

YOUR PENSION MATTERS
3/31/2014
End of 2nd Quarter – FY 2013 - 2014

by: Chief Paul O'Connell
Board Chairperson
5/15/14

It takes 20 years to build a reputation of trust and competence and 5 minutes to ruin it.

Warren Buffett

David Benjamin and Jeff Poole: no doubt you have read about these two Sworn Deputies with the Broward Sheriff's Office and the criminal charges to which each plead guilty in Federal Court. Did you know that their careers started with the Pompano Beach Police Department? Both transitioned to BSO during the merger in 1999 and their respective police careers blossomed thereafter. However, somewhere along the way they may have lost their moral compass. Here is a summary of the **4/25/14 FBI Press Release:**

Lt. Benjamin was charged with conspiracy to commit extortion and violate civil rights in violation of Title 18 USC, Section 371. **Detective Poole** was charged with conspiracy to commit extortion and violate civil rights in violation of Title 18 USC, Section 241. The charges allege that, during the relevant time period, both defendants engaged in a criminal conspiracy to further the Scott Rothstein criminal fraud operation. Both Deputies agreed to utilize their respective positions within BSO in an unlawful manner to further the interest of RRA (the Law Firm) and its CEO Scott Rothstein.

As a result of their guilty plea to the above charges, the Pompano Beach Police and Fire Pension Board of Trustees voted to suspend any and all future pension payouts to both individuals which exceed the amount each person contributed to the System during their respective employment. Remember, even where pension forfeiture occurs, the affected employee is still entitled to a complete refund of all contributions said employee made to the retirement system. The Board's decision was made in the abundance of caution while a thorough pension forfeiture review process takes place pursuant to Florida State Statute 112. This review can only take place once the criminal proceedings are complete and those proceedings are complete (except for sentencing). When the forfeiture review does occur, the Board will follow FS 112 in a manner prescribed by law. Deputies Benjamin and Poole will be given a full and fair hearing before any forfeiture is ordered, with court review available thereafter.

In a nutshell, here are the different laws that may or may not apply to the facts of this case:

Florida Constitution – Article II states: **A PUBLIC OFFICE IS A PUBLIC TRUST**, Article II, Section 8 (d) states: "Any public officer or employee who is convicted of a felony involving a breach of public trust shall be subject to forfeiture of rights and privileges under a public retirement system or pension plan in such manner as may be provided by law."

FSS 112.3173 (3) is the legislative enactment of the Constitutional directive illustrated above. It reads:

FORFEITURE – Any public officer or employee who is convicted of a specified offense committed prior to retirement, or whose office or employment is terminated by reason of his or her admitted commission, aid, or abetment of a specified offense, shall forfeit all rights and benefits under any public retirement system of which he or she is a member, except for the return of his or her accumulated contributions as of the date of termination.

FSS 112.3173 (2) (e) identifies and defines the “specified offenses” which warrant forfeiture. These are:

(e) “Specified offense” means:

1. The committing, aiding, or abetting of an embezzlement of public funds;
2. The committing, aiding, or abetting of any theft by a public officer or employee from his or her employer;
3. Bribery in connection with the employment of a public officer or employee;
4. Any felony specified in chapter 838, except ss. [838.15](#) and [838.16](#);
5. The committing of an impeachable offense;
6. The committing of any felony by a public officer or employee who, willfully and with intent to defraud the public or the public agency for which the public officer or employee acts or in which he or she is employed of the right to receive the faithful performance of his or her duty as a public officer or employee, realizes or obtains, or attempts to realize or obtain, a profit, gain, or advantage for himself or herself or for some other person through the use or attempted use of the power, rights, privileges, duties, or position of his or her public office or employment position; or
7. The committing on or after October 1, 2008, of any felony defined in s. [800.04](#) against a victim younger than 16 years of age, or any felony defined in chapter 794 against a victim younger than 18 years of age, by a public officer or employee through the use or attempted use of power, rights, privileges, duties, or position of his or her public office or employment position.

Chapter 838.022 (1) identifies and defines “Official Misconduct” as follows: (1) it is unlawful for a public servant, with corrupt intent to obtain a benefit for any person or cause harm to another, to

- (a) falsify, or cause another person to falsify, any official record or official document;
- (b) conceal, cover up, destroy, mutilate, or alter any official record or official document or cause another person to perform such an act; or
- (c) obstruct, delay, or prevent the communication of information relating to the commission of a felony that directly involves or affects the public agency or public entity served by the public servant.

FSS 838.022 (3) – states that the violation of 838.022 (1) is a felony of the third degree.

