

YOUR PENSION MATTERS

06/30/14

End of 3rd Quarter – FY 2013 - 2014

by: Chief Paul O'Connell
Board Chairperson
8/19/14

When your values are clear, your decisions are easy.

Roy Disney

This was the opening quote in an excellent article written by Dana Anspach and published in www.marketwatch.com on 5/27/14. Ms. Anspach also contributes to the retirement advice site: www.moneyover55.about.com. Ms. Anspach's 5/27 column lists the 7 to-dos for those of us approaching retirement and how to plan for that day. Here is a nutshell summary of her excellent column.

1. **Prioritize Your Values:** time and money are often interchangeable. You may be able to retire earlier, giving you more free time, but the trade-off might entail living on less. As you approach retirement, think about what matters most to you. There is no right or wrong answer because it is a personal choice or a partnership decision if married or in a committed relationship. In essence, you decide what is more important: less retirement time with more money (work longer) or more retirement time with less money (retire when you feel the time is right, regardless of your financial standing).
2. **Know Your Net Worth:** it may seem silly to sit down and do the math of valuing your assets and liabilities, but it should be an *annual* chore. This process tells you where you are. Only then can you decide where you need to be and how you are going to get there. For retirement planning, tracking your finances starts with a net worth statement. No one likes to walk in the dark; that goes for entering into retirement with accurate information.
3. **Estimate Your Benefits:** Social Security offers financial features that cannot be purchased on the open market. Take advantage of this! The earliest you can claim is 62, but you get a powerful boost if you wait and claim later (b/t 6 - 8% per year beyond normal retirement age, up to age 70). We are extremely fortunate because, in addition to SS benefits, we also have a defined benefit pension which will pay each of us a monthly benefit for life (+ 2% COLA). Fewer and fewer Americans have this benefit. So, looking at our retirement years, **A**) we have a SS monthly benefit (go to www.aarp.org and use their calculator to estimate your respective benefit); **B**) we have our Pompano Beach Pension and, for those smart enough to save, **C**) we have our savings / investments.
4. **Get a Handle on Health Care:** too many people think that Medicare will cover health care costs starting at age 65. *Wrong!!* In fact, it will cover an average of 50% of our costs and will be "means tested" (the more income you have, the more you will pay). Not included are dental, eye care, hearing and deductibles. The bottom line advice: live a healthy lifestyle!!

5. **Make an Expenses / Income Timeline:** it may not seem like fun; but it is necessary. For expenses, a monthly timeline is in order. For retirement income projections, a yearly timeline will work. This is an excellent tool for laying out the varied sources of income and the planned, recurring expenses, i.e. cash flow.
6. **Outline Options:** where to live can be based on a tax friendly state, hospitals, elder care or family. Stay local, but downsize your home? Part-time work? Travel? Do not make these decisions in a vacuum! Talk to family and friends; paying extra attention to those who have made this journey before you and are willing to admit the mistakes they have made. It has been said that “smart people learn from their mistakes; wise people learn from the mistakes of others.”
7. **Determine Your Level of Engagement:** are you going to do your own planning and investment management or are you going to hire a professional? Let us be very clear about this: if you hire someone to manage your money, that person should be qualified! A Certified Financial Planner is the absolute minimum qualification you should demand. The planner you select should be fee based (charges by the hour) and hold a fiduciary duty to act in your best interest. As always, “trust but verify” by keeping an eye on the person you hire and trust with your financial well being. If, on the other hand, you want to “captain your own ship” you must be educated enough to understand the marketplace and disciplined enough to make decisions without emotion (tough to do whether the market is going up or down). Regardless, of your decision, you must at least stay engaged with the process. Reading financial publications which are independent and objective is mandatory!!

If you are lucky enough to be married or in a lasting relationship at this stage in your life you must include your partner in the learning process and in the decision making. It is cruel to leave behind an unsophisticated spouse / partner who is clueless about the finances because you left them in the dark before you left them alone.

