

YOUR PENSION MATTERS

12/31/11

End of 1st Quarter FY 2011 - 2012

By: Chief Paul O'Connell; Board Chairperson, 2/22/12

“The future ain't what it used to be.”

Yogi Berra

God Bless Yogi. Not only was he a great baseball player (Yankees, of course), he was and is a great source of quotes that sometimes come out wrong but certainly do deliver a message. In the world of retirement planning, how would you interpret Yogi's quote above? Here is one spin from your Board of Trustees.

We acknowledge that the future is unknown, but at the same time with the uncertainty of the markets, the continuing political gridlock in Washington and the turmoil overseas, the future may not seem as bright as we once viewed it. We must plan for the uncertainty of the future through risk aversion. Your Board of Trustees relies on expert advice from our Consultant and our many portfolio managers to steer us in the right direction when it comes to stock selection and risk aversion. Life is full of risk and we all work hard to avoid it or at least minimize it. Here is a look at the different kinds of risk we all will face as we approach, enter or live our retirement years:

Longevity Risk: Will we outlive our money? Statistics show that a male currently 65 years of age has a 50% chance of living until 85 and a 25% chance of living until 91. For females who reach the age of 65, it is 50/50 to reach 88 and a 25% chance of reaching 93 years of age. Are you financially prepared to live this long and in the lifestyle to which you have become accustomed?

Health Care Risk: Longer life expectancy is good news for all of us. However, health care and its costs will be a heavy burden for us to carry. Medicare may soften that burden beyond 65 years of age, but watch for significant changes as Congress works to bring the deficit under control by making significant changes to Medicare.

Long-Term Care Risk: Statistics show us that 70% of Americans will need some form of long-term care after the age of 65. When family or a spouse cannot step in, where do you turn? One way to minimize the cost impact this kind of care will have on you is to explore long-term care insurance. There are many products out there - some good, some bad - so tread carefully.

Market Risk: As we have seen over the past decade, the markets go up and down, sometimes dramatically. These swings can help or hurt your portfolio. We must educate ourselves to invest wisely or, in the alternative, hire an expert. Again, tread carefully when you rely on an expert. Bernie Madoff taught us that lesson.

Inflation & Tax Risk: Inflation will reduce your purchasing power, while taxes will reduce the amount of money you have to spend. All the materials we have read indicate that both inflation and taxes are set to rise sometime in the near future and we must prepare ourselves for that.

Certainly, we do encourage you to seek expert advice. We cannot recommend anyone in particular, but here is an excellent website (www.napfa.org) that can assist you on finding a fee-only financial planner who will have your best interests as a priority. Let us repeat that quote from Coach John Wooden we used in our last newsletter to you: “Failing to plan is planning to fail.” Each of us must plan now for a long life and a lifestyle that is acceptable; start saving!!

Once again, ALL EYES ON TALLAHASSEE – As we have reported in past newsletters, the war drums are still beating in Tallahassee as the Legislature continues its debate on the dismantling of public employee pensions as we have come to know and understand them. Keep your attention focused on your respective Representative / State Senator and how they vote on these bills coming onto the House or Senate Floor. 2012 is an election year and we need to hold them accountable!

FY 2010 – 2011 Audit Report – Our annual audit report was released to and adopted by the Board of Trustees at our January meeting. Here is a summary of that report which is available, in its entirety, at our Pension Office and on our website (see the “Newsroom” page at www.pbpfors.org). For FY ending 9/30/11, the Fund showed a membership of **45 active police officers, 146 active firefighters and 357 benefit recipients**. During the FY net assets of the Fund decreased by 0.6% as a result of the increase in paid benefits (over \$15 million paid out to members) and significant decrease in our investment return. In short, FY 10-11 was not a good investment year as the Fund had a positive return of +1.7% compared to +9.3% last year. Our Fund Actuary has determined that our FY 10-11 Funding Ratio is 69.7%, a decrease of .01%.

First Quarter Performance – As you review the performance numbers for the first quarter of FY 11-12, I am sure you will see a “mixed bag.” The final quarter of FY 10-11 was tough, whereas the first quarter of FY 11-12 was better (+6.20%). During our most recent Board meeting (2/21/12), our Consultant reported that the Fund has done very well since 1/01/2012. The Board continues to believe our prudent reliance on investment experts simply makes for prudent decision making as we navigate these turbulent times in which we live.

