

YOUR PENSION MATTERS

3/31/2015

End of 2nd Quarter – FY 2014 - 2015

by: Chief Paul O'Connell
Board Chairperson
5/19/2015

*“Two things define you: **Your Patience**, when you have nothing & **Your Attitude**, when you have everything.”* **Maureen Gately**

On February 8, 2015 the Wall Street Journal Sunday, published its last Sunday spread after 15 years of sharing a plethora of information and guidance in the field of investments (some of which we “borrowed” and shared with you over the years). Here are some of the highlights of that final edition.

Some Basic Life Principles:

Remember: *“The happiest people don’t necessarily have the best of everything. They simply make the best of everything they have.”* **Jayaram**

- The biggest time waster: **commuting**. A study in Sweden found that a long commute increases the risk that a married couple will separate by 40%; not to mention the adverse effect it has on your health!!
- If the primary reason you work at your particular job is for the money; you are lost. Two keys to a fulfilling life are: 1) doing what you are passionate about and 2) spending *quality time* with family and friends. It is as simple as that! Be happy with what you have and do not be consumed by the relentless pursuit of what you want.
- The **Power of being Polite**: we see it every day; road rage, cutting in line, people in a hurry because they have forgotten what is really important. Some good advice: slow down and enjoy life. Be polite to people and it will be returned to you 10 fold.

Some Basic Investment Principles: As the Bull Market continues to roll along (March 2009 to present, which means we have entered year #6 !!) there are **some basic investment principles** we would like to pass on to you.

Some Basic Investment Principles:

- **Keep it simple:** complicated investment strategies are designed to enrich the manager, not the client. A simple diversified, low cost index fund, rebalanced yearly will do just fine. For example, from September, 1999 to present, \$200 invested every two weeks into the Vanguard 500 Index Fund would now be worth over \$200,000!! Remember, that timeline includes the DOTCOM bust, 9/11 and the Great Recession of 2008-09.
- **Save until it hurts and then add 10%:** Americans are doing a terrible job in preparing for the unexpected crisis or for retirement. Save, Save and then Save some more. A third of your life could come after you turn 65. Are you ready?

- **Buy High Deductible Insurance for your house & car:** it will save you money to take the small hit and pass on the big hit to the insurance company. Insurance is necessary but the high cost can be mitigated by having a high deductible.
- **Pay off your credit card in FULL each month:** do **NOT** carry a balance; that is where the credit card companies make their big money. Let them make money, but not off you!
- **Cut the waste:** the cable bill, the cell phone bill and eating out regularly are excellent ways to destroy a budget and get you off track in maintaining good saving habits. Cut where you can!

Thank you to the folks at **WSJ Sunday** for sharing a lot of wisdom over the past 15 years!!

So how are we doing??

That was the big question during our Symposium as the **Bull Market** celebrated its Sixth Year Anniversary (March 9, 2009 – March 8, 2015) during which 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? These were some of the topics of conversation during our **Ninth 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 **Ninth Annual Pension Educational Symposium** was held May 7 – May 9, 2015. **Again**, the symposium was held at the Pompano Marriott (a beautiful facility just south of the 14th Street Causeway which opened in September 2013). **Again**, the facility and the setting were outstanding. **Again**, the wide range of speakers and money managers who attended was impressive. **Again**, the symposium was attended by our membership, both active and retired. 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 under **\$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 **\$230 million!**

The following Quarter, which spans April 1st through June 30th, has been another story. Uncertainty in the marketplace continues to drag on the world economy. As the Board of Trustees 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 the future returns. *Put another way; the future is not guaranteed.*

Mark your calendars for next year. Please join us if you can for our **Tenth Annual Pension Educational Symposium May 5 - 7, 2016!!**

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, 2015

Distribution of Assets:	
Equity	
-Large Cap. Value	\$24,054,331
-Large Cap. Growth	\$24,445,086
-Large Cap. Core	\$23,419,845
-Mid Cap. Value	\$12,974,840
-Small/Mid Cap. Growth	\$13,380,449
-International Value	\$11,365,246
-International Growth	\$12,315,291
Total Equity	\$121,955,090
Fixed Income	\$51,360,482
Private Real Estate	\$14,799,956
Fund of Hedge Funds	\$20,900,538
Master Limited Partnerships	\$11,024,838
Private Equity	\$8,099,441
Cash (Non-Managed Account)	\$2,025,066
Total Portfolio	\$230,165,411

