Police Pension News

A Hollywood Police Officers' Retirement System Publication

Issue 23

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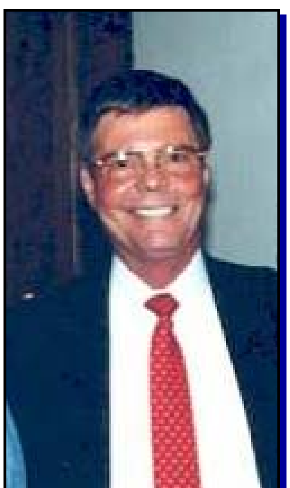
Inside this issue:



In Memory of Chief Richard Witt 1936– 2007

QUARTERLY PENSION FUND SUMMARY

On June 30, 2007 our fund had a total market value of $206,359,000.

For the quarter our fund gained a stellar $9,295,000.

For the quarter our total fund gained 4.73% (net), while beating our bench-mark which was up 3.13%. In the previous quarter the fund gained 2.37%.

For the trailing year, our fund gained 15.26% (net), while again beating our benchmark which was up 13.48%.

For the same time period, our stocks are up 22.77%, while our benchmark was up 20.18%.

Inverness' large cap stocks are up 25.47%, Davis, Hamilton & Jackson's growth stocks are up 14.04%, Buckhead's value stocks are up 19.45% and Eagle's small cap stocks are up 23.82%. The S&P 500 stock index was up 20.59%. Bonds are up 5.98%, while the benchmark was up 5.89%.

For the quarter the average allocation of our fund was 60.3% invested in stocks, 34.9% in bonds, and 4.8% 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 second quarter of 2007 the best performing sector among US stocks was energy, which rose 14.32% and the worst was utilities, which fell -1.11%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) rose 2.7% for the twelve months ended in June. In the second quarter, consumer prices rose at a seasonally adjusted annual rate of 5.2%. The Producer Price Index (PPI) for finished goods rose 3.3% for twelve-month period ended in June.

The seasonally adjusted un-employment rate was 4.5% in June compared to 4.4% in March. Real Gross Domestic Product (GDP) rose at an an-nual rate of 0.7% (final) for the first quarter of 2007, com-pared with an increase of 2.5% (final) in the fourth quarter of 2006.

During the second quarter of 2007 the Federal Reserve Open Market Committee kept its target for the federal funds rate at 5.25%. The federal funds rate is the interest rate that banks charge each other for overnight loans.

Total Fund Summary

FISCAL YEAR

For the fiscal year to date our fund gained 11.02% (net), while our benchmark was up 8.74%. Stocks are up 17.51%, while our benchmark was up 14.42%. Bonds are up 2.44%, while our benchmark was up 2.26%. For the fiscal year to date Inverness' large cap stocks are up 18.68%, Davis, Hamilton, & Jackson's growth stocks are up 11.71%, Buckhead's value stocks are up 13.84% and Eagle's small cap stocks are up 24.18%. The S&P 500 index is up 14.12%.

LONG TERM

Since September 30, 1992 our fund has an average rate of return of 8.73% (net) per year. For the last five years the total fund has an average rate of return of 8.34% (net) per year, which out-performed the overall combined stock and bond markets' 8.26% return. During that time stocks averaged 11.48% and bonds averaged 4.76%, while their benchmarks averaged 11.19% and 4.42%. For the last three years stocks had an average return of 13.34%, while bonds averaged 3.66%.

