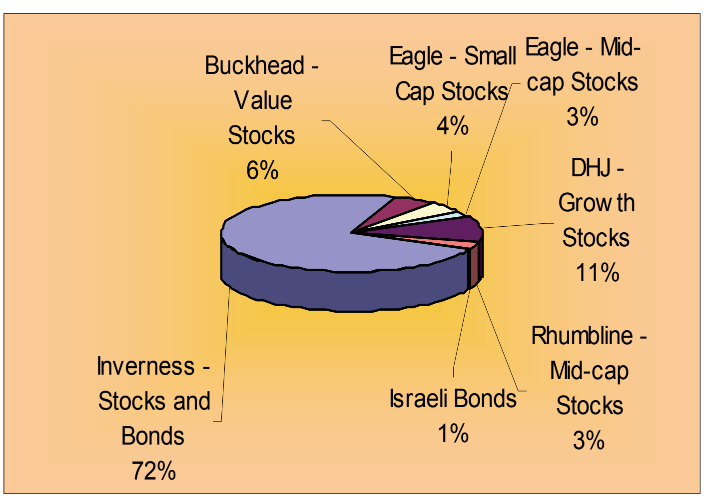
Kirk Shaw	04-07-2009
Richard Truntz	04-15-2009
Keith Wadsworth	04-27-2009
Lester Cochenour	04-27-2009
Jeffrey Walters	04-28-2009

Congratulations to our latest Retiree

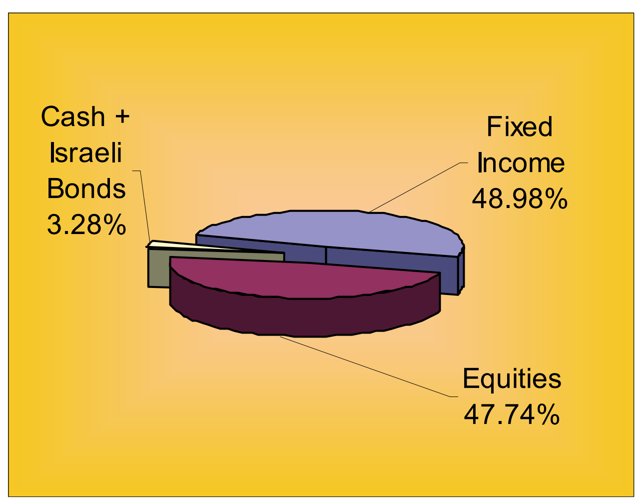
Jeffrey Marano	03-31-2009

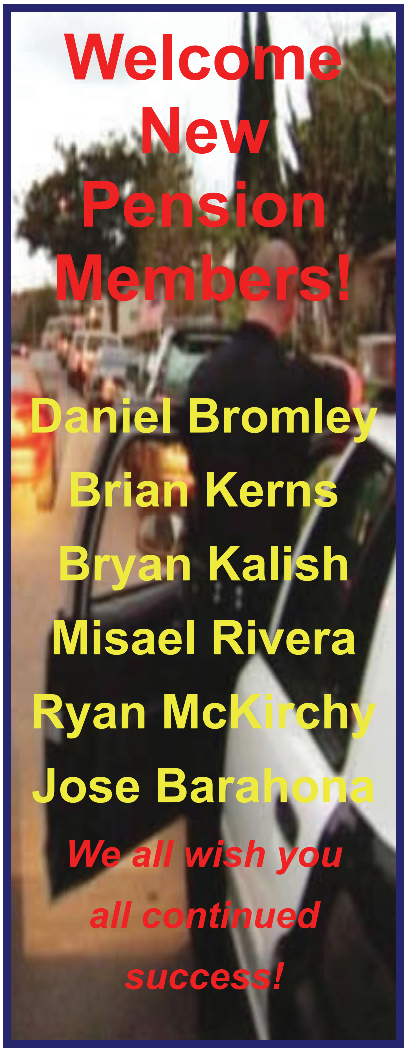
Active Members…. You may now use your share account to purchase your probationary time. Please contact the Office of Retirement for details….

Division of Assets by Manager as of March 31, 2009



Plan Asset Allocation as of March 31, 2009





What Does *Sector Breakdown* Mean?

Sectors are a broader classification than industries, although some companies (especially more modern ones) can make a case for being "counted" in several different sectors. Companies within the same sector tend to have relatively high correlations in their rate of revenue and earnings growth, stock price performance, and earnings forecasts especially over short and medium-term time periods.

