

YOUR PENSION MATTERS

3/31/16

End of 2nd Quarter – FY 2015 - 2016

by: Chief Paul O'Connell
Board Chairperson
5/31/16

“A clever person solves a problem. A wise person avoids it.” **Albert Einstein**

So how is our Fund doing??

That was the big question during our Symposium as the **Bull Market** celebrated its Seven Year Anniversary (March 9, 2009 – March 8, 2016) during which the DJIA rose over 100% & the S&P 500 rose over 150% from the dark days of the Great Recession. Has the market “topped out”? Are we looking into the inevitable “correction” or a down right drop in the market? What we see as of the writing of this newsletter is that you have a 7 year bull market that hasn't made a new high since May 21, 2015. Simply put, earnings have contracted for three straight quarters and GDP is weakening. These were some of the topics of conversation during our **Tenth Annual Pension Educational Symposium**.

For the year through May 4, the S&P 500 is up 1.1%; the Wilshire 5000, the broadest measure of our domestic market, is up 0.8%; and the EAFE index, the broad measure of international markets, is down 3.0%. As a reminder, our Fund is diversified over **15 different managers**:

4 US Equity Funds:

<u>Large Cap Value</u>	Blackrock
<u>Large Cap Growth</u>	Sands Capital
<u>Mid Cap Value</u>	RBC Global
<u>Small/Mid Cap Growth</u>	Wells

2 Bond Funds:

<u>Fixed Income</u>	Standish Mellon & Incore
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2 International Funds:

<u>International Value</u>	Lazard
<u>International Growth</u>	Renaissance

7 Alternative Investment Funds:

<u>Hedge Fund-to-Funds</u>	Pine Grove & Ironwood
<u>Core Real Estate</u>	Invesco
<u>Private Equity</u>	Blackstone, Neuberger/Berman & Goldman Sachs
<u>MLP</u>	Center Coast

Those of you who were lucky enough to attend our 10th Annual Symposium received critical information directly from the market experts; the people who invest millions of dollars on a daily basis. In fact, our keynote speaker was Thomas McManus of Lazard Asset Management. Mr. McManus is a Managing Director for the Lazard Multi-Asset investment team specializing in macroeconomic forecasting and asset allocation. Mr. McManus' team forecasted the continuation of slow growth which will be largely dependent on consumer spending which has made-up 70% of GDP spending.

The **Tenth Annual Pension Educational Symposium** was held May 5 – May 7, 2016. **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**, both 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 many of our membership, both active and retired. The 2nd Quarter of the Fund's FY was in the **red** as the market continued its attempt to find its footing. Attached you will find an investment results summary from the Quarter ending March 31, 2016. **Also note that the Board will begin the practice of placing the quarterly investment reports on our website under a separate link.** We do this in an effort to be completely transparent in what we do and how we do it. However, the best way to keep up to date is to attend the quarterly meetings during which our Consultant gives a full report of where each manager stands. Even better, come to the Symposium and you can hear from managers themselves!

The current Quarter, which spans April 1st through June 30th, has been much the same 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 and national elections. 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 **Eleventh Annual Pension Educational Symposium May 4 - 6, 2017!!**

SUICIDE – our ranks have been traumatized by the recent deaths of BSO Det. Humberto Suarez (retired Pompano PD) and Fire Captain Richard Sandell. Each took their own life at a young age and with everything to live for in the future. The loss suffered by family and friends has stunned us all. In a real sense, we are left without an understanding of why. I do know this; we can never know or understand the darkness, the despair or the depression felt by those who contemplate taking their own life. All we can do is be alert to the signs as listed below and then we must act without hesitation!

Certainly, suicide is not unknown to us. As first responders we see it all too often as part of our profession. In fact, suicide is known as a silent killer; but with these recent events the silence is deafening. Here are some startling statistics:

- Suicide is the 9th leading cause of death in Florida
- In 2008 Florida was #2 in the nation in the number of suicides
- In 2008 for every completed suicide there were 25 attempted suicides
- In 2009 Florida averaged 15.2 suicides per 100,000 in population

The Broward Chiefs of Police and the Broward Fire Chiefs Associations have committed their respective organizations to a state of heightened awareness among the rank and file. Some other things to consider:

10 Warning Signs of Suicide

1. change in behavior such as “acting out” or taking unnecessary risks
2. significant weight loss or gain
3. change in sleeping habits; too much or not at all
4. withdrawal from family and friends
5. unexplained fatigue or apathy
6. giving away of prized personal possessions
7. uncontrolled crying or despair
8. loss of interest in work or hobbies
9. loss of interest in personal appearance
10. trouble with concentrating or being indecisive

What we are never prepared for is when it happens to one of our own. We need to dig deeper and look for the above warning signs and commit ourselves to intervention when the cry for help comes.