TOP 10 STOCKS

INVERNESS COUNSEL *Large Cap Core*	**DAVIS, HAMILTON & JACKSON** *Large Cap Growth*	**EAGLE ASSET MANAGEMENT** *Small Cap Core*	**BUCKHEAD CAPITAL MANAGEMENT** *Large Cap Value*
National Oilwell Varco	GE	Ansys	ExxonMobil
McDermott Intl.	Microsoft	KKR Financial	Chevron
Schlumberger	Walt Disney	CommScope	Tyco Intl.
Alliant Techsystems	Oracle	Oceaneering Intl.	AT&T
DENTSPLY Intl.	AIG	Genlyte Group	GE
Fortune Brands	Danaher	Columbus McKinnon	Quest Diagnostics
Cisco	Cisco	General Communications	NY Comm. Bank
Roper	Air Products & Chemical	HIS	Pfizer
American Express	Apache	Belo (BLC)	Amdocs
GE	Monsanto	UAP Holding	Automatic Data

Retiree Corner

Congratulations to our latest

DROP Members

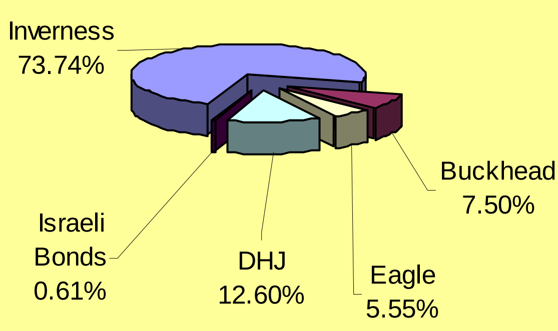
No new DROP members during this reporting period…..

Congratulations to our latest Retirees

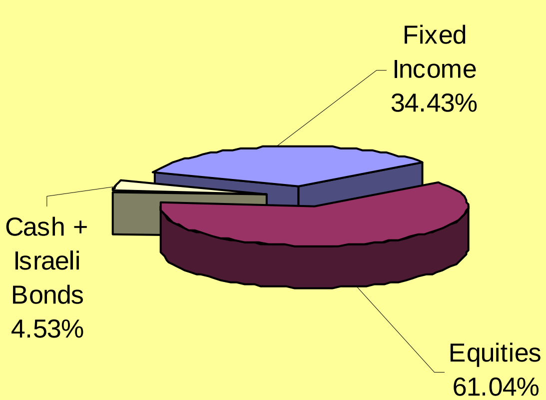
Paul Yancey	*05-27-07*
Tom Dandelet	*05-30-07*
John Depinho	*06-30-07*

Division of Assets by Manager

as of June 30, 2007



Plan Asset Allocation as of June 30, 2007



RETIREMENT COUNTDOWN:

The Chicago Sun-Times says determining how much money you need for retirement is a highly personal and complex decision. It depends on a number of factors, including the retirement lifestyle you desire, your target retirement age and your life expectancy. While the general rule is that you need 70% of your pre-retirement income to retire comfortably, many accountants suggest 80% or higher as a more reliable figure, especially considering rising health care costs and increased longevity. Take time to think through your responses to the following questions to help prepare yourself for the realities of retirement:

1. **How do you define retirement?** For some, retirement means completely leaving the job market and moving on to an area with a lower cost of living. For others, it could signal a new career or creating a business out of a hobby. Still others may envision traveling the world. Since retirement means different things to different people, the way you envision your retirement plays an important role in the amount of money you will need.
2. **How much annual income do you need in retirement?** To determine your annual income needs during retirement, you first must take stock of your current expenses. Make a list of your monthly expenses, such as housing, property taxes, transportation, insurance and food. Then make adjustments for changes you anticipate in retirement, such as having paid off your mortgage or your child's college tuition bills. Factor in some costs you expect to increase during retirement, such as health care and leisure activities. When calculating your annual expenses in retirement, err on the high side. Also factor in inflation (say, 4% annually).
3. **When do you plan to retire?** Next, consider your retirement timetable. Obviously, the earlier you plan to retire, the more money you will need.
4. **How long do you expect to live?** The duration of your retirement is based not only on when you begin your retirement, but how long you live in retirement. Your life expectancy generally depends on your family history, your lifestyle and your overall health, but you can get an estimate by using one of the many online life expectancy calculators. To be on the safe side, you may want to add five or more years, particularly if you are in excellent health.
5. **What are your sources of retirement income?** Start by determining the current market value of the money you have saved for retirement in bank accounts, mutual funds and brokerage accounts, as well as what you have invested in IRAs or other personal retirement savings. Then look at the most recent annual benefit statement you received from your employer to determine the amount you can expect to receive from your 401 (k) or other qualified employer pension plan. Finally, check your statement from the Social Security Administration to get an idea of your projected monthly Social Security benefit.

