

# **YOUR PENSION MATTERS**

## **09/30/15 Edition**

### **End of FY 2014 - 2015**

by: Chief Paul O'Connell  
Board Chairperson  
11/17/15

*"If you always do what you have always done, you will always get what you have always got."*  
**Fire Chief Tom Harbour, US Forest Service Fire Department**

**The above quote** described the epic battles done by our forest service firefighters during the summer of 2015 throughout our Western States. The quote also called for a change in battle plans in how these fires are fought and how our forest are built and maintained.

The above quote can also be applied to how your Pension Board of Trustees approached our investment decisions. In other words; what worked in the 1980's certainly could work in today's investment world. That was why in 2002 we hired an expert consultant, Charlie Mulfinger from Graystone Consultants (Tampa), a division of Morgan Stanley. For the past decade your Board has worked with Graystone to diversify our portfolio over a wide variety of investments such as large, mid and small caps in both Growth or Value stocks. Bonds have also been an important part of our strategy as well as some exposure to Hedge Funds and Private Equity. Through diversification, our Fund has been better able to weather the storms we have faced: the Tech Bubble, 9/11 and the Great Recession were just a few extreme examples.

So, as we close out FY 14 – 15 let us take a look at the results.

The third quarter of 2015 (final quarter for Fund's FY) was "unpleasant." Volatility and uncertainty have hit the market pretty hard. Our current bull market is 79 months old. The average bull market is 63 months. Is the bull market too old? Only time will tell. Energy and materials took the biggest beating during the quarter; while only utilities assets were in the black.

In addition, China continues to weigh down the market as a whole and the continuing conflicts in the Middle East do not help. More than anything else, the dysfunction in Washington DC continues to have an adverse impact on the confidence of the investor. Here is how our Fund performed in comparison to the market as a whole.

**Our Fund's performance for FY 2014 – 2015; end of year:** Attached you will find the performance reports for our Fund. The quarterly rate of return was **-5.58%**. In comparison, the marketplace performed just as poorly: Here are the general market numbers for the quarter ending (as of 9/30/15): **DOW -7% and S&P 500 - 6.4%**. Please remember our Fund has a mixture of equities, bonds and alternative investments. The Fund will **never** match the aforementioned indexes. Our Fund diversifies over a broad range of investments in an effort to capture most of the up market and as little as possible of the down market.

As you know, since the beginning of the current quarter (October 1<sup>st</sup> to present) the market has performed a little better. The market recovered much of what it lost in the past quarter; but the volatility still remains and intensely so.

**Farewell & Welcome!! Glenda Rowley**, our Executive Director, will be retiring at the end of December. She has been with us since January 2010 and has made a tremendous impact on the office; how it runs and how it services our members. We wish her all the best in her retirement; she has certainly earned it!! **GLENDAAAAA.CONGRATULATIONS AND THANK YOU!!**

Fortunately, all of Glenda's knowledge and experience will not be lost because she has passed on all of that and more to her replacement, **Debbie Tocarchick**, who joined us in April 2013. Debbie came to us with 20 years as an administrator with Genesee County, Michigan. She hit the ground running and has not yet stopped. Debbie's husband, Mike, is a retired Captain from Genesee County Sheriff's Department. **So Deb, congratulations on your promotion to Executive Director!**

**Welcome to Amanda Cintron!!** Amanda has joined our team as the Deputy Director effective this month. Amanda comes to us from the Ft. Lauderdale Police & Firefighters' Pension Board. So she comes on board with experience and enthusiasm!

**REMINDER:** Your Board of Trustees will be hearing the Forfeiture cases of David Benjamin and Jeff Poole. On January 19<sup>th</sup> during our regular Board meeting the Benjamin case will begin at 4pm; time certain. For Jeff Poole, the Board will have a special set meeting on February 10<sup>th</sup> at 9am. As always our Board meetings are open to the public.

**A special invitation to each of you!!!** as you know, each summer the Pompano Beach Police (the old guard) has gathered along the ICW to honor the memory of our fallen Pompano Beach Police Officers; **K-9 Officer Scott Winters** (EOW: 07-29-90) and **Sgt. Chris Reyka** (EOW: 08-10-07). After consultation with Ted Martin, the President of the Pompano Beach Firefighters' Union 1549, it was agreed that it would be best to combine our efforts by adding **FF Billy Elliot** (EOW: 01-06-12) and conduct the memorial gathering in January each year. So, on **Sunday, January 24<sup>th</sup>** the members of the Pompano Beach Fire Department and the Pompano Beach Police Department will gather at the Bank of America Building, 2335 E. Atlantic Blvd. to honor these three men who gave their lives in service to our community. Please join us at **noon** to witness a special unveiling dedicated to these very special public servants.