STOCK SPOTLIGHT

John Wiley & Sons (Ticker = JWA)

Sector: Consumer Discretionary

Industry: Publishing

Market Capitalization: $2 Billion

John Wiley & Sons is a global publisher of print and electronic products. The company's products are addressed to three primary markets: 1) Professional / Trade; 2) Scientific, Technical, Medical and Scholarly; 3) Higher Education. With the 2007 acquisition of Blackwell Publishing, the company now produces over 1,400 professional and academic journals. As the company continues to integrate its recent acquisition of Blackwell Publishing, we expect it to increase its capital returns and organic growth rate. The resulting higher levels of free cash flow should enable the company to reduce its acquisition-related debt and increase the value of its equity.

Assurant Inc. (Ticker: AIZ)

Sector: Financial Services

Industry: Insurance – Multi-line

Market Capitalization: $2.3 Billion

AIZ is a specialty property and casualty insurer focused on niches such as creditor-placed homeowner's insurance, extended service contracts for consumer products, individual health insurance, and small company benefits packages. The company operates as a leading player in its different business lines, which are designed to excel at varying points in the economic cycle. The stock has come under pressure on concerns over insurance industry investment portfolios as well as decelerating sales in its Property division, which tends to track with foreclosures. We believe that the investment portfolio is solid, foreclosure levels will remain high, and that continued international expansion should sustain earnings. Shares are trading at historic lows of 0.7x Price-to-Book and only 4x Forward Price-to-Earnings on over $5.00 in earnings. This sizeable earnings power should keep AIZ financially strong during these turbulent times, with significant recovery expected once the markets stabilize.

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.

IRS Information Related to the American Recovery and Reinvestment Act of 2009

The pension board does not provide tax advice. With that being said, the board did want to highlight material provided by the IRS that may affect you. Please consult with your professional tax advisor as you see fit.

According to the Internal Revenue Service, IRS, Congress has approved and the President has signed new economic recovery legislation, the American Recovery and Reinvestment Act of 2009. The IRS is implementing tax-related provisions of this new program as quickly as possible.

Here are some key highlights:

Payroll Checks Increase. The Making Work Pay Tax Credit will mean $400 to $800 for many Americans. The IRS has issued new withholding tables for employers. Taxpayers can check the IRS withholding calculator to make sure enough tax is withheld from their pay. **Pension recipients** are not eligible for the Making Work Pay credit unless they have earned income. However, because the new withholding tables reduce the taxes withheld from all taxpayers, pension recipients may not have enough tax withheld from their pension benefits to cover their tax liability on those payments. The IRS recommends that pension recipients evaluate their expected tax liability for the year and consider whether they need to make estimated tax payments or adjust their withholding on Form W-4P, Withholding Certificate for Pension or Annuity Payments.

Municipal Bond Programs. New ways to finance school construction, energy and other public projects.

Money Back for New Vehicle Purchases. Taxpayers who buy certain new vehicles in 2009 can deduct the state and local sales taxes they paid.

Increased Transportation Subsidy. Employer-provided benefits for transit and parking are up in 2009.

Up to $2,400 in Unemployment Benefits Tax Free in 2009. Individuals should check their tax withholding.

Net Operating Loss Carryback. Small businesses can offset losses by getting refunds on taxes paid up to five years ago. Information on the carryback, an expanded section 179 deduction and other business-related provisions is now available.

COBRA: Health Insurance Continuation Subsidy. The IRS has extensive guidance for employers, including an updated Form 941, as well as information for qualifying individuals.

First-Time Homebuyer Credit Expands. Homebuyers who purchase in 2009 can get a credit of up to $8,000 with no payback requirement.

Enhanced Credits for Tax Years 2009, 2010. Details available on the earned income tax credit, additional child tax credit and American Opportunity Credit, a new higher education benefit.

$250 for Social Security Recipients, Veterans and Railroad Retirees. The Economic Recovery Payment will be paid by the Social Security Administration, Department of Veterans Affairs and the Railroad Retirement Board.

Health Coverage Tax Credit. Credit increases from 65 percent to 80 percent of qualified health insurance premiums, and more people are eligible.

Buckhead Capital Management - Financial Perspective

Weak earnings reports and the new administration's effort to stimulate the economy and stabilize the financial system dominated the news in the first quarter. Congress passed, and the President signed, a $ 787 billion stimulus bill. The Treasury Department twice announced plans regarding bank toxic assets and the Federal Reserve expanded its plans to buy bonds in an effort to drive long-term rates lower. All of this government action led to considerable volatility in the stock market, but the net result was not favorable for investors. For the first quarter, the S&P 500 fell 11.0%, bringing its loss since the market's peak in October 2007 to 49%. However, larger companies fared better than smaller companies, as the Russell 2000 index fell 15.0%. The healthier balance sheets in the more technology oriented NASDAQ Composite Index helped it to fall only 2.8%. (All returns include reinvested dividends).