Welcome New Pension Members!

Joseph Persails

David Rogers

We all wish you continued success!

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 2008 distribution year. If no such change is requested, you will receive the same amount as this year!

STOCK SPOTLIGHT

General Cable (Ticker: BGC)

Sector: Industrial Goods

Industry: Industrial – Electrical Equipment

Market Capitalization: 4.37 Billion

Comments: designs, develops, manufactures, markets and distributes copper, aluminum and fiber-optic wire and cable products for the communications, electrical and energy markets. The company experienced significant gains as a result of strong demand for energy cables used in electrical grids. General Cable, one of the industry's largest players, leverages limited capacity along with demand and supply disparity to gain pricing power. Industry trends remain favorable, and we believe the company should continue to perform well thanks to superior management and a geographically diversified presence.

Average cost in the portfolio: $35.62, currently trading at $83.52

CommScope (Ticker: CTV)

Sector: Technology

Industry: Communication Equipment

Comments: designs, manufactures and markets coaxial cables and other high-performance electronic and fiber-optic cable products. The company also provides premise wiring for local area networks. CommScope posted revenue growth that was up 24 percent year-over-year and up 11 percent from the previous quarter, beating the positive pre-announcement. Operating margins expanded as the company was able to control costs and fully utilize its operating leverage. We believe CommScope is well-positioned to benefit from both increased network traffic and the competitive battle among cable, telecommunications and satellite operators.

Average cost in the portfolio: $23.35, currently trading at $62.72

Precision Castparts (Ticker = PCP)

Sector: Industrials

Industry: Aerospace & Defense

Market Capitalization: $18.3 Billion

Complex Metal Components and Products

Precision Castparts is a worldwide manufacturer of complex metal components and products, primarily for the aerospace and energy/utility end markets. The company manufactures complex metal castings for use in jet aircraft engines and is positioned to benefit from the ramp up in production of the next generation Boeing 787 and Airbus A380 commercial airliners as PCP will provide a greater percentage of engine content than in current generation aircraft. The company is also benefiting from the demand for forged metal products from the energy and utility industries, especially in overseas markets such as China where there is an urgent and growing need for power infrastructure. Recent acquisitions have allowed PCP to self-source much of its specialty metal input requirements and operating margins have been expanding as a result.

Average Cost in Hollywood Police Portfolio: $55.50 per share, currently trading at $133.41.

PPA Update

The U.S. Department of the Treasury has reversed itself and announced that self-insurance health plans, such as ours, will be eligible to participate in the Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act.

In a letter dated May 15, 2007 to Representative Jim McCrery, ranking member on the Ways and Means Committee, Assistant Secretary for Legal Affairs, Kevin Fromer, confirmed that Treasury and IRS will interpret the term “qualified health insurance” in Section 845 of the Pension Protection Act of 2006 in the same manner as the term “accident or health insurance plan” in Section 105 of the Internal Revenue Code and applicable Treasury Regulations. In anticipation of a technical correction, “qualified health insurance” will include employer-provided coverage under both insurance or an employer’s self-funded plan.

The HELPS Retirees Act was created by Congress in 2006 to allow retired public safety officers to shield up to $3,000 of the pension benefit from federal tax if the money is used to pay health insurance premiums. Treasury intends to issue a formal declaration of this administrative position in the near future.

Our custodian has been notified of the latest reversal and will be reporting this information accordingly on your 10-99R.

