

YOUR PENSION MATTERS
3/31/12
End of 2nd Quarter – FY 2011 - 2012

by: Chief Paul O'Connell
Board Chairperson
6/21/12

“We judge ourselves by what we feel capable of doing; while others judge us by what we have already done.” Henry Wadsworth Longfellow

Detective DOUG BEIMLY – The Hammer – The Original: on April 9th; retired Det. Doug Beimly passed away after a long battle against cancer. He was a 22 year veteran with the Pompano Beach Police Department before he retired in 1990. He is survived by his wife, Lois; children Michael, Julie & Matthew and six (6) grandchildren. We will all miss him dearly.

Police Lt. JOHN CANNEY, 79, passed away peacefully at his home in Sebastian, Florida. John was a retired Marine who joined the PBPD in 1960 and served with us for 17.33 years, retiring in 1978. John is survived by his wife Carole (55 years of marriage) and his four children, Michael, Timothy, Jeffrey and Cheryl, and seven grandchildren. After leaving PBPD, he taught at Iowa Tech (Sioux City) and worked at FAU at both the Boca and Jupiter campus. He will be buried in Arlington National Cemetery at a later date. John had a long life rich with family and dedication to his community.

Dedication: On March 30th the Pompano Beach Fire Department dedicated Station 61 to the memory of Firefighter Bill Elliot. Fire Chief Harry Small, Mayor Fisher and most of the City Commission were there, along with the entire Elliot Family and a large showing from the Pompano Beach Fire Department to celebrate Bill's life of service to the community. It was indeed a touching ceremony!

THE SAM SIRICO FORFEITURE: You will recall from our **11/18/10 newsletter** that the Board of Trustees voted to forfeit the pension of Deputy Sirico. For an in-depth review and summary of that decision, please go to our website and read the newsletter entitled **“Fourth Quarter Ended 09-30-10.”**

As expected, the Board's decision was appealed to the 4th District Court of Appeals. On March 28, 2012, the 4th DCA affirmed the Board's decision “PCA” or *per curiam affirmed*. This means its decision was made without discussion or the issuance of a written opinion. This decision is **NOT** appealable to the Florida Supreme Court, thus this legal nightmare is over. **Let me repeat what was written in our 11/18/10 newsletter.** The Board agonized over this decision. There was no joy or any sense of justice being served. On a personal note, I too agonized over this decision. I have known Deputy Sirico for over 20 years and I have known him to be a good person and a great cop. However, when you look at the facts of the case, which were nothing less than egregious, and you apply the law to those facts; the results were inescapable and economically fatal to Sam's pension.

WHEN THE WATERS RECEDE: Just over one year ago the NE coast of Japan was subjected to a catastrophic triple whammy: an earthquake, followed by a tsunami, then capped off by the breach of its nuclear reactors. Our 9/11 was their 3/11. Despite the social cohesion over the past year, problems remain. Indeed, beyond the scope of the damages and the ongoing recovery from those damages, there are three (3) “deep-rooted” challenges that pose a real threat to Japan as identified by **Clay Chandler, McKinsey & Co.**

First, is a demographic conundrum: Japan is getting older much faster than any other society on Earth. The number of children born per woman is 1.39; far below the replacement ratio. Japan is losing a million people each year so that by 2060 Japan's population is projected to be down 33% from its current 128 million people. The issue: from where will the future productivity come and how will Japan care for its growing elderly population when its debt to GDP ratio is already worse than Greece?

Second, women are marginalized. Only 65% of college educated women are employed. Clearly, Japan must come to grips with this cultural bias and overcome it. It must integrate its women into the workforce in an effort to become productive again.

Third, Japan's youth are too insular. By that Mr. Chandler means that the youth of Japan are being denied the ability to compete on the world stage and in the world marketplace. If this continues, Japan will be at a distinct competitive disadvantage going forward.

