



Police Pension News

A Hollywood Police Officers' Retirement System Publication

QUARTERLY PENSION FUND SUMMARY

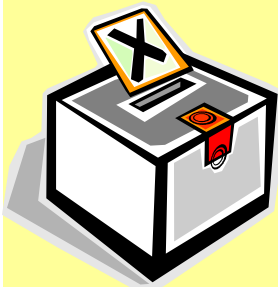
Issue 17

Date of Issue:

First Quarter 2006

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**Cathleen Marano,
Board Secretary &
Fred Okamoto,
Board Trustee
ask for your
continued support
as your elected
pension trustees**

On December 31, 2005, our fund had a total market value of \$175,349,000. For the quarter, the fund gained \$2,678,000.

For the quarter, the average allocation of our fund was 60.2% invested in stocks, 37.0% in bonds, and 2.8% 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 December 31, 2005, the total fund gained 1.56% (gross), beating our benchmark which was up 1.39%.

In the previous quarter, the fund gained 2.76%. After investment management expenses, for this quarter our fund net return was 1.46%.

For the current fiscal year to date (October 1, 2005 to December 31, 2005), Inverness' large cap stocks are up 1.91%, while Davis, Hamilton, & Jackson's

growth stocks are up 3.22%, Buckhead's value stocks are up 2.96% and Eagle's small cap stocks are up 1.41%. The S&P 500 index is up 2.09%.

For the fourth quarter of 2005, the best performing sector among US stocks was materials, which rose 10.56% and the worst was energy, which declined -7.73%.



Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 3.4% for the twelve months ended in December. In the fourth quarter, consumer prices declined at a seasonally adjusted annual rate of -1.6%.

The Producer Price Index (PPI) for finished goods rose 5.4% for twelve-month period ended in December.

The seasonally adjusted unemployment rate was 4.9% in December, compared to 5.1% in September.

Real Gross Domestic Product (GDP) rose at an annual rate of 4.1% (final) for the third quarter of 2005, compared with an increase of 3.3% (final) in the second quarter of 2005.

During the fourth quarter of 2005, the Federal Reserve Open Market Committee raised its target for the federal funds rate 50 basis points to 4.25%. 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.

Total Fund Summary

One Year

For the last year ending December 31, 2005, our fund gained 4.96%, beating its benchmark which was up 3.83%. Stocks are up 7.19%, while the benchmark is up 5.26%. Bonds are up 1.74%, while the benchmark is up 1.96%.

For the time period noted, Inverness' large cap stocks are up 7.98%, Davis, Hamilton, & Jackson's growth stocks are up 5.18%, Buckhead's value stocks are up 5.18% and Eagle's small cap stocks are up 8.08%. The S&P 500 index is up 4.91%.

Long Term

Since September 30, 1992, the fund has an average rate of return of 8.75% per year. For the last five years, the total fund has an average rate of return of 4.31% per year, which out-performed the overall combined stock and bond markets' 3.20% return. During that time, stocks averaged 2.54% and bonds averaged 6.17%, while their benchmarks averaged 0.31% and 5.80%. For the last three years, stocks had an average return of 14.74%, while bonds averaged 3.83%.

TOP
10
STOCKS

INVERNESS COUNSEL <i>Large Cap Core</i>	DAVIS, HAMILTON & JACKSON <i>Large Cap Growth</i>	EAGLE ASSET MANAGEMENT <i>Small Cap Core</i>	BUCKHEAD CAPITAL MANAGEMENT <i>Large Cap Value</i>
GE Procter & Gamble McDermott Int'l. PepsiCo Harris Alliant Techsystems Medtronic American Express ExxonMobil Roper Industries	Microsoft Procter & Gamble PepsiCo General Electric United Health Group American Express Schlumberger Sprint Nextel Medco Health Intel	FMC Technologies GTECH Holdings Amphenol PartnerRe Edwards Lifesciences Blackbaud ESCO Technologies Forward Air Respironics Ansys	Altria Group J.P. Morgan Chase Home Depot Microsoft First Data AIG NY Community Bank Sealed Air AT&T Automatic Data

PENSION OFFICE — OPEN FOR BUSINESS

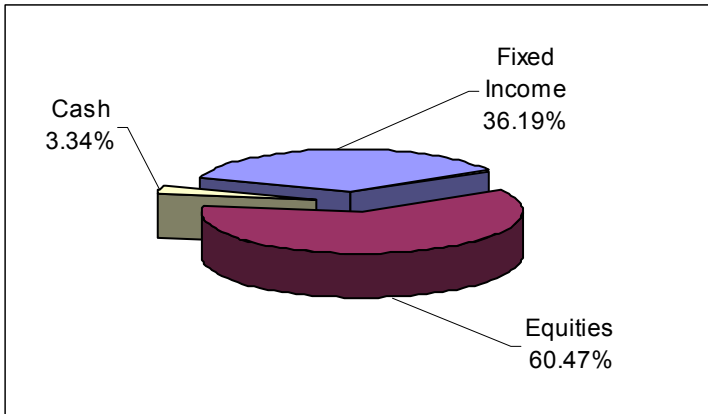
The Board of Trustees would like to announce that we have open shop at the SE Network Center. Located at 1511 South Federal Highway, members are now encouraged to drop by and say hello! The old telephone and fax numbers have been reactivated, to include our toll free line. Our mailing address will remain the same, but inter-office correspondence may now be sent accordingly. (see page 8 for particulars).