Once again, financial stocks led the market lower in the first quarter. Therefore, it was not surprising that value stocks performed worse than growth stocks. The S&P 500 / Citigroup Value Index fell 16.1% in the quarter while the S&P 500 / Citigroup Growth Index dropped only 6.2%. The best performing sectors in the S&P 500 were Information Technology (+4.3%), Materials (-2.1%), and Telecommunication (-7.1%), while the worst performing were Financials (-28.7%), Industrials (-20.8%), and Energy (-11.5%).

Following the strong rally at the end of 2008, the equity markets seemed positioned to at least hold their ground as the year opened. But with the new year underway, investors began to focus more on the negatives. In January, the International Monetary Fund reduced its outlook for world economic growth to 0.5%, the lowest growth rate since World War II. On February 10, the Treasury Secretary made a speech unveiling his plan to strengthen banks. The market reacted very negatively to the plan's lack of detail and dropped 22% over the next four weeks. At its low on March 9, the S&P was down almost 25% from the beginning of the year.

Then, the CEOs of Citigroup, Bank of America, and J.P. Morgan Chase commented that their results for the first two months of the year were positive. These comments were followed by the Federal Reserve's announcement that it planed to purchase up to $300 billion of longer-term Treasury securities in addition to increasing its total purchases of debt and mortgage-backed securities issued by government sponsored entities such as Fannie Mae and Freddie Mac. Finally, on March 23, the Treasury Department's announced details of its plan to get "toxic" assets off bank balance sheets through a "Public Private Partnership Investment Program". In response to this flurry of news, the S&P 500 rose 18.1% in the last three weeks of March.

Relative to the equity markets, the bond market was a model of stability in the first quarter. Government programs helped to stabilize the short-term debt market as the average commercial paper rate dropped below 1% and the inter-bank lending rate (Libor) dropped 20 basis points to 1.2%. While the Fed Funds target remained unchanged at 0 - .25%, the benchmark 10-year Treasury bond yield rose 50 basis points to 2.7%, resulting in a loss of 3.3% for an investor in those bonds. Despite the rise in the Treasury yield and continued high spreads (~ 6%), investment grade companies raised $212 billion in the quarter. Meanwhile, below-investment grade rated companies raised $10.2 billion at an average spread over Treasuries of 17% (down from 19% in January).

In addition to the monetary stimulus provided by the Federal Reserve, the Obama administration unveiled a budget that projected deficits of $1.8 trillion this fiscal year and $1.0 trillion in 2010 and 2011, increasing the ratio of publicly held federal debt to more than 60% of GDP over the next few years. This level of debt has not been seen since the early 1950s, following the massive increase in debt to finance World War II. Although the Federal Reserve has publicly announced its intention to drain the financial system of liquidity as the economy begins to recover, this transition will be fraught with both economic and political risk.

The 4% rise in the price of gold during the first quarter reflects concern that the massive amounts of financial and monetary stimulus being applied to the economy will inevitably lead to much higher levels of inflation and depreciation of the dollar. Despite these fears, the dollar rose 4% against a trade-weighted basket of currencies, reflecting its continued status as a "safe-haven" currency and its advantaged position as the world's reserve currency. The price of oil also rose (to $49.66), up 11% though still down more than 50% from its peak in mid 2008. However, most commodity prices continued to fall in the first quarter, with the Dow Jones-AIG Commodity Index losing 6.4%.

The rise in the equity markets over the last few weeks has certainly been encouraging. Given the quarter's strong reduction in 2009 corporate earnings expectations (from +22% to -7%), a rally on any relatively good news is not entirely surprising. Despite the recent rebound, however, we believe the economy and equity markets continue to face strong headwinds. The deleveraging of the economy is still in its early stages. While the Federal government seems determined to assume much of the private debt, the resulting unprecedented increase in U.S. government debt is not without risks in terms of both potential inflation, a weaker dollar, and higher interest rates.

Although we continue to focus on the preservation of capital, we are spending most of our time looking for those companies whose balance sheets and market positions will allow them to benefit from the opportunities offered by the current economic conditions. We are optimistic that those kinds of investments will produce attractive returns in the years to come. We appreciate your continued trust and welcome any questions you may have about your portfolio.

Inverness Counsel - Market Spin

During the last month or so, pundits have been talking increasingly about Spring and "green shoots". While some of the signals from the economy and financial markets seem to support this viewpoint, we would urge caution. If we had to belabor the analogy we might talk about late frosts. The unemployment rate which has been rising every month up through March when the unadjusted number hit 9.0%, (a high since the early 1980s) pulled back at the end of April to 8.6%. Unfortunately, this included new hires for the Census and did not include pending Automobile sector layoffs. The GDP declined 6.1% in Q1 2009 after falling 6.3% in Q4 2008 and after projections in the neighborhood of 7.0%. This represents a slowdown in the GDPs decline but not an end by any means. Pending home sales were up 3% in March for the second month in a row. While this does not reflect improved pricing, it does reflect a positive change in the number of contracts signed and the beginning stages of a clearing of inventories. Again, we add a cautionary note; banks have held off on putting a large number of homes into bankruptcy which they are now moving forward as they finish the process of refinancing the salvageable loans so they are now getting ready to add substantially to that inventory. Further, many of the buyers were not prospective occupants but rather opportunistic buyers who must either, turn around and rent them out at a profitable rate or eventually sell them. Home prices across the country continue to decline with home prices through February down 31% from the peak and the inventory of unsold homes at nearly 10 months (healthy conditions are 5-6 months).