Finally and most importantly – Firefighter William “Bill” Elliot: On January 6, 2012 Pompano Beach Fire Rescue lost its first firefighter in the line of duty. Bill Elliot fell to his death during a training exercise. On January 13th the City of Pompano Beach honored Bill, his life and his service with a beautiful ceremony which celebrated his contributions to our community. He will be missed. **On March 30th at 9:30 AM, Station #61 (2121 NW 3rd Avenue) will be renamed in Bill’s honor and dedicated in his memory. Please join us!!**

In our next newsletter we will write to you about the **6th Annual Symposium** and review the highlights of that event. The event is scheduled for **April 26 – 28, 2012** at the Embassy Suites in Deerfield Beach. Please mark your calendars!! It would be better if you attended and got the information first hand. However, we know and understand the pressures of every day living and “paying the bills.” In 2011 we experienced the greatest turnout (to date) of membership attending this symposium and those who did attend were not disappointed. If you cannot make it, we will summarize the highlights in our next newsletter. **Our keynote speaker will be Robert Doll, Blackrock Investment’s Chief Equity Strategist (please see the attached bio). He will be the highlight of this event!** The full symposium agenda will be posted on our website once finalized.

In the meantime, stay safe and stay in touch!

Bob Doll, Chief Equity Strategist

Bob Doll, CFA, CPA, is Senior Managing Director, is BlackRock's Chief Equity Strategist and is also head of the US Large Cap Series equity team, with primary portfolio management responsibility for these products. Mr. Doll's service with the firm dates back to 1999, including his years with Merrill Lynch Investment Managers (MLIM), which merged with BlackRock in 2006. Previously, he served as BlackRock's Global Chief Investment Officer for Fundamental Equity. At MLIM, he served as the President and Chief Investment Officer, Senior Portfolio Manager and Team Leader. He was also a member of the Merrill Lynch & Co., Inc. Executive Management Committee and was the Senior Fund Manager of the Merrill Lynch Large Cap Series Funds. He began managing the Merrill Lynch Large Cap Series in December 1999. Prior to joining MLIM, Mr. Doll served as the Chief Investment Officer of Oppenheimer Funds, Inc.



**Robert (Bob) C. Doll,
CFA, CPA**

Education

- Bachelors degrees in Accounting and Economics from Lehigh University
- MBA from The Wharton School of the University of Pennsylvania
- CFA® charterholder and a Certified Public Accountant

High profile in the investment industry

- Frequent guest on CNBC's "Closing Countdown," "Bloomberg TV," "PBS's WealthTrack."
- Quoted in the "Wall Street Journal," "LA Times," "USA Today," "Barron's" and "NY Times."

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of December 31, 2011

Distribution of Assets:	
Equity	
-Large Cap. Value	\$25,969,279
-Large Cap. Growth	\$22,465,265
-Large Cap. Core	\$18,571,344
-Mid Cap. Value	\$9,753,659
-Small/Mid Cap. Growth	\$9,672,696
-International Value	\$7,939,943
-International Growth	\$8,868,479
Total Equity	\$103,240,664
Fixed Income	\$48,417,476
Private Real Estate	\$12,050,713
Fund of Hedge Funds	\$16,574,023
Private Equity	\$1,427,097
Cash (Non-Managed Account)	\$4,105,235
Total Portfolio	\$185,815,209

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	13.98%
-Large Cap. Growth	10.00%	12.09%
-Large Cap. Core	10.00%	9.99%
-Mid Cap. Value	5.00%	5.25%
-Small/Mid Cap. Growth	5.00%	5.21%
-International Value	5.00%	4.27%
-International Growth	5.00%	4.77%
Total Equity	55.00%	55.56%
Fixed Income	25.00%	26.06%
Private Real Estate	7.50%	6.49%
Fund of Hedge Funds	10.00%	8.92%
Private Equity	2.50%	0.77%
Cash (Non-Managed Account)	0.00%	2.21%
Total Portfolio	100.00%	100.00%