DROP Interest and how is it applied

The Board wants to recap how DROP interest is applied to your accounts.

An annual rate of return of 8.0% compounded monthly results in a monthly rate of 0.6434%. The calculation is the following: (1+annual rate) ^ (1/12) = (1+ monthly rate) [where "^" means "raised to the power of"] Therefore in this case where the annual rate is 8.00% the calculation is: (1 + .08) ^ (1/12) = (1+ monthly rate), resulting in a monthly rate of 0.6434%. To illustrate how this works over a full year, if you start with $100 at month "0", you want to end up with $108 at month "12", where interest compounds monthly. Hope this helps!

Here's the full calculation:

Month	$ value
0	100.00
1	100.64
2	101.29
3	101.94
4	102.60
5	103.26
6	103.92
7	104.59
8	105.26
9	105.94
10	106.62
11	107.31
12	108.00

Eagle Asset Management

(Our *Small Cap Manager*)

Most recent economic events seem to support our views that we are in the middle of the business cycle. But we remain cautious. As noted above, we believe that long-term rates are driving increased optimism about the real economic outlook.

It is hard for us to pinpoint how housing fits in the growth confidence accentuated by the bond market. As portfolio managers, we must take into account the indirect effect of problems in the housing market. It is not just deciding whether to own housing stocks. Those indirect effects matter. To us, the headline news stories about subprime debt are not what really matter (unless you own a hedge fund that was levered with respect to subprime loans or a loan company). We believe, instead, that the real story is the overall level of home prices and its effects on the consumer. Consumers already have responded to negative home-price growth by cutting their spending. We believe consumer spending may continue to slow and caution investors to be wary of consumer stocks.

We believe the slowdowns in consumer spending and the housing market could be a factor in the monetary-policy debate for months to come. Our guess is that the Federal Reserve may be forced to become less hawkish. This is perhaps another reason for our preference for stable-growth stocks.

Buckhead Capital

Our Large Cap Value Manager

Private Equity's throwing a wild party and everyone's invited. But the housing market can't come -- it's still nursing a wicked hangover, made only worse by the clanging of rising interest rates. That was the story of the equity markets in the second quarter, as investor enthusiasm for private equity deals and the initial public offering of Blackstone Group were dampened by concerns about the housing market and the effect of deteriorating sub-prime loans. After rising in April and May, the S&P 500 Index peaked on June 4 and was down 1.7% for the month of June. In the end, however, the index still finished up an impressive 6.3% for the quarter and 7.0% for the first six months of the year. Small stocks also did well, with the Russell 2000 Index providing a total return of 4.4% in the quarter and 6.5% year to date. The technology heavy NASDAQ Index did even better, with a 7.7% total return for the quarter and 8.2% for the first six months.

Consistent with the stronger performance of the NASDAQ, growth stocks outperformed value stocks in the second quarter. The S&P 500 / Citigroup Growth Index was up 6.6% while the S&P 500 / Citigroup Value Index gained "only" 6.0%. Year to date, however, value stocks still outperformed growth stocks with the S&P 500 / Citigroup Value Index providing a total return of 7.4% compared with a return of 6.5% for the S&P 500 / Citigroup Growth Index. Although the Energy sector (+14.8%) was the best performing sector in the quarter, the strong performance of the more heavily weighted Technology sector (+10.4%) certainly contributed to the out-performance of growth stocks, while the poor performance of the Utilities (-0.4%) and Financials (+2.1%) sectors hurt value stocks. For the first six months, the Energy (+17.2%) and Materials (+16.7%) sectors, both more heavily represented in value stock indices, were the best performers, while Financials (-0.8%) and Consumer Discretionary (+2.9%) were the weakest.