Please remember.....**WHERE THERE IS HELP..... THERE IS HOPE.**

It is so important to ensure “your house is in order”- we do not know when life ends or the mechanism of death, but we can and must be prepared for that day to spare our family from the financial burdens that come with an unexpected tragedy. Below are important changes in how our beneficiary designations must be done. Please take time to review these changes with your family and get **“your house in order.”**

THIS NOTIFICATION APPLIES TO THE BENEFICIARY DESIGNATIONS OF THE FOLLOWING MEMBERS:

1. POLICE ACTIVE MEMBERS (Pension)
2. FIRE ACTIVE MEMBERS (Pension and Share Account)
3. POLICE DROP MEMBERS (DROP Account)
4. FIRE DROP MEMBERS (DROP Account and Share Account)
5. ALL RETIREES (DROP Account if it is still administered by this Retirement System)

IF YOU ARE A RETIREE IN PAY STATUS, AND YOU HAVE ROLLED YOUR DROP ACCOUNT OUT OF THIS RETIREMENT SYTEM, YOU ARE NOT AFFECTED BY THIS POLICY CHANGE

Dear Member:

The Board of Trustees recently adopted a new policy with respect to designating a trust as a beneficiary on your Pension, DROP and Share accounts. This policy change does not affect your ability to name a trust as your beneficiary. You are still permitted to do so. If you choose to designate a trust, you will be required to provide a copy of the trust document to the Pension Office to be maintained in your Pension file. If you amend your trust at a later date, you are responsible for providing any amendment related to your Retirement System benefit to the Pension Office.

After a file review, we identified a handful of members who currently have a trust designated as their beneficiary on one or more of their accounts. We will be following up with those members individually to obtain a copy of their trust document.

Your Retirement System benefit is an important and valuable financial asset. We would like to take this opportunity to remind members to be proactive about their beneficiary designations in the event of marriage, divorce, births, deaths; or in other words, any life event that would cause you to reconsider who you would want your retirement benefit(s) left to. Please feel free to contact the Pension Office any time (by telephone, email or in person) to check on the status of your beneficiary designation. Beneficiary Forms are available in the Pension Office if you would like to make a change.

If you have any questions regarding this information, please do not hesitate to contact us.

POLICY ADOPTED: Any beneficiary designation naming a trust as a beneficiary must be accompanied by a copy of the trust document. The member may redact from the copy of the trust personal information not related to the Retirement System benefit, such as bequests of property to others than the Retirement System beneficiary and information that is confidential under Chapter 119, Florida Statutes.

As a reminder to actively employed members, if you become divorced after you filed your latest beneficiary designation and you would like your ex-spouse to continue to be your beneficiary, you must fill out a new beneficiary form again naming your ex-spouse. This is due to a law that took effect in 2012 that invalidates a pre-divorce designation of your spouse. If there is a court order from your divorce case requiring you to keep your ex-spouse as your beneficiary, just send us a certified copy of the order.

The Reality of Mortality....there is no escape from it... so prepare for it!!

National elections are coming! As entertaining as these can be (2016 has been by far the most entertaining!) the most important elections are state & local elections.....the state house, the court house, the school house and city hall. This includes the primary elections during which many elections are decided prior to November! Please be an informed voter and vote for those folks who represent what is important to you. Also remember....**if you don't vote – you don't count!!**

Finally, if your son or daughter is graduating from High School, congratulations! If he or she will be attending Broward College please consider applying for a scholarship with the Pension Board staff. Remember, this scholarship program is sponsored by our Legal Team, *Sugarman & Susskind* and is available to dependents of our members, retired or active.

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, 2016

Distribution of Assets:	
Equity	
-Large Cap. Value	\$28,206,593
-Large Cap. Growth	\$25,981,743
-Large Cap. Core	\$0
-Mid Cap. Value	\$11,035,732
-Small/Mid Cap. Growth	\$10,847,688
-International Value	\$15,923,535
-International Growth	\$15,778,358
Total Equity	\$107,773,650
Fixed Income	\$51,403,976
Private Real Estate	\$17,026,124
Fund of Hedge Funds	\$19,071,621
Master Limited Partnerships	\$7,988,608
Private Equity	\$9,261,803
Cash (Non-Managed Account)	\$1,583,470
Total Portfolio	\$214,109,253

