



# Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 15

Date of Issue:

Third Quarter 2005

### Inside this issue:

Total Fund Summary	2
Top Ten Stocks	2
2006 Board Meetings	4
Physiological Challenges	6
Manager's Review	8
Ready for Retirement?	9
Odds and Ends	10



## RETIRED DROP MEMBERS

If you are a retired Drop Member who has been withdrawing from his/her Drop Account(s), you have until September 30th to notify this office of any change for the 2006 distribution year.

## QUARTERLY PENSION FUND SUMMARY

On June 30, 2005, our fund had a total market value of \$167,505,000. For the quarter, the fund gained \$2,217,000.

For the quarter, the average allocation of our fund was 58.4% invested in stocks, 35.4% in bonds, and 6.2% 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 June 30<sup>th</sup>, the total fund gained 1.35% (gross). In the previous quarter, the fund lost -0.78%.

For the second quarter of 2005, the best performing sector among US stocks was utilities, which rose 8.35%.

The worst performing sector was materials, which declined -9.97%.



Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 2.5% for the twelve months ended in June. In the second quarter, consumer prices rose at a seasonally adjusted annual rate of 1.9%. The Producer Price Index (PPI) for finished goods rose 3.6% for twelve-month period ended in June.

The unemployment rate was 5.0% in June, compared to 5.2% in March.

Real Gross Domestic Product (GDP) rose at an annual rate of 3.8% (final) for the first quarter of 2005, compared with an increase of 3.8% (final) in the fourth quarter of 2004. During the second quarter of 2005, the Federal Reserve Open Market Committee raised its target for the federal funds rate 25 basis points to 3.00%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

*Readers note: Not enough investment details for you? No problem, you may also view complete investment reports on-line at the pension website.*

*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 fiscal year to date our fund gained 6.27%, while its benchmark is up 6.30%. Stocks are up 8.88%, while the benchmark is up 9.20%. Bonds are up 2.61%, while the benchmark is up 2.79%. For the fiscal year to date Inverness' large cap stocks are up 7.35%, Davis, Hamilton, & Jackson's growth stocks are up 9.32%, Buckhead's value stocks are up 11.47% and Eagle's small cap stocks are up 14.88%. The S&P 500 index is up 8.35%. For the year ending June 30, 2005, Inverness' large cap stocks were up 5.29%, Davis, Hamilton, & Jackson's growth stocks were up 3.94%, Buckhead's value stocks were up 10.37%, and Eagle's small cap stocks were up 13.28%. The S&P 500 index was up 6.32%.

**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 2.37% per year, compared to the overall combined stock and bond markets' 2.64% return. During that time, our stocks averaged -1.85% and bonds averaged 7.72%, while their benchmarks averaged -1.87% and 7.29%. For the last three years, stocks had an average return of 7.91%, while bonds averaged 6.16%.

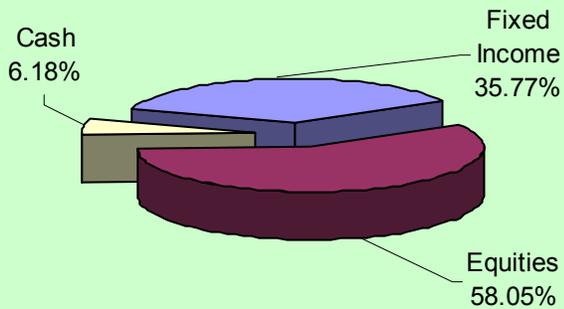
TOP 10 STOCKS

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	Bank of America	Alamosa Holdings	ConocoPhillips
Devon Energy	Johnson & Johnson	FMC Technologies	Sungard Data
Exxon Mobil	General Electric	Amphenol Corp.	Altria Group
Procter & Gamble	Wyeth	Esco	J.P. Morgan Chase
PepsiCo	Dell	Ansys	Microsoft
American Express	CVS	Ametek	Oracle
Walt Disney	Pepsico	Gaylord Entertainment	First Data
Honeywell	Microsoft	Chicago Bridge	SBC
Alliant Techsystems	Lockheed	Unit Corp.	Allied Waste
Johnson & Johnson	Franklin Resources	Gray Television	NY Community Bank