A realization that the Fed was unlikely to cut rates soon, increases in interest rates abroad, and concerns that foreign investors might be losing their appetite for U.S. government debt combined to keep a lid on the party spirits in the bond market. The yield on the benchmark 10-year Treasury bond, which began the quarter at 4.65%, rose to a peak of 5.25% in June before finishing the quarter at 5.0%. Although the Federal Reserve continued to hold the Fed Funds target at 5.25%, where it's been for the last year, the yield curve steepened as the spread between short and long rates increased. Investment grade credit spreads increased, while high yield spreads, which had widened in the first quarter, remained relatively stable, though well below historical averages. Corporate treasurers continued to take advantage of the attractive borrowing environment, with investment grade debt issuance setting a new record and junk bond debt issuance at its second highest quarterly level ever.

Although June brought some signs that the terms on which borrowers could issue debt might be tightening, overall liquidity remained abundant. This environment fostered the continued acquisitions by private equity investors who seemed to be everywhere in their effort to invest the record amounts they raised in 2005 and 2006. Any stock that dropped appeared to find support in rumors of a leveraged buyout. Market commentators debated whether the Blackstone Group IPO marked a top for the private equity market, which seems doubtful given the funds still available to be invested. However, the irony of a firm, whose business is largely about taking public companies private, going public itself was lost on no one.

The fundamentals of the housing market certainly didn't improve in the second quarter and don't appear likely to do so anytime soon. Nationally, housing prices have fallen and the inventory of unsold homes continues to rise. With the rise in interest rates and the regulatory induced tightening of credit standards, borrowers with adjustable rate mortgages, especially those with below-market teaser rates, face a difficult situation as their rates reset. And, of course, those borrowers with weaker credit profiles will have the most difficulties. None of this is good news for homebuilders, mortgage brokers, or investors holding mortgage backed securities.

We cannot predict how the problems in the housing sector may affect the broader economy or how losses in hedge funds may affect the market's perception of risk and, thus, the abundant liquidity that has fueled the market's advance. However, we will remain alert to any opportunities that arise. In the meantime, we will continue to focus on fundamental research, the analysis of individual securities, and the construction of portfolios designed to achieve our clients' objectives with appropriate risk controls.

Davis Hamilton & Jackson… Perspective

After trading sideways during the first quarter of 2007, the market showed renewed vigor in the second quarter as stocks continued their upward climb to make new multi-year highs. The appetite for equities has been fueled by several factors, including robust M&A (merger and acquisition) activity, strong corporate earnings, and a favorable economic environment. Healthy liquidity and cash-rich corporate balance sheets have propelled a consistent stream of merger and acquisition activity. Announced deals year to date are valued at close to $1 trillion, up over 60% from last year's pace. Moreover, corporate earnings have come in better than expected aided by healthy growth in international economies, and strong corporate war chests are being used to buy back hordes of stock.

Finally, the macro environment has provided a constructive backdrop as the economy continues its moderate rate of growth, while core inflation remains at tolerable levels.

For the quarter, final returns for the S&P 500 and the Russell 1000 Growth Index were +6.28% and +6.86% respectively. After a notable out performance during the first quarter, the gain in your portfolio during the second quarter trailed the benchmarks slightly. For the first half of the year, your portfolio outpaced both the Russell 1000 Growth Index and the S&P 500.

Growth stocks outperformed value stocks across all capitalization classes in the quarter. Consistent with our expectations, the performance gap between value stocks and growth stocks has narrowed dramatically in recent quarters. The trailing twelve month performance spread of the Russell 1000 Value Index over the Russell 1000 Growth Index was 1300 basis points as of the end of 2006. That spread shrunk to less than 300 basis points at the end of the quarter, and we expect this reversion to the mean to continue based on attractive relative valuations for growth stocks.

A side effect of the enormous volume of M&A activity has been the continued out performance of low quality stocks, as takeover and speculative activity has been concentrated more heavily in the lower quality spectrum. Low quality stocks have outperformed their high quality counterpart by a wide margin year to date. However, with subprime woes beginning to weigh on market sentiment, we are likely to see investors demand a higher premium for risky assets which should result in better performance by higher quality companies going forward.