Commercial real estate lending is likely to be the next trouble area for banks. Those properties are dependent on retail sales which increased two months in a row earlier this year but declined in March and April contrary to expectations. The numbers from previous periods keep revising downwards as well. An easing in financial reporting rules for banks along with a wider spread in the yield curve has aided a surprisingly strong earnings report from a number of financial institutions and the Institute of Supply Managers Index (which measures purchasing activity of manufacturing executives) also has increased for four consecutive months.

However, it is uncertain how easily this will be replicated in the following months as commercial loans begin to run into trouble and bankruptcies which were put on hold are processed. Finally, durable goods orders (goods built to last greater than 3 years) which had improved in February versus January, reversed direction in March. Inventory numbers suggest that this may be a problem for at least another quarter.

Other concerns include the ability of the government to hold off inflation without causing a jump in the interest rates as witnessed in a recent Treasury auction as well as the difficulty businesses may have getting loans from scared lenders following the harsh terms imposed on the senior secured lenders to the ailing automobile industry.

At Inverness Counsel, our equity portfolio construction remains fairly conservative. We continue to be largely underweight financials and overweight the more traditionally defensive sectors such as Consumer Staples. This allocation benefited portfolio relative performance through March. If the market were to continue to rise at some point such a posture would be a drag on performance as growth prospects improve. Nevertheless, we remain well diversified and have generally outperformed the market across most sectors.

In our stock selection process, we track nineteen economic and capital markets data points that we use as leading market indicators. While the indicators do not promise to signal bright green at the market's bottom, they do help to keep us from plunging fully into aggressive positions before improvement begins to emerge and for reasons less tangible than economic fundamentals (i.e. a false rally in stocks). On the latter, recall that since the bear market began in October, 2007 there have been six false rallies. The rallies are tempting, but we have been more able to resist with palpable economic evidence to the contrary. As these indicators support a stronger valuation of the growth prospects in the companies we are looking at, you will see us pick up and increase positions in those names.

The United States recession has now passed its 16th month and the bear market has now extracted $20 trillion from household wealth. Monetary and fiscal policy is working aggressively but no one initiative will be a panacea. Rest assured, though, that the economy will improve and growth will emerge. Spring will come to the economies around the world, though it may not arrive according to the traditional seasonal calendar.

Meet Inverness Counsel Inc. Investment Manager

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

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

Don't Forget To Visit Us !!!

www.hollywoodpolicepensionfund.com

Some Good News……

The Board of Trustees would like to report, that our fund was in the Top 1% over the last 3 & 5 year periods relative to the investment universe. We would like to thank all of our investment professionals for their commitment to our future.

Keep up the great work!

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Phone: 954.967.4395
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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.

In Closing….

In Memory -

The Board is saddened to announce the loss of **Ursula Lightle,** the widow of retired HPD member, Glenn Lightle.

We are also sad to report the loss of **Woodrow "Woody" Lyle**. As you may recall, Woody's wife Dorothea passed away earlier this year.

Please keep the Lightle & Lyle Families in your thoughts and prayers.

Death Notification

While this is not a topic we like to discuss, death is an inevitable reality. The Board of Trustees are charged with the duty to make certain that payments are being made to only those entitled to them. As such, upon the death of a retiree or beneficiary, the Board of Trustees should be notified as soon as possible. A benefit review will be undertaken and adjustments made based on the retiree's benefit selection.

Retired DROP Members

If you are a retired Drop Member who has been withdrawing from his/her Drop Account, you have until September 30th to notify this office of any change for the 2009 distribution year. If no such change is requested, you will receive the same amount as this year!

Social Security Benefits May Not Rise Next Year

For the first time in more than three decades, Social Security recipients may not get any increase in their benefits next year, federal forecasts show. The New York Times reports that absence of a cost-of-living adjustment, calculated under a formula set by law, will be a shock to older Americans already hit by plummeting home values, investment losses and rising health costs.

More than 50 million people receive Social Security. Beneficiaries have received automatic cost-of-living adjustments every year since 1975. The increase this year was 5.8 percent.

Source: Mr. Stephen Cypen