**Website Links,** The "Other Information" heading on the Retirement System's website, [www.pbpfrs.org](http://www.pbpfrs.org) contains many links to organizations that may be of interest to members. One such example is the link for the National Conference on Public Employee Retirement Systems (NCPERS) in which they detail their offering of an identity protection plan. While the Board does not advocate for any products or services, we strive to make information available for members to independently evaluate.

**In the meantime**, your new Board of Trustees is seated and hard at work. Several Trustees attended the Florida Public Pension Trustee Association (FPPTA) School in Naples as they worked to attain the designation of “Certified Public Pension Trustee” which is a grueling challenge to master the many facets of pension law and pension fund investment.

Finally, committee work is where the seeds of our accomplishments are planted. Committee work may seem tedious and mundane; but this work is critical to getting the job done. At our September Board meeting we appointed the following Trustees to the following Committees:

**Investment Committee:** **Sharra Aaronian**, Chair  
Dan Christophers  
David Hall  
Peter McGinnis  
Jorge Rossi

**Professional Advisory Committee:** **Richard Samolewicz**, Chair  
Vincent Femia  
Pat Fletcher  
David Hall

**Budget Committee:** **David Hall**, Chair  
Paul O'Connell  
Peter McGinnis

**Communications Committee** **Pat Fletcher**, Chair  
Sharra Aaronian  
Jorge Rossi  
Rich Samolewicz

The Board of Trustees selected Paul O'Connell as Chairperson and Richard Samolewicz as Vice-Chairperson for the Board of Trustees for the coming FY. Both Richard and I extend our thanks to the Board Trustees for their continued trust and confidence in us.

**In the meantime and on behalf of the Pension Board of Trustees, I wish you a very happy holiday season as we look forward to a New Year.**

**As always, please stay safe and stay in touch!**

**We will see you at the Memorial and unveiling on January 24<sup>th</sup>!!**

**SUMMARY OF RELEVANT FACTS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of September 30, 2015**

**Distribution of Assets:**

Equity	
-Large Cap. Value	\$26,744,546
-Large Cap. Growth	\$26,478,195
-Large Cap. Core	\$0
-Mid Cap. Value	\$11,119,254
-Small/Mid Cap. Growth	\$11,370,241
-International Value	\$15,413,910
-International Growth	\$15,006,874
<b>Total Equity</b>	<b>\$106,133,020</b>
Fixed Income	\$51,811,055
Private Real Estate	\$16,557,299
Fund of Hedge Funds	\$20,478,548
Master Limited Partnerships	\$8,393,771
Private Equity	\$9,121,143
Cash (Non-Managed Account)	\$1,500,652
<b>Total Portfolio</b>	<b>\$213,995,487</b>

**Distribution by Percentages:**

	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.50%
-Large Cap. Growth	12.50%	12.37%
-Large Cap. Core	0.00%	0.00%
-Mid Cap. Value	5.00%	5.20%
-Small/Mid Cap. Growth	5.00%	5.31%
-International Value	7.50%	7.20%
-International Growth	7.50%	7.01%
<b>Total Equity</b>	<b>50.00%</b>	<b>49.60%</b>
Fixed Income	22.50%	24.21%
Private Real Estate	7.50%	7.74%
Fund of Hedge Funds	10.00%	9.57%
Master Limited Partnerships	5.00%	3.92%
Private Equity	5.00%	4.26%
Cash (Non-Managed Account)	0.00%	0.70%
<b>Total Portfolio</b>	<b>100.00%</b>	<b>100.00%</b>

**INVESCO (Private Real Estate)**

Private Real Estate	100.00%	\$13,557,299
Fees		(\$37,457)
Gain or (Loss)		\$393,526

**OFFICE BUILDING**

Total Assets	100.00%	\$3,000,000
Gain or (Loss)		\$32,603

**UBP Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$713,261
Gain or (Loss)		(\$6,341)

**MAIN ACCOUNT (NON-MANAGED)**

Cash	100.00%	\$1,500,652
Gain or (Loss)		\$553

**Other Important Facts:**

Total Portfolio		\$213,995,487
Total Gain or (Loss) - Gross of Fees		(\$12,669,106)

**BLACKROCK**

Total Assets	100.00%	\$26,744,546
Equity	97.36%	\$26,037,352
Cash	2.64%	\$707,194
Fees		(\$40,816)
Gain or (Loss)		(\$1,792,398)

**SANDS CAPITAL MANAGEMENT**

Total Assets	100.00%	\$26,478,195
Equity	98.63%	\$26,116,368
Cash	1.37%	\$361,827
Fees		(\$42,525)
Gain or (Loss)		(\$2,229,859)