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,256,145
Gain or (Loss)		(\$38,995)
Ironwood Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,184,837
Gain or (Loss)		\$7,681
Pine Grove Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$6,133,041
Gain or (Loss)		\$18,407
INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$9,050,713
Fees		(\$13,062)
Gain or (Loss)		\$243,316
MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$4,105,235
Gain or (Loss)		\$25,523
OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Fees		\$0
Gain or (Loss)		(\$17,511)
NB Crossroads (Private Equity)		
Total Assets	100.00%	\$1,427,097
Fees		\$0
Gain or (Loss)		(\$59,665)

Other Important Facts:	
Total Portfolio	\$185,815,209
Total Gain or (Loss) - Gross of Fees	\$10,754,112

LORD ABBETT		
Total Assets	100.00%	\$25,969,279
Equity	98.54%	\$25,590,149
Cash	1.46%	\$379,130
Fees		(\$35,976)
Gain or (Loss)		\$2,544,422

SANDS CAPITAL MANAGEMENT		
Total Assets	100.00%	\$22,465,265
Equity	99.44%	\$22,338,909
Cash	0.56%	\$126,356
Fees		(\$30,975)
Gain or (Loss)		\$1,801,139

CORNERSTONE		
Total Assets	100.00%	\$18,571,344
Equity	97.72%	\$18,148,256
Cash	2.28%	\$423,089
Fees		(\$30,088)
Gain or (Loss)		\$1,743,864

RBC GLOBAL		
Total Assets	100.00%	\$9,753,659
Equity	97.98%	\$9,556,270
Cash	2.02%	\$197,389
Fees		(\$16,396)
Gain or (Loss)		\$1,516,532

WELLS		
Total Assets	100.00%	\$9,672,696
Equity	96.25%	\$9,310,140
Cash	3.75%	\$362,556
Fees		(\$20,966)
Gain or (Loss)		\$1,312,915

INVESCO (International Value)		
Total Assets	100.00%	\$7,939,943
Equity	97.54%	\$7,744,745
Cash	2.46%	\$195,198
Fees		(\$12,337)
Gain or (Loss)		\$373,182

RENAISSANCE (International Growth)		
Total Assets	100.00%	\$8,868,479
Equity	98.09%	\$8,699,427
Cash	1.91%	\$169,052
Fees		(\$13,456)
Gain or (Loss)		\$653,057

STANDISH MELLON		
Total Assets	100.00%	\$23,140,187
Fixed	107.41%	\$24,855,722
Cash	-7.41%	(\$1,715,535)
Fees		(\$16,983)
Gain or (Loss)		\$246,469

MUNDER CAPITAL MANAGEMENT		
Total Assets	100.00%	\$22,750,428
Fixed	91.04%	\$20,712,607
Cash	8.96%	\$2,037,821
Fees		(\$14,861)
Gain or (Loss)		\$345,266

MUNDER - OTHER ASSETS		
Total Assets	100.00%	\$2,526,861
Fixed	95.25%	\$2,406,934
Cash	4.75%	\$119,927
Fees		\$0
Gain or (Loss)		\$38,509