# Hollywood Flash Back 1926



### Plan Asset Allocation as of June 30, 2005

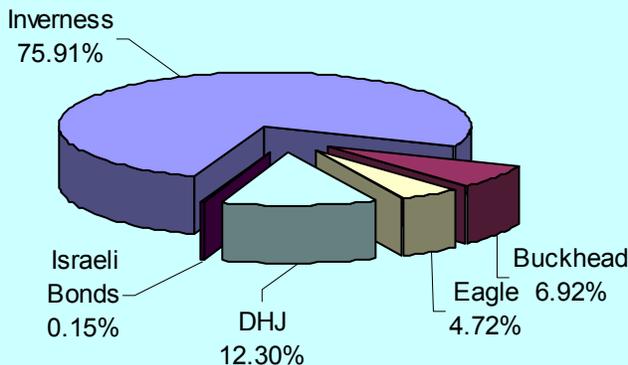


### REMINDER

### DROP WINDOW PERIOD

The next opportunity for Drop Members to switch from either the fixed rate of return or the variable rate of return will be August 1-31<sup>st</sup> for the October 1 Quarter .

### Division of Assets by Investment Manager as of June 30, 2005



## Retiree Corner



*No new Retirements or Drops to announce!*

# PUBLIC NOTICE

## THE CITY OF HOLLYWOOD POLICE OFFICERS' RETIREMENT SYSTEM BOARD OF TRUSTEES WILL BE MEETING

**January 27, 2006**

**February 17, 2006**

**March 17, 2006**

**April 28, 2006**

**May 19, 2006**

**June 23, 2006**

**July 28, 2006**

**August 18, 2006**

**September 29, 2006**

**October 27, 2006**

**November 17, 2006**

**December 15, 2006**

LOCATION: 4205 HOLLYWOOD BLVD., SUITE 4  
HOLLYWOOD, FLORIDA  
TIME: 10:30 A.M.

***Dates and times are subject to change call to verify meeting***

IF ANY PERSON DECIDES TO APPEAL ANY DECISION MADE BY THE BOARD WITH RESPECT TO ANY MATTER CONSIDERED AT SUCH MEETING OR HEARING, THEY WILL NEED A RECORD OF THE PROCEEDINGS, AND FOR SUCH PURPOSE, THEY WILL NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDINGS IS MADE, WHICH RECORD INCLUDES THE TESTIMONY AND EVIDENCE WHICH THE APPEAL IS TO BE BASED.

THIS MEETING MAY BE CONDUCTED BY MEANS OF OR IN CONJUNCTION WITH COMMUNICATION MEDIA TECHNOLOGY, THE TYPE BEING A SPEAKER TELEPHONE. THE ACCESS POINT WILL BE THE SECOND FLOOR POLICE PENSION CONFERENCE ROOM, WITHIN THE SUN CREDIT UNION BUILDING.

PERSONS WITH DISABILITIES WHO REQUIRE REASONABLE ACCOMMODATION TO PARTICIPATE IN CITY PROGRAMS AND/OR SERVICES MAY CALL THE OFFICE OF THE CITY MANAGER THREE BUSINESS DAYS IN ADVANCE AT 954-921-3201 (VOICE). IF AN INDIVIDUAL IS HEARING OR SPEECH IMPAIRED, PLEASE CALL 800-955-8771 (V-TDD).

## Retirement Ordinance Upheld



As recently reported in the Miami Herald, a group of retired Coral Gables police officers and firefighters lost a long legal battle with the city last week, when a circuit court judge ruled that the city could leave out accrued sick and vacation time when calculating retirement benefits.

If the city had lost, it would have had to pay out \$16 to \$18 million in retirement benefits retroactively to 1989.

"It's a huge burden lifted off the city's shoulders," City Manager David Brown said.