How does this impact us? Clearly, and in many ways, the US economy is linked to Japan. Simply look around and you will see it in our everyday lives from the cars we drive to the televisions we watch. The recovery from its 3/11 will indeed be a challenge. Japan's ability to meet the three challenges above may prove to be even more difficult.

The **Sixth Annual Pension Educational Symposium** was held April 26 – April 28, 2012. Once again, this symposium was well attended by our membership, both active and retired. It was a great success based on the response we received from those in attendance and from the money managers who attended and presented to the Board. We all learned a wealth of new information from our managers and our consultant, Charlie Mulfinger. In addition, **Robert Doll of BlackRock Management** gave an impressive presentation to those in attendance. He spoke about his vision for the future in the world of investments.

Your Board of Trustees is committed to complete transparency and this annual symposium continues to be a very successful way we can share with you all the information we have at our hands to make the right investments, do it in the right way, do it in the right balance and do it at the right time. Regardless of our recent success, we are not satisfied! At this symposium the Board decided to make some significant changes to our team of money managers. We will begin a search for a new Large Cap Value manager and a new International Value manager. In addition, we will reduce our exposure to the Large Cap Growth market. All this, is in a continuing effort to protect our position in the marketplace.

Speaking of investments, attached you will find an investment results summary from the Quarter ending March 31, 2012. It was a stellar return across the board as we captured a great deal of the up-market that we saw from January 1st through March 31st. In fact, as of March 31st the value of our Pension Fund stood at an all time high of **\$199 million!** The following Quarter, which spans April 1st through June 30th, has been another story. Uncertainty in Europe continues to drag on the world economy as many investors are simply too uncertain how this will play. As I am sure you have read, the future is not guaranteed. **The Board will continue its vigilant effort to seek positive returns with the minimum exposure to risk.**

In the meantime, stay safe and stay in touch! Please enjoy your summer!!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2012

Distribution of Assets:		
Equity		
-Large Cap. Value	\$29,009,164	
-Large Cap. Growth	\$27,963,237	
-Large Cap. Core	\$20,805,309	
-Mid Cap. Value	\$11,246,576	
-Small/Mid Cap. Growth	\$11,326,393	
-International Value	\$8,709,489	
-International Growth	\$9,958,410	
Total Equity	\$119,018,577	
Fixed Income	\$48,854,154	
Private Real Estate	\$12,172,238	
Fund of Hedge Funds	\$17,072,956	
Private Equity	\$1,169,150	
Cash (Non-Managed Account)	\$889,791	
Total Portfolio	\$199,176,866	

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	14.56%
-Large Cap. Growth	10.00%	14.04%
-Large Cap. Core	10.00%	10.45%
-Mid Cap. Value	5.00%	5.65%
-Small/Mid Cap. Growth	5.00%	5.69%
-International Value	5.00%	4.37%
-International Growth	5.00%	5.00%
Total Equity	55.00%	59.76%
Fixed Income	25.00%	24.53%
Private Real Estate	7.50%	6.11%
Fund of Hedge Funds	10.00%	8.57%
Private Equity	2.50%	0.59%
Cash (Non-Managed Account)	0.00%	0.45%
Total Portfolio	100.00%	100.00%

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,379,780
Gain or (Loss)		\$123,634
Ironwood Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,379,516
Gain or (Loss)		\$194,680
Pine Grove Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$6,313,660
Gain or (Loss)		\$180,619
INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$9,172,238
Fees		(\$50,568)
Gain or (Loss)		\$172,093
MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$889,791
Gain or (Loss)		\$745
OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Fees		\$0
Gain or (Loss)		(\$24,120)
NB Crossroads (Private Equity)		
Total Assets	100.00%	\$1,169,150
Fees		\$0
Gain or (Loss)		(\$407,962)