**CORNERSTONE (TERMINATED)**

Total Assets		\$0
Equity		\$0
Cash		\$0
Fees		(\$27,671)
Gain or (Loss)		\$0

**RBC GLOBAL**

Total Assets	100.00%	\$11,119,254
Equity	99.84%	\$11,101,186
Cash	0.16%	\$18,068
Fees		(\$33,378)
Gain or (Loss)		(\$1,405,315)

**WELLS**

Total Assets	100.00%	\$11,370,241
Equity	98.03%	\$11,145,904
Cash	1.97%	\$224,338
Fees		(\$29,509)
Gain or (Loss)		(\$1,496,909)

**Ironwood Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$10,309,515
Gain or (Loss)		(\$144,090)

**Pine Grove Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$9,455,772
Gain or (Loss)		(\$268,780)

**Center Coast Master Limited Partnerships**

Fund of Hedge Fund	100.00%	\$8,393,771
Gain or (Loss)		(\$2,666,255)

**LAZARD (International Value)**

Total Assets	100.00%	\$15,413,910
Equity	97.95%	\$15,097,471
Cash	2.05%	\$316,438
Fees		(\$17,925)
Gain or (Loss)		(\$1,697,961)

**RENAISSANCE (International Growth)**

Total Assets	100.00%	\$15,006,874
Equity	99.18%	\$14,883,311
Cash	0.82%	\$123,563
Fees		(\$27,792)
Gain or (Loss)		(\$2,131,157)

**STANDISH MELLON**

Total Assets	100.00%	\$25,886,820
Fixed	96.17%	\$24,895,581
Cash	3.83%	\$991,239
Fees		(\$19,306)
Gain or (Loss)		\$281,614

**INCORE/VICTORY (FORMERLY MUNDER)**

Total Assets	100.00%	\$25,924,235
Fixed	100.40%	\$26,027,756
Cash	-0.40%	(\$103,521)
Fees		\$0
Gain or (Loss)		\$261,807

**NB CROSSROADS (PRIVATE EQUITY) #1**

Total Assets	100.00%	\$3,930,964
Gain or (Loss)		\$141,091

**NB CROSSROADS (PRIVATE EQUITY) #2**

Fund of Hedge Fund	100.00%	\$904,513
Gain or (Loss)		\$10,622

**BLACKSTONE (PRIVATE EQUITY)**

Total Assets	100.00%	\$2,507,139
Gain or (Loss)		\$40,028

**GOLDMAN SACHS (PRIVATE EQUITY)**

Total Assets	100.00%	\$1,778,527
Gain or (Loss)		\$8,115

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of September 30, 2015**

**TRADITIONAL INVESTMENTS**

<b>BLACKROCK</b>		<b>Your Returns</b>		<b>Russ 1000 Value</b>	<b>PSN Money Mgrs.</b>	<b>S&amp;P 500</b>
<i>Large Cap. Value</i>		<b>Gross</b>	<b>Net</b>			
	Quarter	(6.29)	(6.43)	(8.40)	(7.88)	(6.43)
	1 year	(3.98)	(4.57)	(4.43)	(3.39)	(0.60)
	Since 1/31/2013	7.25	6.62	9.87	NA	12.09
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Growth</i>						
	Quarter	(7.76)	(7.89)	(5.28)	(6.30)	
	1 year	(3.30)	(3.87)	3.19	2.47	
	3 year	13.31	12.64	13.61	13.53	
	5 year	16.86	16.17	14.48	13.76	
	Since 5/31/2003	11.73	11.09	8.55	NA	
<b>RBC GLOBAL</b>				<b>Russ Mid Value</b>	<b>PSN Money Mgrs.</b>	
<i>Mid Cap. Value</i>						
	Quarter	(11.16)	(11.42)	(8.04)	(7.96)	
	1 year	2.11	1.36	(2.07)	(0.91)	
	3 year	16.42	15.77	13.69	12.53	
	5 year	14.86	14.16	13.15	12.54	
	Since 1/31/2009	18.33	17.62	18.41	NA	
<b>WELLS</b>				<b>Russ 2500 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Small/Mid Cap. Growth</i>						
	Quarter	(11.53)	(11.75)	(11.06)	(11.45)	
	1 year	3.06	2.13	3.33	2.96	
	3 year	12.94	11.94	13.78	13.11	
	5 year	14.75	13.74	13.92	13.66	
	Since 1/31/2009	20.29	19.27	19.13	NA	
<b>LAZARD</b>				<b>MSCI AC Wld x US</b>		
<i>International Value</i>						
	Quarter	(9.92)	(10.03)	(12.17)		
	1 year	(8.17)	(8.63)	(12.17)		
	Since 1/31/2013	1.04	0.57	(1.02)		
<b>RENAISSANCE</b>				<b>MSCI AC Wld x US</b>		
<i>International Growth</i>						
	Quarter	(12.44)	(12.58)	(12.17)		
	1 year	(10.38)	(11.00)	(12.17)		
	3 year	7.37	6.66	2.34		
	5 year	5.79	5.11	1.82		
	Since 1/31/2009	10.66	9.98	8.86		
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
	Quarter	1.09	1.02	1.23	1.08	0.95
	1 year	2.52	2.14	2.93	2.95	2.67
	3 year	1.83	1.47	1.71	1.64	1.45
	5 year	3.42	3.08	3.09	2.68	2.42
	Since 4/30/2003	4.52	4.18	4.38	4.09	3.85
<b>INCORE/VICTORY (Munder)</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
	Quarter	1.01	1.01	1.23	1.08	0.95
	1 year	2.81	2.71	2.93	2.95	2.67
	3 year	2.07	1.98	1.71	1.64	1.45
	5 year	3.52	3.35	3.09	2.68	2.42
	Since 9/30/2002	4.81	4.58	4.48	4.17	3.99