The class-action lawsuit, filed in 1999, claimed that the city could not modify the definition of "total earnings" in an ordinance to exclude accrued and annual sick leave from the formula that determined retirement benefits.

But the city, represented by Akerman Senterfitt, said it had never counted accrued time for pension benefits and that it was instructed to clarify that point in city code.

"We were asked by the State of Florida retirement system to make sure that our ordinance either represented our practice or that our practice represented the ordinance," Brown said.

"We had always, since day one, never included the lump sum payout of sick and annual leave," Brown said, adding that police and firefighters unions negotiate a number of hours that do count into every contract.

"We bargain every year over what is included, but the remainder of those two lump-sum payouts has never been included," Brown said.

Michael Chickillo, president of the firefighters union, agrees: "That's how we always understood it to be."

The two lead plaintiffs are former police officer George Chieffi and Peter Cuspilich, a former firefighter and member of the city's retirement board.

Neither could be reached for comment. Their lawyers were also out of the office Friday and could not be reached.

In the decision announced Wednesday, Judge Jerald Bagley noted that the retirees "failed to show that they possessed a substantive right to have their accrued and annual and sick leave calculated in their retirement benefits."

Because the plaintiffs did not have a vested right, the judge could not find the ordinance unconstitutional.

He also wrote scathing remarks about Gables Assistant Finance Director Adolfo Sansores, who was questioned for many hours on the stand.

"Astonishingly, Mr. Sansores testimony clearly showed his lack of knowledge" of his duties and the code, Bagley wrote.

Gables Finance Director Don Nelson declined to give the Herald his own opinion on Sansores' job performance, but said he was concerned with the judge's statements.

"There were a lot of questions he couldn't answer that apparently he should have known and answered very clearly," Nelson said. "His work is going to be reviewed."

The city manager said he, too, would talk to Sansores about the judge's comments.

## *Am I Prepared for the Psychological Challenges of Retirement?*

Over the span of working years, employers fill many important needs for their employees.

### **Belonging**

An employer or an organization provides its employees with membership in groups-- work groups, teams, committees, departments--and it provides them with colleagues. Each person is a part of the whole and each person has a sense of belonging. What other groups can be found to provide a sense of belonging in the retirement years?

### **Socialization**

Organizations provide individuals with opportunities for socialization--contact with fellow workers, colleagues, employees of other local governments, and even with friends. When the reality of the work group is cut off by retirement, either the person's existing socialization patterns must be maintained or new ones must be acquired. What other groups can be found to provide opportunities for socialization in the retirement years?

### **Use of Time**

Organizations provide individuals with schedules and routine to their lives--time to rise, time to go to work, time for staff meeting, time for lunch, time for monthly report, time to leave work--they provide a routine of comfort and stability. At retirement, the control of all twenty-four hours in the day is returned to the individual who then faces the task of rearranging ways to use time that generate energy and expend it toward rewarding goals. What activities and interests can be found or rediscovered that are stimulating and satisfying and will provide purposeful consumption of time in the retirement years?

### **Goals**

Organizations provide goals and tasks to be performed, even long range personal goals such as earning a living, supporting

a family, buying a home, educating children, and gaining financial security are tied to the meeting of organizational goals. After an individual retires from a work organization, they are free to create goals that are self-rewarding rather than organizationally rewarding. What personal goals (either short or long term) can be pursued to produce a joy in living during the retirement years?



### **Achievement**

Opportunities for achievement are usually offered in one's work organization. They may be opportunities for external recognition, or they may simply allow an individual to feel personal satisfaction and pride in accomplishment. At retirement, the work structure is no longer there to provide opportunities for achievement and the motivation for achievement must come from within the retiree. What opportunities for personal achievement can be developed to make the retirement years satisfying?

### **Positive Role Image**

A work career helps to underscore the image of one's role(s) in life: he/she is a . . . his/her responsibilities are . . . For many people, their role images are affected by their career. People who are separated by a work career because of retirement may feel uncertain about their values as perceived by others.