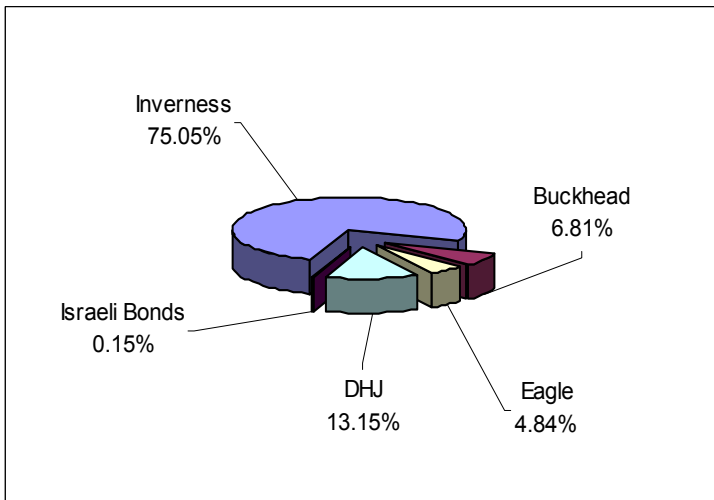
The credit union is still in shambles, but at this point it is our intent to move back there when the reconstruction effort is complete.

The Board would like to say “Thank You” to Chief Scarberry and his Staff for making this temporary measure happen. Special “thanks” also goes to Captain Mark May, for allowing us the use of his office. (Sorry about the coffee stains on your carpet Just Kidding!).

Plan Asset Allocation as of December 31, 2005

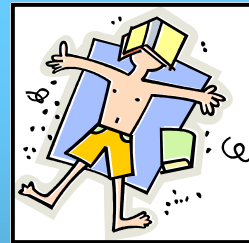


Division of Assets by Manager as of December 31, 2005



Did You Know ????

Pension earnings for any year shall be the sum of the following amounts actually paid to a member in that year: salary; overtime pay; longevity pay; assignment pay; payments for holiday time; annual "cash-out" payments for vacation time; payments for blood time; and payments for compensatory time. *Earnings shall not include payments for unused sick time or for unused vacation time which is paid upon retirement (Drop) or termination.*



Retiree Corner

Congratulations to our latest Retiree

Shawn O'Connor 1-31-2006

Welcome New Pension Members!



Desiree Daniels

01-24-06

Levar Greene

01-24-06

Donald Hanson

11-09-2005

Beverly Perez

11-09-2005

Cherie Stetkar

01-24-06

Michael Wright

01-24-06

STOCK SPOTLIGHT

Caterpillar (Ticker = CAT)

Sector: Industrials

Industry: Construction and Farm Equipment

Market Capitalization: \$46.5 Billion

Heavy duty tractors, trucks and engines

Caterpillar manufactures heavy duty construction, mining, agricultural, and forestry machinery. The company is benefiting from strong mid-cycle demand for its products driven by global growth in the mining, energy, and infrastructure end markets. High commodity prices for crude oil and growing demand for coal are leading to increased demand from these industries for Caterpillar's products. Commercial construction, highway spending, and emerging market infrastructure build-out are all supportive of continued revenue growth.

Average cost in Hollywood Police Portfolio: \$56.64 per share, currently trading at \$68.39.

Sherwin-Williams (Ticker = SHW)

Sector: Consumer Discretionary

Industry: Retail-Home Improvement

Market Capitalization: \$7.3 Billion

The Sherwin-Williams Company manufactures and distributes paint, varnish, automotive coatings and related products under the Sherwin-Williams, Duron, Pratt & Lambert, Dutch Boy, Minwax, Martin-Senour, Thompson's, and Krylon brands. The company claims 18% of the North American paint and coatings market with operations that serve a wide array of customers, including government, builders, retail consumers and original equipment manufacturers. The financial strength of the company is strong and the company continues to buy back stock and increase its dividend payment to shareholders.

Average cost in the Hollywood Police portfolio: \$34.09 per share, currently trading at \$52.50.

Veritas DGC, Inc.(Ticker = VTS)

Sector: Energy

Industry: Services

Market Cap: 1.6 Billion

Comments: Provides geophysical information and services for the national and independent oil and gas companies worldwide. It acquires, processes, interprets, and markets geophysical information that provides 2D and 3D images of the subsurface. The company also produces 4D surveys, which record fluid movement in the reservoir, by repeating specific 3D surveys over time. In addition, it uses geophysical data for reservoir characterization to enable its customers to recover oil and natural gas.