Distribution by Percentages:		
	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	13.17%
-Large Cap. Growth	12.50%	12.13%
-Large Cap. Core	0.00%	0.00%
-Mid Cap. Value	5.00%	5.15%
-Small/Mid Cap. Growth	5.00%	5.07%
-International Value	7.50%	7.44%
-International Growth	7.50%	7.37%
Total Equity	50.00%	50.34%
Fixed Income	22.50%	24.01%
Private Real Estate	7.50%	7.95%
Fund of Hedge Funds	10.00%	8.91%
Master Limited Partnerships	5.00%	3.73%
Private Equity	5.00%	4.33%
Cash (Non-Managed Account)	0.00%	0.74%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$14,026,124
Fees		(\$38,301)
Gain or (Loss)		\$202,756

OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Gain or (Loss)		\$31,875

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,493
Gain or (Loss)		(\$435)

MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$1,583,470
Gain or (Loss)		\$197

Other Important Facts:	
Total Portfolio	\$214,109,253
Total Gain or (Loss) - Gross of Fees	(\$2,285,632)

BLACKROCK			
Total Assets	100.00%	\$28,206,593	
Equity	97.42%	\$27,479,878	
Cash	2.58%	\$726,716	
Fees		(\$40,041)	
Gain or (Loss)		\$215,808	

SANDS CAPITAL MANAGEMENT			
Total Assets	100.00%	\$25,981,743	
Equity	98.44%	\$25,575,775	
Cash	1.56%	\$405,968	
Fees		(\$42,097)	
Gain or (Loss)		(\$2,699,257)	

CORNERSTONE (TERMINATED)			
Total Assets		\$0	
Equity		\$0	
Cash		\$0	
Fees		\$0	
Gain or (Loss)		\$0	

RBC GLOBAL			
Total Assets	100.00%	\$11,035,732	
Equity	99.62%	\$10,993,295	
Cash	0.38%	\$42,438	
Fees		(\$20,730)	
Gain or (Loss)		\$6,301	

WELLS			
Total Assets	100.00%	\$10,847,688	
Equity	97.26%	\$10,550,291	
Cash	2.74%	\$297,397	
Fees		(\$25,859)	
Gain or (Loss)		(\$418,783)	

Ironwood Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$9,969,551	
Gain or (Loss)		(\$332,540)	

Pine Grove Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$9,096,577	
Gain or (Loss)		(\$211,040)	

Center Coast Master Limited Partnerships			
Fund of Hedge Fund	100.00%	\$7,988,608	
Gain or (Loss)		(\$320,226)	

LAZARD (International Value)			
Total Assets	100.00%	\$15,923,535	
Equity	98.48%	\$15,681,583	
Cash	1.52%	\$241,952	
Fees		(\$22,027)	
Gain or (Loss)		(\$36,728)	

RENAISSANCE (International Growth)			
Total Assets	100.00%	\$15,778,358	
Equity	97.49%	\$15,382,062	
Cash	2.51%	\$396,296	
Fees		(\$26,138)	
Gain or (Loss)		(\$179,331)	

STANDISH MELLON			
Total Assets	100.00%	\$25,699,831	
Fixed	96.95%	\$24,916,247	
Cash	3.05%	\$783,584	
Fees		(\$18,942)	
Gain or (Loss)		\$711,760	

INCORE/VICTORY (FORMERLY MUNDER)			
Total Assets	100.00%	\$25,704,145	
Fixed	99.95%	\$25,690,726	
Cash	0.05%	\$13,420	
Fees		\$0	
Gain or (Loss)		\$645,505	

NB CROSSROADS (PRIVATE EQUITY) #1			
Total Assets	100.00%	\$3,788,278	
Gain or (Loss)		\$40,660	

NB CROSSROADS (PRIVATE EQUITY) #2			
Fund of Hedge Fund	100.00%	\$1,232,800	
Gain or (Loss)		\$12,048	

BLACKSTONE (PRIVATE EQUITY)			
Total Assets	100.00%	\$2,574,231	
Gain or (Loss)		(\$3,337)	

GOLDMAN SACHS (PRIVATE EQUITY)			
Total Assets	100.00%	\$1,666,494	
Gain or (Loss)		\$49,135	