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	10.00%	10.45%
-Large Cap. Growth	10.00%	10.62%
-Large Cap. Core	10.00%	10.18%
-Mid Cap. Value	5.00%	5.64%
-Small/Mid Cap. Growth	5.00%	5.81%
-International Value	5.00%	4.94%
-International Growth	5.00%	5.35%
Total Equity	50.00%	52.99%
Fixed Income	22.50%	22.31%
Private Real Estate	7.50%	6.43%
Fund of Hedge Funds	10.00%	9.08%
Master Limited Partnerships	5.00%	4.79%
Private Equity	5.00%	3.52%
Cash (Non-Managed Account)	0.00%	0.88%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$12,569,956
Fees		(\$34,681)
Gain or (Loss)		\$395,050

OFFICE BUILDING		
Total Assets	100.00%	\$2,230,000
Gain or (Loss)		\$39,598

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$781,533
Gain or (Loss)		\$7,454

MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$2,025,066
Gain or (Loss)		\$1,617

Other Important Facts:	
Total Portfolio	\$230,165,411
Total Gain or (Loss) - Gross of Fees	\$2,746,698

BLACKROCK			
Total Assets	100.00%	\$24,054,331	
Equity	95.73%	\$23,027,018	
Cash	4.27%	\$1,027,313	
Fees		(\$44,074)	
Gain or (Loss)		(\$208,460)	

SANDS CAPITAL MANAGEMENT			
Total Assets	100.00%	\$24,445,086	
Equity	98.47%	\$24,069,871	
Cash	1.53%	\$375,216	
Fees		(\$37,002)	
Gain or (Loss)		\$153,290	

CORNERSTONE			
Total Assets	100.00%	\$23,419,845	
Equity	96.79%	\$22,669,158	
Cash	3.21%	\$750,687	
Fees		(\$34,557)	
Gain or (Loss)		(\$1,333,493)	

RBC GLOBAL			
Total Assets	100.00%	\$12,974,840	
Equity	97.35%	\$12,630,413	
Cash	2.65%	\$344,427	
Fees		(\$20,461)	
Gain or (Loss)		\$454,575	

WELLS			
Total Assets	100.00%	\$13,380,449	
Equity	98.45%	\$13,172,719	
Cash	1.55%	\$207,730	
Fees		(\$29,108)	
Gain or (Loss)		\$857,313	

Ironwood Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$10,382,681	
Gain or (Loss)		\$286,085	

Pine Grove Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$9,736,324	
Gain or (Loss)		\$42,712	

Center Coast Master Limited Partnerships			
Fund of Hedge Fund	100.00%	\$11,024,838	
Gain or (Loss)		(\$60,162)	

LAZARD (International Value)			
Total Assets	100.00%	\$11,365,246	
Equity	97.12%	\$11,037,646	
Cash	2.88%	\$327,600	
Fees		(\$14,744)	
Gain or (Loss)		\$397,383	

RENAISSANCE (International Growth)			
Total Assets	100.00%	\$12,315,291	
Equity	98.87%	\$12,175,812	
Cash	1.13%	\$139,479	
Fees		(\$19,345)	
Gain or (Loss)		\$677,547	

STANDISH MELLON			
Total Assets	100.00%	\$25,821,182	
Fixed	94.03%	\$24,278,405	
Cash	5.97%	\$1,542,777	
Fees		(\$18,998)	
Gain or (Loss)		\$394,979	

MUNDER CAPITAL MANAGEMENT			
Total Assets	100.00%	\$25,539,300	
Fixed	99.22%	\$25,339,635	
Cash	0.78%	\$199,665	
Fees		(\$13,708)	
Gain or (Loss)		\$421,744	

NB CROSSROADS (PRIVATE EQUITY) #1			
Total Assets	100.00%	\$4,036,031	
Gain or (Loss)		\$175,613	

NB CROSSROADS (PRIVATE EQUITY) #2			
Fund of Hedge Fund	100.00%	\$639,866	
Gain or (Loss)		\$5,786	

BLACKSTONE (PRIVATE EQUITY)			
Total Assets	100.00%	\$2,193,653	
Gain or (Loss)		\$28,287	

GOLDMAN SACHS (PRIVATE EQUITY)			
Total Assets	100.00%	\$1,229,891	
Gain or (Loss)		\$9,779	

