

**YOUR PENSION MATTERS**  
**06/30/11**  
**End of 3<sup>rd</sup> Quarter – FY 2010 - 2011**

by: Chief Paul O'Connell  
Board Chairperson  
8/19/11

**From Your Pension Board of Trustees:** In dark days such as the ones we have experienced during the month of August, courage, both political and personal, is a critical trait because it is the one trait that moves us forward in the right direction. In the face of adversity, courage will aid us in making the right decision even when we may be standing alone. We must never be afraid of adversity. Life experiences teach us that we should embrace adversity because it produces endurance and patience; which, in turn, create true character that is resolute. With courage that is resolute we will persevere in these troubled times.

**THE MARKET:** First let us review the Fund's Third Quarter which ended 6/30/11: **What a quarter we saw!** But for the late June rally, this would have been a negative quarter. That late rally took a gloomy quarter for the market and quickly changed it into a positive quarter. As you read through the attached quarterly reports for the Fund's FY 3<sup>rd</sup> quarter ending June 30<sup>th</sup>, keep in mind that it is not the daily reading of the market that counts, it is the long term results that do count. We are still climbing out of the deepest recession of our lifetime and there is much work yet to be done. Know that we are going in the right direction and working hard for our members.

Needless to say, those 3<sup>rd</sup> quarter gains and much more were lost as a result of the August sell off in the market. We had almost returned to our pre-recession level and then this recent downturn put us deeper in the hole from which we were trying to emerge. Without sounding too political, allow us to voice a concern that we all share. Over the past few weeks we witnessed a political system that failed its country. To get this country back on the right track, tough choices, compromise and political courage were necessary in order to achieve the correct balance of revenue enhancement (taxes) and spending cuts (Medicare and Social Security MUST be reformed). Rather than making the tough choices which would maintain this country's status as the "world's currency" and the single, safest home for conservative investment, Congress turned a blind eye to what absolutely needed to be done. We can only hope and pray that the newly formed "Super Committee" has the courage to do what is necessary.

**Where to from here?** Each of us has individual needs, wants, investment goals and risk tolerance. Thus, we cannot and will not give any advice. We can and will provide you information upon which you can make those choices that are best for you and your family. From the perspective of a Board Trustee, we must take all the emotion out of the many decisions we make and we must look into the future with the vision that entails a timeline of 20 years or more. We are still climbing out of the deepest recession of our lifetime that seems to have been exacerbated by Congress' inability to put country before politics. We know that there is much work yet to be done by your Board of Trustees and hopefully by our Congress. Know that we are working hard for our members.

**Divorce Settlements:** We hope you never need one but if you do, here is some information you and your attorney will need. First, be sure to notify the Pension Office at the start of settlement negotiations so you and your soon-to-be ex-spouse can be provided with our “**Divorce Kit**” which explains the ways that your pension can be divided. Although we may take deductions for alimony and child support from your pension check, we are prohibited from taking deductions for settlements of marital assets, such as your pension. Therefore, the wording in the settlement documents and court order are important. Also, the member of the plan remains the owner of the benefit and therefore is the person who will be taxed on the gross benefit before the deduction. Therefore, who pays the taxes on the portion payable to the ex-spouse should be factored into the calculation and specified in the settlement agreement or court order. In addition, the settlement agreement should specify if the ex-spouse’s payment is a fixed amount or should be increased by a portion of the annual cost-of-living adjustment. While a divorce is never easy, you can save yourself some anxiety by settling these issues before you reach your final settlement.

**Winters – Reyka Memorial:** On August 14<sup>th</sup> retired and active members of the Pompano Beach Police and Fire Departments met to remember our fallen brothers, K-9 Officer Scott Winters and BSO Sgt. Chris Reyka. The event was very well attended by current and retired members of BSO – Pompano and the Pompano Beach Fire Department. Excellent refreshments and conversation was had among members of the Pompano family. Thank you to those who put together this event year after year.