The above statutory information basically paints the picture of the process which will be followed by the Pension Board in its review of the facts of these cases and to what extent, if any, those facts fit within the forfeiture statute. We will keep everyone informed as to the dates and times of these hearings.

HELLO....IS ANYONE OUT THERE?? As a reminder we have the **PBPFRS Scholarship Fund!!** As the summer season approaches, those of us with children or grandchildren finishing their last year of high school know that the college years are approaching. The questions regarding costs vs. affordability are always of concern. This is a friendly reminder that there is a **Scholarship Fund** in place. As you know, the law firm of Sugarman & Susskind serves as Legal Counsel for the Board of Trustees. The firm has graciously funded a **Broward College** scholarship for use by the direct descendents (children, grandchildren, great-grandchildren, etc.) of members of this pension fund;

members who are either retired or active. The \$25,000 seed money establishes scholarship grants up to \$2,500 per academic year. It is need based and is now in place for students who attend or will be attending **Broward College**. Should you have any questions or if you have a child or children who wish to apply, please contact the Broward College Office of Financial Aid directly. The Board of Trustees, its staff and members of the Sugarman & Susskind Firm have no influence or input on the selection process or the amount awarded. This Scholarship is in place for member families who may have a need for financial assistance in order to earn a degree or a police officer, firefighter or paramedic state certification. **A BIG Thank You** to the law firm of Sugarman & Susskind!!

Is this the beginning of the end or the end of the beginning??

That is the big question running around Wall Street these days as the **Bull Market** celebrates its Five Year Anniversary (March 9, 2009 – March 8, 2014) during which period the DJIA rose 149% while the S&P 500 rose 180%. Has the market “topped out”? Are we looking into the inevitable “correction” or a down right drop in the market? This was the main topic of conversation during our **Eighth Annual Pension Educational Symposium**. Those of you who were lucky enough to attend received critical information directly from the market experts; the people who invest millions of dollars on a daily basis. For those of you who could not attend, here is a nutshell of their vision.

The **Eighth Annual Pension Educational Symposium** was held May 1 – May 3, 2014. For the very first time it was held in Pompano Beach at the newly built Marriott (a beautiful facility just south of the 14th Street Causeway which opened in September 2013). It was, no doubt, the **VERY BEST** one we have ever had. Of course, it always helps when we were discussing record levels in the Dow, S&P and NASDAQ. The 2nd Quarter of the Fund’s FY was pretty good as the Fund made some significant advances (in that quarter the Fund gained just over **\$3 million**). Attached you will find an investment results summary from the Quarter ending March 31, 2014. It was a steady advancement 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 **\$224 million!** The following Quarter, which spans April 1st through June 30th, has been another story. Uncertainty in the Ukraine (Civil War?) and in China (recession?) continues to drag on the world economy. As the Board listened to our line-up of money managers, the theme for the investment future was pretty much unanimous, slow growth is in our future as we enter a time of uncertainty. As I am sure you have read in many places, past results may not necessarily reflect future returns. *Put another way - the future is not guaranteed.*

Mark your calendars for next year. Please join us if you can for the **Ninth Annual Pension Educational Symposium** in 2015!!

To All: Enjoy your summer and in the meantime, stay safe and stay in touch!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2014

Distribution of Assets:

Equity	
-Large Cap. Value	\$34,563,530
-Large Cap. Growth	\$24,931,151
-Large Cap. Core	\$25,140,127
-Mid Cap. Value	\$13,746,870
-Small/Mid Cap. Growth	\$13,444,809
-International Value	\$11,856,981
-International Growth	\$13,211,353
Total Equity	\$136,894,821
Fixed Income	\$50,901,238
Private Real Estate	\$12,981,676
Fund of Hedge Funds	\$19,611,940
Private Equity	\$4,151,211
Cash (Non-Managed Account)	\$158,252
Total Portfolio	\$224,699,138

Distribution by Percentages:

	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	15.38%
-Large Cap. Growth	10.00%	11.10%
-Large Cap. Core	10.00%	11.19%
-Mid Cap. Value	5.00%	6.12%
-Small/Mid Cap. Growth	5.00%	5.98%
-International Value	5.00%	5.28%
-International Growth	5.00%	5.88%
Total Equity	55.00%	60.92%
Fixed Income	25.00%	22.65%
Private Real Estate	7.50%	5.78%
Fund of Hedge Funds	10.00%	8.73%
Private Equity	2.50%	1.85%
Cash (Non-Managed Account)	0.00%	0.07%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)

Private Real Estate	100.00%	\$11,131,676
Fees		(\$30,223)
Gain or (Loss)		\$187,093