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2015

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
<i>Large Cap. Value</i>		Gross	Net			
	Quarter	(0.79)	(0.96)	(0.72)	0.25	0.96
	1 year	7.31	6.67	9.34	9.56	12.75
	Since 1/31/2013	12.64	11.98	16.87	NA	18.51
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	0.62	0.47	3.84	3.58	
	1 year	9.64	8.99	16.10	14.55	
	3 year	16.70	16.01	16.34	16.07	
	5 year	20.13	19.43	15.64	15.06	
	Since 5/31/2003	12.99	12.35	9.42	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
<i>Large Cap. Core</i>						
	Quarter	(5.35)	(5.48)	0.96	1.74	
	1 year	1.66	1.11	12.75	12.67	
	3 year	12.46	11.80	16.12	16.41	
	5 year	12.05	11.39	14.47	14.59	
	Since 1/31/2009	15.90	15.22	18.58	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	3.59	3.42	2.42	2.53	
	1 year	16.47	15.85	11.70	10.26	
	3 year	19.17	18.52	18.60	17.19	
	5 year	17.28	16.57	15.84	15.39	
	Since 1/31/2009	21.87	21.15	22.08	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	6.68	6.44	7.44	5.87	
	1 year	9.61	8.63	13.81	9.74	
	3 year	16.16	15.13	17.90	16.96	
	5 year	18.57	17.53	16.97	16.64	
	Since 1/31/2009	23.88	22.84	23.03	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
	Quarter	3.62	3.49	3.49		
	1 year	(1.43)	(1.95)	(1.03)		
	Since 1/31/2013	5.23	4.75	4.59		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	5.74	5.57	3.49		
	1 year	1.66	1.00	(1.03)		
	3 year	9.99	9.28	6.41		
	5 year	8.31	7.62	4.82		
	Since 1/31/2009	13.72	13.03	11.84		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	1.55	1.48	1.61	1.32	1.45
	1 year	5.58	5.11	5.71	4.23	3.58
	3 year	3.45	3.09	3.10	2.41	2.31
	5 year	4.92	4.57	4.41	3.62	3.52
	Since 4/30/2003	4.78	4.43	4.61	4.23	3.98
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	1.67	1.61	1.61	1.32	1.45
	1 year	5.69	5.53	5.71	4.23	3.58
	3 year	3.79	3.64	3.10	2.41	2.31
	5 year	4.81	4.61	4.41	3.62	3.52
	Since 9/30/2002	5.06	4.82	4.70	4.31	4.12

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
Quarter		3.24	2.95	3.57	NA
1 year		14.19	12.92	12.72	NA
3 year		12.33	11.08	11.47	NA
5 year		13.98	12.69	12.76	NA
Since 7/31/2006		3.89	2.72	6.95	NA
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
Quarter		1.79	1.79	0.01	1.61
1 year		20.44	20.44	0.03	5.71
3 year		(10.89)	(10.89)	0.05	3.10
5 year		(6.12)	(6.12)	0.07	4.41
Since 3/31/2007		(7.99)	(7.99)	0.61	5.06
UBP					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		0.96	0.96	1.02	
1 year		(1.02)	(1.02)	2.83	
3 year		2.19	2.19	4.50	
5 year		1.75	1.75	3.11	
Since 4/30/2008		(0.02)	(0.02)	0.93	
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		2.83	2.83	1.02	
1 year		7.31	7.31	2.83	
3 year		9.08	9.08	4.50	
5 year		7.80	7.80	3.11	
Since 7/31/2008		3.64	3.64	1.08	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		0.44	0.44	1.02	
1 year		0.41	0.41	2.83	
3 year		5.14	5.14	4.50	
5 year		4.00	4.00	3.11	
Since 9/30/2008		4.54	4.54	2.18	
Center Coast					
<i>Master Limited Partnerships</i>				Alerian MLP	
Since 1/2/2015		(0.54)	(0.54)	(5.23)	Index Return Since 12/31/2014
Neuberger Berman					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		4.73	4.77	0.96	
1 year		14.92	14.96	12.75	
3 year		12.69	13.68	16.12	
Since 3/31/2010		0.21	10.43	14.47	
Neuberger Berman					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		1.13	1.10	0.96	
Since 7/31/2014		(1.41)	(1.11)	8.63	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		1.37	0.89	0.96	
1 year		4.48	3.29	12.75	
Since 11/30/2013		5.97	3.63	12.99	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		0.80	0.79	0.96	
1 year		16.63	16.21	12.75	
Since 12/31/2013		2.73	11.81	11.66	

TOTAL FUND				Policy Index	Composite Index
<i>Time-Weighted Return (TWR)</i>					
Quarter		1.22	1.10	1.73	1.85
1 year		6.59	6.07	7.90	8.29
3 year		9.86	9.30	10.31	10.75
5 year		9.89	9.33	9.76	10.04
Since 9/30/2002		8.09	7.58	8.03	8.39
Since 6/30/1995		7.38			

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter			1.10	1.82	0.51
1 year			6.05	7.50	2.99
3 year			9.27	7.50	3.99
5 year			9.33	7.50	4.59
Since 9/30/2002			7.57	7.50	5.17

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.