Scott Winters / Chris Reyka Memorial: This month the Annual Memorial was held at the city park located at 14th Street Causeway / City Boat Ramp. The event was **VERY WELL** attended by many current (now with BSO) and retired members of the Pompano Beach Police Department. It truly was a time of reflection. Members of the Reyka Family were in attendance and it was great to see them and their growing family (if my count is correct...3 grandchildren!!!) Special thanks to **Robin Larson** and **Mike Powell** who continue to keep the memory alive.

Looking forward: everyone in attendance agreed that it is time to combine this Memorial with our Brothers and Sisters in the Pompano Beach Fire Department and include Fire-Fighter Bill Elliot in future Memorials. We have reached out to the FF Union President, Ted Martin, and he has pledged his commitment to this concept. So mark your calendars now.....**January, 2015** will be our next Memorial; the Scott Winters / Chris Reyka / Bill Elliot Memorial. January 6, 2015 will mark the **Third Anniversary of FF Elliot's tragic death**. What a great way to remember Bill, Scott & Chris.....a gathering and time of reflection in partnership with all of those who dedicate their lives to Public Safety in Pompano Beach!

THE MARKET: First, let us review the Fund's FY Third Quarter which ended 6/30/14: all market cylinders were pumping in the right direction and the various markets were approaching record levels. Then the “dog days of summer” came along and, what promised to be an exceptionally good quarter, turned into an “okay” quarter. The **S&P 500** gained +5.24% while the **Russell 1000 Index** gained

+5.10%. The Fund gained +2.82% during this quarter and has gained 16.84% during the past 12 months. There is no other way to describe our investment results other than to say “impressive.” However, we must always remember that past performance is no guarantee of future performance. The Fund relies on our Consultant and our investment professionals to invest with prudence. In the meantime, our **DROP** rate of return for the 3rd Quarter ending June 30, 2014 has been set at +2.82%, as certified by our Consultant.

As you read through the attached quarterly reports for the Fund’s FY 3rd quarter ending June 30th, keep in mind that it is the long-term results that count, not the daily reading of the market. We are **STILL** climbing out of the deepest recession of our lifetime and there is much work yet to be done. The current Bull Market is in its 65th month: March 2009 to August 2014! Our Fund now stands at over \$225 million! Know that we are going in the right direction and working hard for our members.

Board Elections: There will be no elections this year because:

Fire: **Trustee John DeVoe** chose not to run for re-election and the only Fire-Fighter who submitted an application to run was Captain Vince Femia. Therefore, Captain Femia was elected by acclamation to a three-year term.

Police: **Trustee Dan Christophers:** congratulations to Dan as he was re-elected by acclamation to a three-year term as no one else applied to run for this term in office.

Congratulations to **Richard Samolewicz** as he was re-appointed by the Pompano Beach City Commission to another three-year term on your Board of Trustees!!

We would be remiss if we did not express our thanks to **John DeVoe for his six years of service** on the Board of Trustees. We wish him well as he approaches and enters into the next phase of his career.

Next issue: our fiscal year end report! Until then, stay safe and stay in touch!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2014

Distribution of Assets:

Equity	
-Large Cap. Value	\$33,422,371
-Large Cap. Growth	\$24,915,160
-Large Cap. Core	\$25,274,363
-Mid Cap. Value	\$14,115,985
-Small/Mid Cap. Growth	\$13,182,318
-International Value	\$12,335,621
-International Growth	\$13,536,064
Total Equity	\$136,781,881
Fixed Income	\$52,004,675
Private Real Estate	\$13,304,903
Fund of Hedge Funds	\$19,769,793
Private Equity	\$5,192,591
Cash (Non-Managed Account)	\$146,311
Total Portfolio	\$227,200,153

Distribution by Percentages:

	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	14.71%
-Large Cap. Growth	10.00%	10.97%
-Large Cap. Core	10.00%	11.12%
-Mid Cap. Value	5.00%	6.21%
-Small/Mid Cap. Growth	5.00%	5.80%
-International Value	5.00%	5.43%
-International Growth	5.00%	5.96%
Total Equity	55.00%	60.20%
Fixed Income	25.00%	22.89%
Private Real Estate	7.50%	5.86%
Fund of Hedge Funds	10.00%	8.70%
Private Equity	2.50%	2.29%
Cash (Non-Managed Account)	0.00%	0.06%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)