**ALTERNATIVE INVESTMENTS**

<b>INVESCO</b>					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
Quarter		2.99	2.70	3.09	3.68
1 year		15.94	14.65	13.48	14.92
3 year		13.71	12.45	11.91	13.44
5 year		13.48	12.20	12.56	14.02
Since 7/31/2006		4.60	3.42	7.28	5.82
<b>OFFICE BUILDING</b>					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
Quarter		1.09	1.09	0.01	1.23
1 year		81.13	81.13	0.02	2.93
3 year		9.41	9.41	0.04	1.71
5 year		4.76	4.76	0.06	3.09
Since 3/31/2007		(0.61)	(0.61)	0.57	4.69
<b>UBP</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		(0.85)	(0.85)	(1.82)	
1 year		1.07	1.07	0.59	
3 year		1.90	1.90	4.24	
5 year		1.57	1.57	2.82	
Since 4/30/2008		(0.03)	(0.03)	0.77	
<b>Ironwood</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		(1.38)	(1.38)	(1.82)	
1 year		2.88	2.88	0.59	
3 year		8.06	8.06	4.24	
5 year		7.19	7.19	2.82	
Since 7/31/2008		3.28	3.28	0.90	
<b>Pine Grove</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		(2.76)	(2.76)	(1.82)	
1 year		(4.18)	(4.18)	0.59	
3 year		3.50	3.50	4.24	
5 year		3.10	3.10	2.82	
Since 9/30/2008		3.77	3.77	1.92	
<b>Center Coast</b>					
<i>Master Limited Partnerships</i>				Alerian MLP	
Quarter		(24.11)	(24.20)	(22.10)	
Since 1/31/2015		(27.58)	(27.67)	(28.49)	
<b>Neuberger Berman</b>					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		3.72	3.69	(6.43)	
1 year		11.36	11.44	(0.60)	
3 year		13.66	13.98	12.41	
5 year		8.14	11.26	13.35	
Since 3/31/2010		1.16	10.54	11.77	
<b>Neuberger Berman</b>					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		1.33	1.27	(6.43)	
1 year		(2.84)	(1.61)	(0.60)	
Since 7/31/2014		(2.44)	(1.47)	1.65	
<b>Blackstone</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		1.64	1.26	(6.43)	
1 year		7.65	6.42	(0.60)	
Since 11/30/2013		11.87	7.93	5.56	
<b>Goldman Sachs</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		0.55	0.53	(6.43)	
1 year		7.41	7.23	(0.60)	
Since 12/31/2013		7.33	11.84	4.33	

TOTAL FUND					
Time-Weighted Return (TWR)				Policy Index	Composite Index
Quarter	(5.58)	(5.71)		(5.44)	(5.55)
1 year	(1.13)	(1.63)		(1.50)	(1.36)
3 year	7.72	7.18		7.25	7.63
5 year	8.37	7.82		8.04	8.30
Since 9/30/2002	7.38	6.88		7.28	7.55
Since 6/30/1995	6.95				

TOTAL FUND					
Dollar-Weighted Net Return (IRR)				Actuarial Rate	CPI +3
Quarter		(5.67)		1.82	0.64
1 year		(1.48)		7.50	2.92
3 year		7.47		7.50	3.91
5 year		8.06		7.50	4.67
Since 9/30/2002		6.97		7.50	5.14

**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.