We continue to have a constructive stance on the market for the balance of 2007. As always, we continue to monitor the co-mingled risks of higher than expected inflation and rising interest rates. We see neither as a glaring threat to the market at this point. We are particularly optimistic about the opportunity for large cap growth stocks to make further headway over the balance of the year. Your portfolio of high quality, large cap growth stocks is well positioned for such an environment.

WHAT IS A HEDGE FUND ANYWAY?

Although there is no precise accepted or legal definition, the term "hedge fund" generally refers to an entity that holds a pool of securities or other assets, whose interests are not sold on a registered public offering and that is not registered as an investment company with the Investment Company Act of 1940. Early on, such funds invested in equities and used short selling to "hedge" the portfolio's exposure to movements in the equity market. Today, however, hedge funds trade in a variety of investment vehicles such as equity and fixed income securities, currencies, derivatives, futures contracts and other assets. Hedge funds often seek to profit by using leverage (investing borrowed money, which can increase gains or losses) and other speculative investment practices that may increase risk of investment loss. Because hedge funds do not register the offer and sale of their interest under the Securities Act, they may not offer their securities public or engage in a public solicitation. Generally, they sell their interests in private offerings. They may sell their interests to "accredited investors," which include individuals with a minimum annual income of at least $200,000 ($300,000 for the spouse) or $1,000,000 net worth and most institutions with at least $5,000,000 in assets. Alternatively, they may sell to "qualified purchasers," a standard with significantly higher financial requirements than those necessary for accredited investors. Hedge funds are also characterized by their fee structures. Advisers typically receive 1% to 2% of assets as a management fee and a share of the capital gains and capital appreciation, commonly 20%. Hedge funds often employ a "lock-up period" during which investors may not liquidate their investments. *All in all, hedge funds are not for the faint-of-heart !*

Provided by: Steve Cypen

Don’t Forget To Visit Us !!!

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Attention Active Members!

The *Web DROP Calculator* has now been updated to 96 months. The new calculator has been designed to default your years of service to 22 and 80%. Simply enter your best three year salary, the months of participation in the DROP (*up to 30 years of service with the city*) and the calculator will do the rest!

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 following widow of a retired member who we recently lost.

Margaret Todd , age 82, widow of Richard Todd (HPD Member 1964-1980).

DROP Window Periods

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

RETIREE REUNION

The 9th Annual Hollywood Police Alumni Association Reunion will be held at the Ramada Inn located in Ocala, Florida. That is exit 354 at I-75 & US 27. Hotel reservations can be made by calling the hotel directly at 352-732-3131.

The reunion will take place on October 19th to 21st, 2007.

There will be a golf tournament, motorcycle rides, private tours of local facilities such as Emergency One, and a huge classic and antique car museum. Not to mention…….food and fun!!!!!

For further information, kindly call Dick and Arliss Hynds.

Overtime and your Pension

The Board wanted to address how overtime will be counted towards your final pension calculation. Before doing so, lets review how we arrived to this location.

As you may recall, the PBA and the City of Hollywood entered into a collective bargaining agreement. The contract was voted upon by the members of the department and approved. Subsequently, a pension vote was held for the active pension membership and approved. On June 20, 2007, the city commission adopted by ordinance the pension changes contained within the contract.

The final ordinance reflects that up to 400 hours of overtime will count for each of your best three-year final calculation. This is how it will work.

The city will take a pension contribution from your check on the first 400 hours of overtime in each calendar year. Once that is reached, no further contribution will be taken.

For pension calculation purposes, your best three years will still be counted for your benefit, and it will include up to 400 hours of overtime whether or not a pension contribution was made on it.

So the bottom line is your best overtime (up to 400 hours) and pensionable earnings will be counted .

The city and the Board have been working closely to modify our system accordingly!!