OFFICE BUILDING

Total Assets	100.00%	\$1,850,000
Gain or (Loss)		\$10,368

UBP Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$5,799,814
Gain or (Loss)		(\$15,085)

MAIN ACCOUNT (NON-MANAGED)

Cash	100.00%	\$158,252
Gain or (Loss)		\$8,319

Other Important Facts:

Total Portfolio	\$224,699,138
Total Gain or (Loss) - Gross of Fees	\$3,023,385

BLACKROCK

Total Assets	100.00%	\$34,563,530
Equity	97.46%	\$33,685,035
Cash	2.54%	\$878,495
Fees		(\$48,403)
Gain or (Loss)		\$276,007

SANDS CAPITAL MANAGEMENT

Total Assets	100.00%	\$24,931,151
Equity	96.99%	\$24,180,540
Cash	3.01%	\$750,612
Fees		(\$37,610)
Gain or (Loss)		\$186,540

CORNERSTONE

Total Assets	100.00%	\$25,140,127
Equity	98.31%	\$24,715,297
Cash	1.69%	\$424,830
Fees		(\$33,779)
Gain or (Loss)		\$250,544

RBC GLOBAL

Total Assets	100.00%	\$13,746,870
Equity	97.61%	\$13,418,048
Cash	2.39%	\$328,822
Fees		(\$11,261)
Gain or (Loss)		\$782,679

WELLS

Total Assets	100.00%	\$13,444,809
Equity	97.52%	\$13,111,609
Cash	2.48%	\$333,199
Fees		(\$30,613)
Gain or (Loss)		(\$155,790)

Ironwood Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$6,505,668
Gain or (Loss)		\$162,872

Pine Grove Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$7,306,458
Gain or (Loss)		\$209,209

LAZARD (International Value)

Total Assets	100.00%	\$11,856,981
Equity	96.55%	\$11,447,773
Cash	3.45%	\$409,209
Fees		(\$15,540)
Gain or (Loss)		\$39,819

RENAISSANCE (International Growth)

Total Assets	100.00%	\$13,211,353
Equity	98.39%	\$12,998,356
Cash	1.61%	\$212,997
Fees		(\$22,016)
Gain or (Loss)		(\$41,672)

STANDISH MELLON

Total Assets	100.00%	\$24,443,917
Fixed	97.04%	\$23,720,180
Cash	2.96%	\$723,737
Fees		(\$18,071)
Gain or (Loss)		\$449,077

MUNDER CAPITAL MANAGEMENT

Total Assets	100.00%	\$26,457,321
Fixed	96.10%	\$25,425,613
Cash	3.90%	\$1,031,708
Fees		\$0
Gain or (Loss)		\$510,180

MUNDER - OTHER ASSETS

Total Assets	0.00%	\$0
Fixed	0.00%	\$0
Cash	0.00%	\$0
Fees		\$0
Gain or (Loss)		(\$1)

NB Crossroads (Private Equity)

Total Assets	100.00%	\$3,143,571
Gain or (Loss)		\$141,115

Blackstone (Private Equity)

Total Assets	100.00%	\$798,542
Gain or (Loss)		\$22,111

Goldman Sachs (Private Equity)

Total Assets	100.00%	\$209,098
Gain or (Loss)		\$0

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2014

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
<i>Large Cap. Value</i>		Gross	Net			
	Quarter	0.82	0.67	3.02	NA	1.80
	1 year	15.67	14.89	21.58	NA	21.86
	Since 1/31/2013	17.42	16.75	23.74	NA	23.69
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	0.71	0.56	1.12	NA	
	1 year	34.51	33.72	23.23	NA	
	3 year	21.15	20.44	14.62	NA	
	5 year	31.00	30.24	21.68	NA	
	Since 5/31/2003	13.30	12.67	8.82	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
<i>Large Cap. Core</i>						
	Quarter	1.03	0.89	1.80	NA	
	1 year	23.31	22.61	21.86	NA	
	3 year	15.77	15.06	14.66	NA	
	5 year	20.18	19.43	21.16	NA	
	Since 1/31/2009	18.88	18.17	19.74	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	5.98	5.89	5.21	NA	
	1 year	27.44	26.89	22.94	NA	
	3 year	14.87	14.18	15.17	NA	
	5 year	25.38	24.60	26.35	NA	
	Since 1/31/2009	22.91	22.20	24.20	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	(1.15)	(1.37)	1.04	NA	
	1 year	26.89	25.79	26.66	NA	
	3 year	15.41	14.40	13.93	NA	
	5 year	27.04	25.95	25.82	NA	
	Since 1/31/2009	26.85	25.80	24.90	NA	
LAZARD				MSCI ACWI x US		
<i>International Value</i>						
	Quarter	0.34	0.20	0.51		
	1 year	14.68	14.15	12.32		
	Since 1/31/2013	11.29	10.85	9.65		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	(0.28)	(0.45)	0.51		
	1 year	26.19	25.38	12.32		
	3 year	8.36	7.67	4.16		
	5 year	17.92	17.19	15.52		
	Since 1/31/2009	16.22	15.52	14.52		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	1.87	1.80	1.84	1.20	1.00
	1 year	0.32	0.02	(0.10)	0.01	(0.12)
	3 year	4.35	4.04	3.75	3.04	3.13
	5 year	5.93	5.61	4.80	4.24	4.18
	Since 4/30/2003	4.70	4.37	4.51	4.23	4.02
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	1.97	1.97	1.84	1.20	1.00
	1 year	0.53	0.53	(0.10)	0.01	(0.12)
	3 year	4.45	4.27	3.75	3.04	3.13
	5 year	5.42	5.20	4.80	4.24	4.18
	Since 9/30/2002	5.00	4.76	4.61	4.32	4.17