What current activities can be pursued to provide a positive role image during the retirement years?

### **Power and Influence**

No matter how small the amount of power and influence that is possessed, giving it up at retirement can be difficult. The transition of power and influence, in whatever degree it exists, is important in the passage to retirement. The transition should be one of shifting focus--from external to internal.

**External power is** that exerted by an individual at work. His or her use of that power is subject to and must respond to outer forces--the other powers in the organization.

**Internal power is** that exerted by people who create for themselves an active and self-rewarding life and, in that process, gain control over it and themselves.

### **Plan Now**

#### **Reasons for Planning**

In the early 1900's, two out of three men past 65 worked for a living. Today, only one in five does. Retirement is a time of change that differs from other transitions in one's life. People devote much effort to preparing themselves for entering work life. They must prepare to enter retirement if they are to successfully leave work life for a new stage. Planning is essential to maintain your life style and to continue to fulfill the basic human needs that are either fully or partially satisfied by your work.

#### **Hazards of Not Planning**

- Failure to have a good financial program.
- Difficulty with adjustments in roles and attitudes.
- Lack of a base of interests and outlets.
- Feelings of uselessness and lowered self-esteem.

## STOCK SPOTLIGHT



### Dean Foods (Ticker =DF )

Sector: Consumer Staples - Industry: Packaged Foods/ Meats

Market Capitalization: \$5.4Billion

Comments: Dean Foods is a food and beverage company primarily processing and distributing milk and various other dairy and related products which it markets and distributes under the names of Horizon Organic, Silk Soy Milk, International Delight Coffee Creamers, Marie's refrigerated dips and dressings, and Hershey's Milk and Milkshakes. It also sells and distributes cheese and butter under various names. DF's primary commodity cost input, the price of milk, reversed course this year and has proven to be a tailwind instead of a headwind. Furthermore, the company engineered the spin-off of a \$700 million pickle and Non- Dairy creamer food business named Tree House and has created additional shareholder value. Dean's White Wave division, comprising the Silk and Horizon Organic brands, continues to post strong numbers. We are anticipating the spin-off of White Wave foods to be announced perhaps as early as late 2005. Dean's Stock price has appreciated 26% during the first half of 2005 and we expect management to continue to look for opportunities to unlock additional shareholder value. Potential risks include exposure to possible increases in processing, refrigeration and transportation costs as a result of higher oil prices.

*Average Cost in Hollywood Police Portfolio: \$31.00 per share, currently trading at \$36.00.*

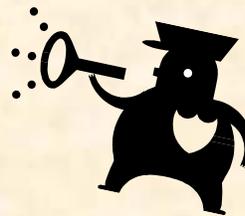
### St. Jude Medical (Ticker = STJ)

Sector: Health Care

Industry: Medical Devices

Market Capitalization: \$16.2 Billion

Cardiovascular medical devices



This company serves patients and its health care customers with products and services including heart valves, cardiac rhythm management systems, specialty catheters, and other cardiovascular devices. Steady growth in the number of cardiovascular procedures performed will continue to drive sales of St. Jude's products. As a result of a recent product recall by a major competitor, St. Jude stands to pick up significant ICD market share.

*Average Cost in Hollywood Police Portfolio: \$35.14 per share, currently trading at \$44.15.*

### ESCO Technologies (Ticker: ESE)

Sector: Industrial Goods

Industry: Pollution and Treatment

Market Cap: 1.33 Billion



Comments: produces engineered products and systems for industrial and commercial applications. The stock traded up on the news of a large contract win from PG&E Corp for the next phase of PG&E's automatic meter reading technology deployment. We believe earnings growth rates could accelerate for the next few years.