Private Real Estate	100.00%	\$11,454,903
Fees		(\$30,662)
Gain or (Loss)		\$353,889

OFFICE BUILDING

Total Assets	100.00%	\$1,850,000
Gain or (Loss)		\$23,743

UBP Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$5,674,240
Gain or (Loss)		(\$125,209)

MAIN ACCOUNT (NON-MANAGED)

Cash	100.00%	\$146,311
Gain or (Loss)		\$792

Other Important Facts:

Total Portfolio	\$227,200,153
Total Gain or (Loss) - Gross of Fees	\$6,246,665

BLACKROCK

Total Assets	100.00%	\$33,422,371
Equity	97.38%	\$32,547,825
Cash	2.62%	\$874,546
Fees		(\$48,126)
Gain or (Loss)		\$1,224,114

SANDS CAPITAL MANAGEMENT

Total Assets	100.00%	\$24,915,160
Equity	99.32%	\$24,745,376
Cash	0.68%	\$169,784
Fees		(\$37,375)
Gain or (Loss)		\$343,008

CORNERSTONE

Total Assets	100.00%	\$25,274,363
Equity	96.52%	\$24,395,867
Cash	3.48%	\$878,496
Fees		(\$33,834)
Gain or (Loss)		\$697,236

RBC GLOBAL

Total Assets	100.00%	\$14,115,985
Equity	99.67%	\$14,069,197
Cash	0.33%	\$46,788
Fees		(\$11,512)
Gain or (Loss)		\$859,115

WELLS

Total Assets	100.00%	\$13,182,318
Equity	96.76%	\$12,755,226
Cash	3.24%	\$427,092
Fees		(\$30,757)
Gain or (Loss)		\$55,509

Ironwood Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$6,648,265
Gain or (Loss)		\$142,597

Pine Grove Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$7,447,288
Gain or (Loss)		\$139,207

LAZARD (International Value)

Total Assets	100.00%	\$12,335,621
Equity	97.60%	\$12,039,603
Cash	2.40%	\$296,018
Fees		(\$15,667)
Gain or (Loss)		\$568,639

RENAISSANCE (International Growth)

Total Assets	100.00%	\$13,536,064
Equity	96.12%	\$13,011,306
Cash	3.88%	\$524,758
Fees		(\$21,184)
Gain or (Loss)		\$719,711

STANDISH MELLON

Total Assets	100.00%	\$24,986,848
Fixed	92.99%	\$23,235,380
Cash	7.01%	\$1,751,468
Fees		(\$36,357)
Gain or (Loss)		\$542,931

MUNDER CAPITAL MANAGEMENT

Total Assets	100.00%	\$27,017,827
Fixed	98.94%	\$26,732,780
Cash	1.06%	\$285,047
Fees		\$0
Gain or (Loss)		\$560,505

NB Crossroads (Private Equity)

Total Assets	100.00%	\$3,392,080
Gain or (Loss)		\$142,629

Blackstone (Private Equity)

Total Assets	100.00%	\$1,285,094
Gain or (Loss)		(\$1,752)

Goldman Sachs (Private Equity)