**BSO Deputy Kim Leonard – Disability Hearing:** at our July 18<sup>th</sup> Board meeting your Board of Trustees heard the very sad facts of the on-duty injury to BSO Deputy Kim (Kneer) Leonard. After hearing those facts and reviewing the medical records provided to us, the Board voted unanimously to grant Dep. Leonard’s application for a full disability pension. Decisions like these are never easy. The Trustees must set aside any predispositions, either in favor of or against the applicant. They must objectively look at the facts and decide to grant or reject the application based solely on those facts. In this case, the facts were clear that Kim suffered injuries as a result of on-duty actions. The injuries suffered were permanent. The injuries were total in that, because of those injuries, she was no longer able to perform the required duties of a law enforcement officer. We wish her the very best in her future endeavors.

**Elections:** Congratulations to John Devoe and Dan Christophers who were re-elected by acclamation to new three-year terms. Also, congratulations to Richard Samolewicz, as he was re-appointed by the Pompano Beach City Commission to another three-year term on the Board. The stability on the Board we have witnessed over the past years has been unmatched and we believe it is reflective of the trust you have in us as we continue to serve you.

**Next issue: our 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, 2011**

<b>Distribution of Assets:</b>		
Equity		
-Large Cap. Value	\$28,969,412	
-Large Cap. Growth	\$24,079,039	
-Large Cap. Core	\$19,412,415	
-Mid Cap. Value	\$10,700,958	
-Small/Mid Cap. Growth	\$10,775,789	
-International Value	\$9,422,829	
-International Growth	\$10,377,166	
Total Equity	\$113,737,609	
Fixed Income		
Real Estate (REIT)	\$4,833,779	
Private Real Estate	\$7,617,910	
Fund of Hedge Funds	\$17,194,835	
Private Equity	\$1,173,552	
Cash (Non-Managed Account)	\$1,698,777	
Total Portfolio	\$192,483,393	

<b>Distribution by Percentages:</b>	<b>Policy</b>	<b>Current</b>
Equity Breakdown		
-Large Cap. Value	15.00%	15.05%
-Large Cap. Growth	10.00%	12.51%
-Large Cap. Core	10.00%	10.09%
-Mid Cap. Value	5.00%	5.56%
-Small/Mid Cap. Growth	5.00%	5.60%
-International Value	5.00%	4.90%
-International Growth	5.00%	5.39%
Total Equity	55.00%	59.09%
Fixed Income		
Real Estate (REIT)	2.50%	2.51%
Private Real Estate	5.00%	3.96%
Fund of Hedge Funds	10.00%	8.93%
Private Equity	2.50%	0.61%
Cash (Non-Managed Account)	0.00%	0.88%
Total Portfolio	100.00%	100.00%

<b>UBP Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$5,500,218
Gain or (Loss)		(\$36,509)
<b>Ironwood Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$5,347,737
Gain or (Loss)		\$51,474
<b>Pine Grove Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$6,346,880
Gain or (Loss)		(\$43,143)
<b>INVESCO (REIT)</b>		
REIT	100.00%	\$4,833,779
Fees		(\$8,940)
Gain or (Loss)		\$186,268
<b>INVESCO (Private Real Estate)</b>		
Private Real Estate	100.00%	\$4,617,910
Fees		(\$12,127)
Gain or (Loss)		\$305,168
<b>MAIN ACCOUNT (NON-MANAGED)</b>		
Cash	100.00%	\$1,698,777
Gain or (Loss)		\$117
<b>OFFICE BUILDING</b>		
Total Assets	100.00%	\$3,000,000
Fees		\$0
Gain or (Loss)		(\$28,254)
<b>NB Crossroads (Private Equity)</b>		
Total Assets	100.00%	\$1,173,552
Fees		\$0
Gain or (Loss)		\$156,727

<b>Other Important Facts:</b>		
Total Portfolio		\$192,483,393
Total Gain or (Loss) - Gross of Fees		\$1,909,924

<b>LORD ABBETT</b>		
Total Assets	100.00%	\$28,969,412
Equity	96.75%	\$28,028,601
Cash	3.25%	\$940,811
Fees		(\$44,978)
Gain or (Loss)		(\$616,463)

<b>SANDS CAPITAL MANAGEMENT</b>		
Total Assets	100.00%	\$24,079,039
Equity	98.43%	\$23,701,086
Cash	1.57%	\$377,954
Fees		(\$35,785)
Gain or (Loss)		\$815,713