Other Important Facts:		
Total Portfolio		\$199,176,866
Total Gain or (Loss) - Gross of Fees		\$16,449,553
LORD ABBETT		
Total Assets	100.00%	\$29,009,164
Equity	98.40%	\$28,545,440
Cash	1.60%	\$463,724
Fees		(\$38,875)
Gain or (Loss)		\$3,039,885
SANDS CAPITAL MANAGEMENT		
Total Assets	100.00%	\$27,963,237
Equity	99.07%	\$27,702,500
Cash	0.93%	\$260,737
Fees		(\$33,675)
Gain or (Loss)		\$5,497,972
CORNERSTONE		
Total Assets	100.00%	\$20,805,309
Equity	95.74%	\$19,918,068
Cash	4.26%	\$887,241
Fees		(\$30,777)
Gain or (Loss)		\$2,233,965
RBC GLOBAL		
Total Assets	100.00%	\$11,246,576
Equity	98.98%	\$11,131,824
Cash	1.02%	\$114,752
Fees		(\$17,113)
Gain or (Loss)		\$1,491,932
WELLS		
Total Assets	100.00%	\$11,326,393
Equity	97.44%	\$11,036,492
Cash	2.56%	\$289,901
Fees		(\$22,124)
Gain or (Loss)		\$1,653,696
INVESCO (International Value)		
Total Assets	100.00%	\$8,709,489
Equity	97.24%	\$8,469,260
Cash	2.76%	\$240,228
Fees		(\$12,905)
Gain or (Loss)		\$769,972
RENAISSANCE (International Growth)		
Total Assets	100.00%	\$9,958,410
Equity	98.33%	\$9,791,890
Cash	1.67%	\$166,520
Fees		(\$14,523)
Gain or (Loss)		\$1,089,931
STANDISH MELLON		
Total Assets	100.00%	\$23,355,047
Fixed	98.36%	\$22,970,965
Cash	1.64%	\$384,081
Fees		(\$17,225)
Gain or (Loss)		\$214,859
MUNDER CAPITAL MANAGEMENT		
Total Assets	100.00%	\$22,942,196
Fixed	86.82%	\$19,917,734
Cash	13.18%	\$3,024,462
Fees		(\$15,035)
Gain or (Loss)		\$187,599
MUNDER - OTHER ASSETS		
Total Assets	100.00%	\$2,556,912
Fixed	87.07%	\$2,226,224
Cash	12.93%	\$330,688
Fees		\$0
Gain or (Loss)		\$30,051

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2012

TRADITIONAL INVESTMENTS

LORD ABBETT		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
<i>Large Cap. Value</i>		Gross	Net			
	Quarter	11.71	11.55	11.12	NA	12.58
	1 year	0.52	(0.06)	4.79	NA	8.54
	3 year	21.42	20.71	22.83	NA	23.42
	5 year	(0.11)	(0.70)	(0.81)	NA	2.01
	Since 10/31/2004	3.87	3.27	4.45	NA	5.17
	<i>Lord Abbett/Boston - Since 9/30/2002</i>	7.29		8.15	NA	8.07
	<i>Lord Abbett/Boston - Since 6/30/1995</i>	7.39		8.45	NA	7.79
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	24.47	24.31	14.69	NA	
	1 year	22.66	21.96	11.03	NA	
	3 year	38.58	37.78	25.28	NA	
	5 year	11.53	10.89	5.10	NA	
	Since 5/31/2003	11.76	11.14	7.16	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
<i>Large Cap. Core</i>						
	Quarter	12.03	11.86	12.58	NA	
	1 year	10.93	10.21	8.54	NA	
	3 year	21.47	20.70	23.42	NA	
	Since 1/31/2009	19.26	18.55	20.96	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	15.30	15.11	11.41	NA	
	1 year	4.31	3.60	2.28	NA	
	3 year	28.71	27.85	29.18	NA	
	Since 1/31/2009	24.48	23.70	25.47	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	17.10	16.85	14.60	NA	
	1 year	7.51	6.56	2.70	NA	
	3 year	32.27	31.15	29.86	NA	
	Since 1/31/2009	31.67	30.61	28.10	NA	
INVESCO				ACWI x US/EAFE*		
<i>International Value</i>						
	Quarter	9.70	9.53	11.23		
	1 year	(7.79)	(8.39)	(6.09)		
	3 year	14.68	13.97	17.00		
	5 year	(3.60)	(4.25)	(3.57)		
	Since 1/31/2004	4.64	3.98	4.88		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	12.29	12.12	11.23		
	1 year	(2.78)	(3.39)	(7.18)		
	3 year	20.32	19.60	19.12		
	Since 1/31/2009	17.38	16.70	17.25		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.93	0.85	0.30	0.66	0.61
	1 year	8.34	8.02	7.72	6.16	6.09
	3 year	8.34	8.02	6.83	6.10	5.88
	5 year	6.36	6.05	6.25	5.90	5.67
	Since 4/30/2003	5.23	4.89	5.12	4.85	4.55
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.82	0.76	0.30	0.66	0.61
	1 year	7.74	7.46	7.72	6.16	6.09
	3 year	7.17	6.90	6.83	6.10	5.88
	5 year	6.74	6.46	6.25	5.90	5.67
	Since 9/30/2002	5.46	5.20	5.21	4.92	4.70