Total Assets	100.00%	\$515,417
Gain or (Loss)		\$0

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2014

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
<i>Large Cap. Value</i>		Gross	Net			
	Quarter	3.65	3.51	5.10	5.02	5.24
	1 year	18.79	17.84	23.81	23.61	24.62
	Since 1/31/2013	17.06	16.40	23.43	NA	23.51
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	1.44	1.28	5.13	4.59	
	1 year	34.17	33.36	26.93	26.46	
	3 year	20.36	19.65	16.26	15.54	
	5 year	26.55	25.81	19.24	18.46	
	Since 5/31/2003	13.13	12.49	9.11	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
<i>Large Cap. Core</i>						
	Quarter	2.83	2.69	5.24	4.99	
	1 year	22.42	21.56	24.62	24.93	
	3 year	16.55	15.84	16.59	16.53	
	5 year	17.44	16.71	18.84	18.83	
	Since 1/31/2009	18.54	17.83	19.88	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	6.45	6.36	5.62	4.83	
	1 year	32.39	31.94	27.74	24.78	
	3 year	17.58	16.90	17.55	16.08	
	5 year	22.67	21.92	22.97	21.75	
	Since 1/31/2009	23.19	22.46	24.21	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	0.52	0.28	2.89	1.45	
	1 year	21.43	20.34	26.26	24.99	
	3 year	15.81	14.78	14.88	14.77	
	5 year	23.84	22.75	21.65	21.51	
	Since 1/31/2009	25.59	24.53	24.28	NA	
LAZARD				MSCI ACWI x US		
<i>International Value</i>						
	Quarter	4.82	4.68	5.02		
	1 year	23.09	22.46	21.75		
	Since 1/31/2013	12.90	12.43	11.68		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	5.58	5.41	5.02		
	1 year	31.76	30.92	21.75		
	3 year	9.87	9.17	5.74		
	5 year	13.95	13.23	11.11		
	Since 1/31/2009	16.58	15.88	14.84		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	2.22	2.07	2.04	1.62	1.23
	1 year	5.19	4.72	4.37	3.48	2.86
	3 year	4.41	4.07	3.67	2.85	2.83
	5 year	5.70	5.37	4.85	4.23	4.09
	Since 4/30/2003	4.80	4.46	4.59	4.28	4.04
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	2.12	2.12	2.04	1.62	1.23
	1 year	4.87	4.87	4.37	3.48	2.86
	3 year	4.38	4.22	3.67	2.85	2.83
	5 year	5.47	5.26	4.85	4.23	4.09
	Since 9/30/2002	5.08	4.84	4.69	4.37	4.19

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
	Quarter	3.19	2.90	2.91	NA
	1 year	10.95	9.72	11.22	NA
	3 year	11.33	10.06	11.33	NA
	5 year	9.12	7.88	9.68	NA
	Since 7/31/2006	2.94	1.78	6.41	NA
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	1.29	1.29	0.01	2.04
	1 year	(39.74)	(39.74)	0.04	4.37
	3 year	(16.42)	(16.42)	0.06	3.67
	5 year	(17.68)	(17.68)	0.08	4.85
	Since 3/31/2007	(10.93)	(10.93)	0.67	5.08
UBP					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	(2.16)	(2.16)	1.28	
	1 year	1.45	1.45	6.67	
	3 year	1.04	1.04	3.46	
	5 year	2.83	2.83	4.12	
	Since 4/30/2008	(0.22)	(0.22)	0.79	
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.19	2.19	1.28	
	1 year	11.52	11.52	6.67	
	3 year	7.45	7.45	3.46	
	5 year	8.99	8.99	4.12	
	Since 7/31/2008	3.26	3.26	0.95	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.90	1.90	1.28	
	1 year	8.64	8.64	6.67	
	3 year	5.47	5.47	3.46	
	5 year	6.79	6.79	4.12	
	Since 9/30/2008	5.41	5.41	2.19	
Neuberger Berman					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	4.54	4.60	5.24	
	1 year	17.87	17.90	24.62	
	3 year	8.31	11.12	16.59	
	Since 3/31/2010	(1.96)	9.42	15.35	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	(0.16)	(0.20)	5.24	
	Since 11/30/2013	3.23	1.42	9.85	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	5.24	
	Since 12/31/2013	(11.33)	(10.04)	7.14	
TOTAL FUND					
<i>Time-Weighted Return (TWR)</i>				Policy Index	Composite Index
	Quarter	2.82	2.70	3.61	3.77
	1 year	16.84	16.19	16.21	17.15
	3 year	10.32	9.75	10.36	10.68
	5 year	13.45	12.87	13.02	13.31
	Since 9/30/2002	8.29	7.79	8.26	8.55
	Since 6/30/1995	7.49			
TOTAL FUND					
<i>Dollar-Weighted Net Return (IRR)</i>				Actuarial Rate	CPI +3
	Quarter		2.69	1.82	1.61
	1 year		16.24	7.50	5.04
	3 year		9.60	7.50	4.96
	5 year		12.94	7.50	5.02
	Since 9/30/2002		7.75	7.50	5.38