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2016

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
	Quarter	0.78	0.63	1.64	1.58	1.34
	1 year	1.00	0.41	(1.55)	1.58	1.80
	3 year	7.83	7.16	9.38	1.58	11.83
	Since 1/31/2013	8.83	8.19	10.71	NA	12.96
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	(9.41)	(9.56)	0.74	(1.04)	
	1 year	(6.48)	(7.04)	2.53	(1.01)	
	3 year	11.32	10.65	13.62	12.11	
	5 year	12.76	12.10	12.38	11.06	
	Since 5/31/2003	11.34	10.71	8.86	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	0.06	(0.15)	3.92	3.49	
	1 year	(7.34)	(7.95)	(3.40)	(3.59)	
	3 year	11.21	10.60	9.88	9.42	
	5 year	10.34	9.68	10.51	9.51	
	Since 1/31/2009	17.30	16.59	18.16	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	(3.72)	(3.96)	(2.66)	(3.79)	
	1 year	(10.19)	(11.05)	(9.58)	(10.03)	
	3 year	7.70	6.72	9.23	8.65	
	5 year	8.64	7.66	8.76	8.49	
	Since 1/31/2009	18.44	17.43	17.86	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
	Quarter	(0.23)	(0.38)	(0.37)		
	1 year	(4.92)	(5.41)	(9.18)		
	3 year	2.43	1.92	0.32		
	Since 1/31/2013	1.91	1.43	0.03		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	(1.12)	(1.30)	(0.37)		
	1 year	(6.52)	(7.18)	(9.18)		
	3 year	6.24	5.54	0.32		
	5 year	3.87	3.20	0.31		
	Since 1/31/2009	10.66	9.97	8.64		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	2.84	2.76	3.03	2.31	2.45
	1 year	1.56	1.26	1.96	2.20	2.07
	3 year	2.46	2.11	2.50	2.14	1.83
	5 year	4.03	3.69	3.78	3.11	3.01
	Since 4/30/2003	4.52	4.18	4.40	4.07	3.83
INCORE/VICTORY (Munder)				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	2.57	2.57	3.03	2.31	2.45
	1 year	1.29	1.24	1.96	2.20	2.07
	3 year	2.48	2.41	2.50	2.14	1.83
	5 year	4.06	3.91	3.78	3.11	3.01
	Since 9/30/2002	4.78	4.55	4.50	4.15	3.97

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
Quarter		1.47	1.19	2.21	2.18
1 year		12.81	11.58	11.85	13.66
3 year		13.17	11.95	11.91	13.62
5 year		12.81	11.61	11.93	13.26
Since 7/31/2006		5.79	4.66	7.45	6.03
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
Quarter		1.07	1.07	0.06	3.03
1 year		3.91	3.91	0.08	1.96
3 year		10.40	10.40	0.05	2.50
5 year		5.36	5.36	0.06	3.78
Since 3/31/2007		(0.34)	(0.34)	0.55	4.71
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		(3.23)	(3.23)	(2.04)	
1 year		(3.98)	(3.98)	(3.54)	
3 year		4.63	4.63	2.04	
5 year		4.83	4.83	1.66	
Since 7/31/2008		2.61	2.61	0.58	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		(2.27)	(2.27)	(2.04)	
1 year		(6.70)	(6.70)	(3.54)	
3 year		0.63	0.63	2.04	
5 year		1.42	1.42	1.66	
Since 9/30/2008		2.98	2.98	1.52	
Center Coast					
<i>Master Limited Partnerships</i>				Alerian MLP	
Quarter		(3.86)	(3.98)	(4.17)	
1 year		(30.98)	(31.24)	(31.84)	
Since 1/31/2015		(27.50)	(27.73)	(29.39)	
Neuberger Berman					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		1.06	1.06	1.34	
1 year		5.94	5.88	1.80	
3 year		12.79	12.69	11.83	
5 year		8.53	10.49	11.59	
Since 3/31/2010		1.42	9.76	12.25	
Neuberger Berman					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		1.13	1.03	1.34	
1 year		4.31	4.27	1.80	
Since 7/31/2014		0.01	1.43	6.22	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		(0.13)	(0.52)	1.34	
1 year		7.88	6.08	1.80	
Since 11/30/2013		10.07	6.19	8.05	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		2.88	2.91	1.34	
1 year		7.88	6.84	1.80	
Since 12/31/2013		6.25	8.57	7.16	

TOTAL FUND				Policy Index	Composite Index
<i>Time-Weighted Return (TWR)</i>					
Quarter	(1.00)	(1.13)		0.94	1.02
1 year	(3.28)	(3.76)		(2.14)	(2.32)
3 year	6.03	5.50		6.07	6.36
5 year	6.50	5.96		6.69	6.87
Since 9/30/2002	7.29	6.79		7.31	7.56
Since 6/30/1995	6.89				

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		(1.18)		1.82	0.81
1 year		(3.80)		7.50	4.23
3 year		5.72		7.50	3.89
5 year		6.08		7.50	4.32
Since 9/30/2002		6.90		7.50	5.10

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.