Average cost in Hollywood Portfolio: \$37.25 currently trading at \$42.50

POLICY/PLAN PROVISIONS TRUMP MARITAL SETTLEMENT

At the time of dissolution of their marriage, Mr. and Mrs. Smith entered into a marital settlement agreement, containing provisions relating to equitable distribution of certain of their assets, and containing a general release of claims. At the time, each party was named insured on certain life insurance policies having no present cash value, certain retirement plans, joint bank accounts and other financial accounts for which one spouse was designated primary beneficiary in the event of death of the other. The agreement identified the insurance policies in dispute, as well as various retirement plans, and indicated that Mr. Smith shall receive as his own, and the wife shall have no further rights or responsibilities regarding, such assets. The agreement, however, made no mention of the proceeds or death benefits of the policies or plans.

Mr. Smith died, never having taken steps necessary to accomplish a change of beneficiary on the disputed policies and retirement plans in the manner required by the insurance companies and plan administrators -- even though he was clearly authorized to effect a change of beneficiary. (In fact, he even acquired some change of beneficiary forms, but never executed or filed them.) In the dispute between Mrs. Smith and her late husband's estate that naturally followed, the trial court gave effect to the marital settlement agreement and general release language, holding that Mrs. Smith had waived her right to the disputed funds. On appeal, however, the district court of appeal reversed. The Florida Supreme Court has held that without specific reference in a property settlement agreement to life insurance proceeds or proceeds of retirement plans, the beneficiary is determined by looking only to the insurance contract or retirement plan.

While it may be possible in a marital settlement agreement to waive one's right as a beneficiary, that waiver can only be accomplished if the waiving party specifically gives up his or her rights to the "proceeds" or the "benefits." Otherwise, one must look only to the beneficiary designation on file with the insurer or retirement plan administrator. Here, the late Mr. Smith did just what he needed to ensure that the proceeds would go to Mrs. Smith -- he did nothing. He had 18 months to execute a change of beneficiary form, but for whatever reason, he did not do so. Therefore, Mrs. Smith is entitled to proceeds of the life insurance policies and the retirement plans. Lesson learned: Do what you have to do today, because tomorrow may be too late. *Smith v. Smith*, 30 Fla. L. Weekly D2845 (Fla. 5th DCA, December 16, 2005). *Thanks to Steve Cypen for this legal update.*

The Board of Trustees congratulates our most recent

Certified Public Pension Trustee !!

Fred Okamoto, CPPT



Fred was recently awarded the CPPT "Certified Public Pension Trustee" certification through the Florida Public Pension Trustees Association. Fred proudly joins the ranks of past and present Board Members who attained this distinction.

The CPPT certificate is awarded by attending educational seminars and conferences, and includes in *depth examinations* on the material. The educational material includes such topics as Asset Allocation, Capital Markets Stocks/Bonds, Fiduciary Responsibilities, Economics, Pension Fundamentals, Performance Reporting, Legal Issues and other Public Pension Business.

Great Job Fred!

Over 22,000 Hits & Counting

Don't Forget To Visit Us !!!

www.hollywoodpolicepensionfund.com

THE BOARD OF TRUSTEES

David Strauss, Chairman

Cathy Marano, Secretary

Richard Brickman, Trustee

Larry Wiener, Trustee

John Barbuto, Trustee

Steven Diefenbacher, Trustee

Fred Okamoto, Trustee

Temporary Mailing Address

11985 Southern Blvd., #322

Royal Palm Beach, Florida 33411

Phone: 954.967.4395

Out of town? - Please Call Toll Free: 866.738.4776

Fax: 954.967.4387

Email: info@hollywoodpolicepensionfund.com

Attention Active Members!



If you have never completed a beneficiary form or the one on file is outdated, please fill one out today. If you had a major life change that would cause you to change your beneficiary, please update your pension file by completing a new form today. Take the time to protect your loved ones.

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 - Charlotte McNulty

The Board of Trustees extends their condolences & sympathy to the McNulty Family for the loss of Charlotte McNulty. Charlotte was the widow of HPD retiree Arthur McNulty. Arthur retired from the HPD in 1975 and predeceased Charlotte, in 1991.

Notice of Board Election

Two board positions will be open in March 2006. *Cathleen Marano* and *Fred Okamoto* are seeking re-election. Self nominations by phone for Board Trustee will be accepted at the pension office beginning February 27, 2006 at 9 AM to March 3, 2006 at 9 AM.

If warranted, the election will begin March 6, 2006 at 9 AM and close on March 10, 2006 at 9 AM. Ballots will be counted at the close of the election in the first floor classroom.

Supplemental Distribution

The Board of Trustees are pleased to announce that a supplemental distribution will be made this year.



The distribution is based in part, by the *liability of the retiree's portion of the system*. The liability amount is determined by our Actuary.

Notification was mailed to each retiree on January 24, 2006. If you have not received your distribution packet, kindly call the office as soon as possible. Distributions are set for April 1, 2006.

Audit Report

On January 27, 2006, the Board of Trustees received the results from an *independent* audit.

Mr. Don Bellantoni of Koch, Reiss and Company had a clean & unqualified opinion of the plan. *This is the highest recommendation that can be given*. Mr. Bellantoni reported that the financial

statements presented fairly in all material respects and were in conformity with accounting principles accepted in the United States.

The Board thanked Ms. Elisabeth Capota and Mr. Bellantoni for their efforts.

Ponder This One!



The End... so to speak!