ALTERNATIVE INVESTMENTS

INVESCO				Russell NCREIF	
<i>Private Real Estate</i>		Gross	Net	/BC Agg	NCREIF ODCE
	Quarter	1.71	1.43	1.84	NA
	1 year	12.59	11.34	10.21	NA
	3 year	12.40	11.11	11.38	NA
	5 year	4.71	3.53	7.70	NA
	Since 7/31/2006	2.62	1.46	6.10	NA
OFFICE BUILDING				90-Day T-Bill	BC Aggregate
<i>Private Real Estate</i>					
	Quarter	0.56	0.56	0.01	1.84
	1 year	(40.84)	(40.84)	0.04	(0.10)
	3 year	(17.04)	(17.04)	0.06	3.75
	5 year	(17.61)	(17.61)	0.09	4.80
	Since 3/31/2007	(11.46)	(11.46)	0.69	4.96
UBP				HFRI FOF Cons	
<i>Fund of Hedge Funds</i>					
	Quarter	(0.26)	(0.26)	0.85	
	1 year	3.55	3.55	5.69	
	3 year	1.56	1.56	2.60	
	5 year	3.83	3.83	4.55	
	Since 4/30/2008	0.15	0.15	0.53	
Ironwood				HFRI FOF Cons	
<i>Fund of Hedge Funds</i>					
	Quarter	2.57	2.57	0.85	
	1 year	11.17	11.17	5.69	
	3 year	7.10	7.10	2.60	
	5 year	9.69	9.69	4.55	
	Since 7/31/2008	3.01	3.01	0.69	
Pine Grove				HFRI FOF Cons	
<i>Fund of Hedge Funds</i>					
	Quarter	2.95	2.95	0.85	
	1 year	8.59	8.59	5.69	
	3 year	4.57	4.57	2.60	
	5 year	7.77	7.77	4.55	
	Since 9/30/2008	5.30	5.30	1.97	
Neuberger Berman		Time-Wtd	Dollar-Wtd	S&P 500	
<i>Private Equity</i>					
	Quarter	4.70	4.77	1.80	
	1 year	15.90	15.96	21.86	
	3 year	6.75	9.64	14.66	
	Since 3/31/2010	(3.16)	8.26	14.90	
Blackstone		Time-Wtd	Dollar-Wtd	S&P 500	
<i>Private Equity</i>					
	Quarter	3.40	1.83	1.80	
	Since 11/30/2013	3.40	2.09	4.38	
Goldman Sachs		Time-Wtd	Dollar-Wtd	S&P 500	
<i>Private Equity</i>					
	Quarter	0.00	0.00	1.80	
	Since 12/31/2013	0.00	0.00	1.80	
TOTAL FUND				Policy Index	Composite Index
<i>Time-Weighted Return (TWR)</i>					
	Quarter	1.37	1.25	1.84	1.89
	1 year	14.63	14.06	12.83	13.57
	3 year	9.63	9.06	9.33	9.57
	5 year	15.36	14.78	14.76	14.93
	Since 9/30/2002	8.22	7.72	8.11	8.39
	Since 6/30/1995	7.41			
TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
	Quarter		1.37	1.82	1.14
	1 year		14.62	7.50	4.45
	3 year		9.45	7.50	4.79
	5 year		15.58	7.50	5.03
	Since 9/30/2002		8.19	7.50	5.36