*Average cost in Hollywood Police portfolio: \$46.98, currently trading at \$104.70*

## Welcome



## New Pension Members!

*Julie Graziani*

*Yasmanny Ruiz*

**June 22, 2005**

*Robert Gianino*

**June 28, 2005**

## SMALL CAP – PORTFOLIO REVIEW

During the second quarter, Eagle Small Core portfolio slightly trailed the Russell 2000 Index on a relative basis, up 3.84% versus 4.41%. Year-to-date, portfolios returned 0.38%, ahead of the Index which was down -1.17%

Our weighted average market cap is \$1,714 million compared to \$984 million for the index. Last year we began a gradual shift into slightly larger stocks within our discipline, because we believe this move would prove beneficial in the current environment. This shift has paid off so far this year as size has mattered. The largest stocks in our portfolios and in the index have held up best. Micro-caps in the Russell 2000 Index, which were last year's winners, have had paltry returns thus far in 2005.



Growth stocks continue to appear very cheap on a historical basis when compared to value. Historical comparisons of price-to-earnings, price-to-book, price-to-sales and P/E-to-growth of the two indices all show the Russell 2000 Growth is below its long-term averages when compared to the

Russell 2000 Value Index by as much as 20%-30%. We believe our slight growth bias will help us going forward as we expect growth stocks to regain some of that ground in the future.

Our top-performing sector on a relative basis for the first quarter was industrials, led by machinery stocks ESCO and Actuate, and commercial services stock Corporate Executive Board Corp. In addition, we had solid returns in the consumer discretionary space. Our top picks were hotels & leisure stocks GTECH Holdings, Gaylord Entertainment and Scientific Games, and specialty retailer Advance Auto Parts.

While we participated in the broad based small-cap rally during the second quarter with positive absolute returns, we had no exposure to the two best performing groups in the index, real estate and utilities. Real estate accounted for 102 of the 441 basis points of returns in the Russell 2000 during the quarter. Since we do not invest in real estate, we were left with a below-market weight in financials, the top-contributing sector in the index. We also underperformed the index in health care, most notably in the electronic equipment & instruments industry. Our worst performing stocks in the sector were Gen-Probe, Inamed and Dionex.

## Manager's Spin - Robert Maddock, Inverness Counsel

The cumulative impact of Federal Reserve short rate tightening along with oil price increases has been to slow the economy. As a result, long interest rates have declined along with inflation concerns in the market.

The equity and the bond markets reacted positively to the reduced rates at the long end of the yield curve. We remain watchful on the question of inflation. High commodity and real estate costs were major contributors to the 1970's stagflation.

Oil shows no sign of dropping in the near future as demand continues to grow around the world and supply shows signs of being strained to capacity. We view oil services as an area in the energy sector with more potential for return.



## Ready For Retirement?



By KIM HOEY

Special to The News Journal

Robin Gibbs, 31, hasn't started saving anything for retirement.

The school bus driver from Milford says she has too many expenses that need to be covered. Asked when she should start saving for her golden years, her answer was "now." But she admits she probably won't.

"I haven't even started thinking about it," she says.

Americans are living longer and have active lives. Unfortunately, most workers don't take that into account when they plan for retirement, experts say.

"I'd say that one in 10 people I see realize what they'll need to retire," says Richard D. Modell, a financial planning adviser with AIG Valic in Wilmington.

According to a survey by Fidelity Investments, the average American household has saved only \$18,750 for retirement. About 16 percent of workers haven't saved anything for retirement.

Many workers assume they can live on less when they retire, particularly if they've paid off their mortgage. But those workers might not be taking into account the huge toll that health-care expenses can have on their savings.

"You need to consider what benefits you'll have," says Michael Johnson, a financial planner and owner of Peninsula Financial Group in Georgetown.

He has one client with a \$1.5 million retirement fund who can't retire yet because

he'd lose his health coverage and he has health issues.

A study by Hewitt Associates, a human resources consulting firm, found that retirees who aren't covered by their former employers' health-care plans might spend 20 percent to 40 percent of their retirement income on health care.

"I think it's going to continue to get worse," says Johnson, adding that many large Delaware corporations are dropping health coverage from early retirement packages while others are passing more costs on to retirees.

Johnson, 52, says he plans to follow in the footsteps of his father, who at age 80 still prepares taxes for a living.