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of December 31, 2011

TRADITIONAL INVESTMENTS

LORD ABBETT		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
Large Cap. Value		Gross	Net			
	Quarter	10.76	10.61	13.11	12.30	11.82
	1 year	(5.33)	(5.89)	0.39	2.80	2.11
	3 year	10.77	10.10	11.55	13.09	14.11
	5 year	(2.17)	(2.75)	(2.64)	(0.09)	(0.25)
	Since 10/31/2004	2.41	1.82	3.08	NA	3.62
	Lord Abbett/Boston - Since 9/30/2002	6.21		7.14	7.91	6.91
	Lord Abbett/Boston - Since 6/30/1995	6.78		7.89	8.41	7.14
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
Large Cap. Growth						
	Quarter	8.72	8.56	10.60	10.19	
	1 year	3.03	2.42	2.64	(0.26)	
	3 year	31.73	30.96	18.02	15.61	
	5 year	7.34	6.73	2.50	1.71	
	Since 5/31/2003	9.30	8.69	5.68	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
Large Cap. Core						
	Quarter	10.06	9.88	11.82	11.76	
	1 year	3.81	3.14	2.11	1.66	
	Since 1/31/2009	16.45	15.76	18.05	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
Mid Cap. Value						
	Quarter	18.41	18.21	13.36	12.27	
	1 year	(2.49)	(3.17)	(1.37)	1.63	
	Since 1/31/2009	20.80	20.04	23.29	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
Small/Mid Cap. Growth						
	Quarter	15.34	15.10	13.51	14.27	
	1 year	1.85	0.95	(1.58)	(3.10)	
	Since 1/31/2009	27.71	26.68	24.87	NA	
INVESCO				MSCI EAFE Net		
International Value						
	Quarter	4.93	4.77	3.33		
	1 year	(15.06)	(15.62)	(12.13)		
	3 year	5.66	4.92	7.65		
	5 year	(4.74)	(5.38)	(4.72)		
	Since 1/31/2004	3.57	2.92	3.72		
RENAISSANCE				MSCI AC Wld x US		
International Growth						
	Quarter	7.95	7.78	3.72		
	1 year	(9.42)	(10.00)	(13.71)		
	Since 1/31/2009	14.36	13.71	14.61		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
Fixed Income						
	Quarter	1.08	1.00	1.12	0.91	0.84
	1 year	7.97	7.65	7.84	5.97	5.80
	3 year	7.91	7.59	6.77	6.19	5.65
	5 year	6.54	6.22	6.50	6.09	5.88
	Since 4/30/2003	5.27	4.93	5.23	4.91	4.61
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
Fixed Income						
	Quarter	1.54	1.47	1.12	0.91	0.84
	1 year	7.37	7.09	7.84	5.97	5.80
	3 year	6.96	6.69	6.77	6.19	5.65
	5 year	6.88	6.61	6.50	6.09	5.88
	Since 9/30/2002	5.52	5.25	5.32	4.98	4.76

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF Property	NCREIF ODCE
	Quarter	2.91	2.71	2.96	2.97
	1 year	16.66	15.48	14.27	15.99
	3 year	(3.47)	(3.95)	2.43	(1.77)
	5 year	(0.90)	(1.19)	3.10	(0.21)
	Since 7/31/2006	(0.17)	(0.44)	4.36	NA
OFFICE BUILDING					
<i>Private Real Estate</i>				BC Aggregate	90-Day T-Bill
	Quarter	(0.58)	(0.58)	1.12	0.02
	1 year	(2.49)	(2.49)	7.84	0.07
	3 year	(12.66)	(12.80)	6.77	0.12
	Since 3/31/2007	(6.36)	(6.51)	6.52	0.98
UBP					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	(0.74)	(0.74)	(0.09)	
	1 year	(4.02)	(4.02)	(3.68)	
	3 year	3.62	3.62	3.53	
	Since 4/30/2008	(2.42)	(2.42)	(2.53)	
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	0.15	0.15	(0.09)	
	1 year	1.52	1.52	(3.68)	
	3 year	9.04	9.04	3.53	
	Since 7/31/2008	(1.71)	(1.71)	(2.50)	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	0.30	0.30	(0.09)	
	1 year	(2.59)	(2.59)	(3.68)	
	3 year	7.72	7.72	3.53	
	Since 9/30/2008	3.41	3.41	(0.55)	
Neuberger Berman					
<i>Private Equity</i>				S&P 500	
	Quarter	(4.01)	(4.01)	11.82	
	1 year	54.98	54.98	2.11	
	Since 3/31/2010	(13.76)	(13.76)	6.41	
TOTAL FUND					
<i>Time-Weighted Return (TWR)</i>				Policy Index	Composite Index
	Quarter	6.20	6.06	6.81	6.75
	1 year	0.84	0.32	1.53	1.70
	3 year	13.04	12.50	11.43	11.89
	5 year	2.93	2.45	2.10	2.60
	Since 9/30/2002	6.75	6.28	6.81	7.09
	Since 6/30/1995	6.51			
TOTAL FUND					
<i>Dollar-Weighted Net Return (IRR)</i>				Actuarial Rate	CPI +3
	Quarter		6.15	1.97	0.64
	1 year		0.92	8.10	6.02
	3 year		13.24	8.10	5.35
	5 year		2.80	8.10	5.23
	Since 9/30/2002		6.89	8.10	5.52