* Invesco comparison index comprised of 100% MSCI AC World ex US for periods since 6/30/11 & 100% MSCI EAFE for periods prior to 6/30/11

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF/BCAGG	NCREIF ODCE
	Quarter	1.91	1.34	0.30	NA
	1 year	14.73	13.25	10.89	NA
	3 year	0.60	(0.08)	5.17	NA
	5 year	(1.22)	(1.63)	2.43	NA
	Since 7/31/2006	0.17	(0.19)	4.22	NA
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	(0.80)	(0.80)	0.02	0.30
	1 year	(2.78)	(2.78)	0.05	7.72
	3 year	(13.55)	(13.62)	0.10	6.83
	5 year	(6.20)	(6.34)	0.94	6.25
	Since 3/31/2007	(6.20)	(6.34)	0.94	6.25
UBP					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.56	2.56	2.27	
	1 year	(2.64)	(2.64)	(2.43)	
	3 year	3.91	3.91	4.11	
	Since 4/30/2008	(1.63)	(1.63)	(1.77)	
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	3.70	3.70	2.27	
	1 year	1.52	1.52	(2.43)	
	3 year	9.49	9.49	4.11	
	Since 7/31/2008	(0.62)	(0.62)	(1.70)	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.88	2.88	2.27	
	1 year	(1.25)	(1.25)	(2.43)	
	3 year	7.88	7.88	4.11	
	Since 9/30/2008	4.00	4.00	0.17	
Neuberger Berman					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	2.01	1.97	12.58	
	1 year	13.76	9.68	8.54	
	Since 3/31/2010	(11.27)	12.66	12.03	
TOTAL FUND					
<i>Time-Weighted Return (TWR)</i>				Policy Index	Composite Index
	Quarter	9.12	8.98	7.37	7.51
	1 year	5.93	5.38	4.41	4.82
	3 year	18.02	17.44	16.72	16.91
	5 year	4.34	3.85	2.87	3.63
	Since 9/30/2002	7.55	7.07	7.23	7.64
	Since 6/30/1995	6.97			
TOTAL FUND					
<i>Dollar-Weighted Net Return (IRR)</i>				Actuarial Rate	CPI +3
	Quarter		9.02	1.97	1.75
	1 year		5.44	8.10	5.59
	3 year		17.65	8.10	5.46
	5 year		3.70	8.10	5.23
	Since 9/30/2002		7.13	8.10	5.56

Note

Per the Board's request, all performance results (including but not limited to rates of return, risk, measures, unit values, and dollar values) prior to September 30, 2002, were provided by GRS Asset Consulting Group, who was the previous consultant. The performance data is believed to be accurate, but there is no assurance. Graystone Consulting has not calculated or independently verified the accuracy of the returns or market values and is not responsible or liable for any mistake or miscalculations. Effective September 30, 2002, all valuations and rates of return are calculated by Graystone Consulting.