<b>CORNERSTONE</b>		
Total Assets	100.00%	\$19,412,415
Equity	95.51%	\$18,540,656
Cash	4.49%	\$871,759
Fees		(\$31,358)
Gain or (Loss)		\$158,014

<b>RBC GLOBAL</b>		
Total Assets	100.00%	\$10,700,958
Equity	99.26%	\$10,621,493
Cash	0.74%	\$79,465
Fees		(\$18,690)
Gain or (Loss)		(\$74,778)

<b>WELLS</b>		
Total Assets	100.00%	\$10,775,789
Equity	100.54%	\$10,833,912
Cash	-0.54%	(\$58,123)
Fees		(\$23,954)
Gain or (Loss)		(\$50,904)

<b>INVESCO (International Value)</b>		
Total Assets	100.00%	\$9,422,829
Equity	95.66%	\$9,014,057
Cash	4.34%	\$408,772
Fees		(\$15,423)
Gain or (Loss)		(\$25,446)

<b>RENAISSANCE (International Growth)</b>		
Total Assets	100.00%	\$10,377,166
Equity	97.86%	\$10,154,736
Cash	2.14%	\$222,429
Fees		(\$16,423)
Gain or (Loss)		\$132,363

<b>STANDISH MELLON</b>		
Total Assets	100.00%	\$21,998,366
Fixed	99.80%	\$21,953,662
Cash	0.20%	\$44,704
Fees		(\$16,136)
Gain or (Loss)		\$442,207

<b>MUNDER CAPITAL MANAGEMENT</b>		
Total Assets	100.00%	\$21,786,483
Fixed	73.51%	\$16,015,479
Cash	26.49%	\$5,771,004
Fees		(\$14,337)
Gain or (Loss)		\$496,743

<b>MUNDER - OTHER ASSETS</b>		
Total Assets	100.00%	\$2,442,083
Fixed	76.49%	\$1,867,874
Cash	23.51%	\$574,209
Fees		\$0
Gain or (Loss)		\$40,627

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of June 30, 2011**

**TRADITIONAL INVESTMENTS**

<b>LORD ABBETT</b>		<b>Your Returns</b>		<b>Russ 1000 Value</b>	<b>PSN Money Mgrs.</b>	<b>S&amp;P 500</b>
<b>Large Cap. Value</b>		<b>Gross</b>	<b>Net</b>			
	Quarter	(2.12)	(2.26)	(0.51)	0.23	0.10
	1 year	27.93	27.18	28.94	29.74	30.69
	3 year	3.18	2.54	2.28	4.22	3.33
	5 year	2.06	1.45	1.15	2.97	2.94
	Since 10/31/2004	3.89	3.30	4.15	NA	4.49
	Lord Abbett/Boston - Since 9/30/2002	7.61		8.24	8.65	7.78
	Lord Abbett/Boston - Since 6/30/1995	7.57		8.51	9.02	7.62
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<b>Large Cap. Growth</b>						
	Quarter	3.44	3.29	0.76	0.22	
	1 year	46.25	45.39	35.01	33.23	
	3 year	11.73	11.08	5.02	3.99	
	5 year	9.24	8.62	5.33	5.01	
	Since 5/31/2003	10.56	9.95	6.57	NA	
<b>CORNERSTONE</b>				<b>S&amp;P 500</b>	<b>PSN Money Mgrs.</b>	
<b>Large Cap. Core</b>						
	Quarter	0.79	0.63	0.10	0.21	
	1 year	28.01	27.18	30.69	30.62	
	Since 1/31/2009	21.07	20.36	24.09	NA	
<b>RBC GLOBAL</b>				<b>Russ Mid Value</b>	<b>PSN Money Mgrs.</b>	
<b>Mid Cap. Value</b>						
	Quarter	(0.74)	(0.90)	(0.68)	0.12	
	1 year	38.72	37.79	34.30	30.64	
	Since 1/31/2009	30.53	29.73	33.01	NA	
<b>WELLS</b>				<b>Russ 2500 Growth</b>	<b>PSN Money Mgrs.</b>	
<b>Small/Mid Cap. Growth</b>						
	Quarter	(0.51)	(0.72)	0.38	0.46	
	1 year	46.46	45.18	44.70	41.85	
	Since 1/31/2009	38.87	37.80	37.03	NA	
<b>INVESCO</b>				<b>MSCI EAFE Net</b>		
<b>International Value</b>						
	Quarter	(0.27)	(0.43)	1.57		
	1 year	24.06	23.27	30.39		
	3 year	(0.10)	(0.80)	(1.77)		
	5 year	1.16	0.51	1.48		
	Since 1/31/2004	6.24	5.57	6.50		
<b>RENAISSANCE</b>				<b>MSCI AC Wld x US</b>		
<b>International Growth</b>						
	Quarter	1.29	1.13	0.39		
	1 year	32.93	32.09	29.73		
	Since 1/31/2009	25.47	24.78	27.26		
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<b>Fixed Income</b>						
	Quarter	2.05	1.98	2.29	2.17	2.12
	1 year	4.14	3.83	3.90	3.99	3.77
	3 year	6.71	6.40	6.46	6.26	5.76
	5 year	6.45	6.14	6.52	6.39	6.09
	Since 4/30/2003	4.95	4.61	4.93	4.81	4.49
<b>MUNDER CAPITAL</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<b>Fixed Income</b>						
	Quarter	2.33	2.27	2.29	2.17	2.12
	1 year	4.48	4.21	3.90	3.99	3.77
	3 year	6.99	6.72	6.46	6.26	5.76
	5 year	6.95	6.68	6.52	6.39	6.09
	Since 9/30/2002	5.32	5.06	5.05	4.89	4.65