"It keeps him sharp," Johnson says. "I hope to never retire."

*USA Today contributed to this article.*

## Retirement Confirmations

Our annual confirmation of retirement affidavit is on the way. This is an integral part of our audit process. Please take the time to properly complete and return to the *Office of Retirement* in the prescribed time.

## Survey Says.....

First of foremost, the Board of Trustees would like to thank all of our retirees and Drop Members who took the time to complete and return the recent pension survey.



The survey is conducted annually by our plan administrator. Members are given a series of relevant pension questions to gauge their level of satisfaction.

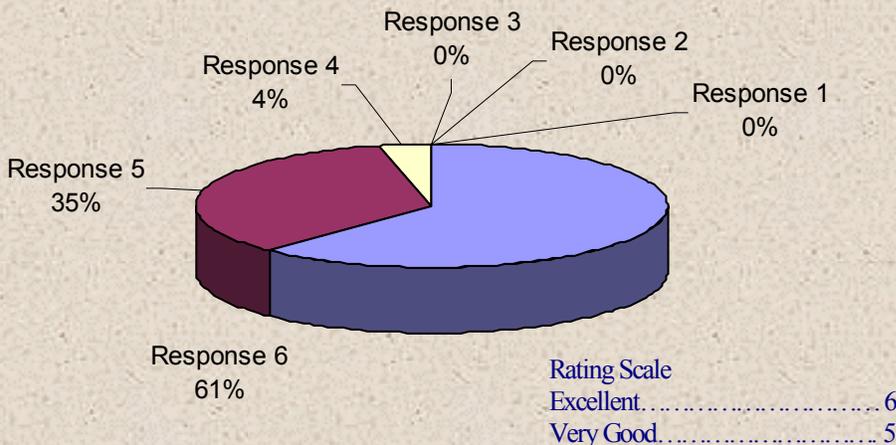
One such question addresses the member's perspective regarding this publication.

The pension newsletter received an overall rating approval of 96%, (*Rated Very Good to Excellent*).

The Board appreciates the level of confidence and the continued support by our members.

The entire survey may be viewed on-line on the announcements page.

How would you rate the pension newsletter?



Don't Forget To Visit Us !!!

[www.hollywoodpolicepensionfund.com](http://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

#### Office of Retirement

4205 Hollywood Blvd., Suite 4

Phone: 954.967.4395

Out of town? - Please Call Toll Free: 866.738.4776

Fax: 954.967.4387

Email: [info@hollywoodpolicepensionfund.com](mailto:info@hollywoodpolicepensionfund.com)



#### 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

### Twenty Thousand and Counting...

The Board of Trustees proudly announces that our web site has exceeded the 20,000 mark. Dave Williams, our *Plan Administrator* has also reported that members are using the on-line forms more often. Dave also reported a recent influx of members signing up for internet access for their Share Accounts.

*Remember, we are only a click away @ [hollywoodpolicepensionfund.com](http://hollywoodpolicepensionfund.com)*

### Share Account Update

The share distribution for this year is expected to be posted to your account on or about September 1, 2005. Members who just came off probation should keep in mind that credit (during probation time) will not be given to you for this share plan year unless you buy back your time. If you have questions, or wish to discuss further, please contact our office.

### 457 Questions?

This office handles issues relating to the police retirement system. Any questions concerning your 457 account should be referred to the account representative for the company who holds your assets, or you may call upon Rosa Schumack at 954.921.3074 @ City Hall.

### Schedule Magnets

If you have not received yours call the our office today!



### Open Door



*Have to update your beneficiary form? Have a question about our plan? Notify us of a change of address?*

Whatever the reason, your Board of Trustees want you to know that you are always welcomed! Call the office today for an appointment.

### Direct Deposit

Thinking about changing your bank? There is absolutely no problem when it comes to your direct deposit. Members wishing to change are asked to keep this in mind. As long as we are notified via a updated HPD direct deposit form by the 15th of the month, your retirement payment can be made into your new bank.