**ALTERNATIVE INVESTMENTS**

<b>INVESCO REIT</b>		<b>Gross</b>	<b>Net</b>	<b>NAREIT</b>	
	Quarter	4.00	3.81	2.90	
	1 year	33.24	32.50	34.08	
	3 year	6.86	6.20	5.37	
	Since 6/30/2006	3.87	3.16	2.61	
<b>INVESCO Private Real Estate</b>				<b>NCREIF Property</b>	<b>NCREIF ODCE</b>
	Quarter	7.06	6.76	3.94	4.62
	1 year	24.14	22.87	16.74	20.47
	3 year	(7.71)	(8.02)	(2.56)	(7.67)
	Since 7/31/2006	(1.20)	(1.41)	3.51	NA
<b>OFFICE BUILDING Private Real Estate</b>				<b>BC Aggregate</b>	<b>90-Day T-Bill</b>
	Quarter	(0.94)	(0.94)	2.29	0.01
	1 year	8.29	8.29	3.90	0.11
	3 year	(11.39)	(11.39)	6.46	0.24
	Since 3/31/2007	(6.84)	(6.84)	6.09	1.09
<b>UBP Fund of Hedge Funds</b>				<b>HFRI FOF Cons</b>	
	Quarter	(0.66)	(0.66)	(0.89)	
	1 year	6.03	6.03	5.10	
	3 year	(1.80)	(1.80)	(2.17)	
	Since 4/30/2008	(1.39)	(1.39)	(1.71)	
<b>Ironwood Fund of Hedge Funds</b>				<b>HFRI FOF Cons</b>	
	Quarter	0.97	0.97	(0.89)	
	1 year	12.40	12.40	5.10	
	Since 7/31/2008	(0.96)	(0.96)	(1.61)	
<b>Pine Grove Fund of Hedge Funds</b>				<b>HFRI FOF Cons</b>	
	Quarter	(0.68)	(0.68)	(0.89)	
	1 year	6.47	6.47	5.10	
	Since 9/30/2008	5.35	5.35	0.78	
<b>Neuberger Berman Private Equity</b>					
	Quarter	18.85	18.85		
	1 year	(17.75)	(17.75)		
	Since 3/31/2010	(14.47)	(14.47)		
<b>TOTAL FUND</b>				<b>Policy Index</b>	<b>Composite Index</b>
	Quarter	0.99	0.87	0.84	0.80
	1 year	22.62	22.03	20.87	21.28
	3 year	5.95	5.45	4.77	5.65
	5 year	5.38	4.90	4.75	5.30
	Since 9/30/2002	7.64	7.17	7.59	7.90
	Since 6/30/1995	6.99			

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.