

YOUR PENSION MATTERS

09/30/16 Edition

End of FY 2015 - 2016

by: Chief Paul O'Connell
Board Chairperson
11/23/16

Now that the elections are over perhaps a little reality check is in order.

"Politics is the gentle art of getting votes from the poor and campaign funds from the rich by promising to protect each from the other." - [Oscar Ameringer](#)

So, we have a new President slated to start governing in January, 2017. The Market took a massive dive and then reversed course almost immediately. Market-wise, President-elect Trump begins on solid footing. The day following the election, the S&P 500 gained 1.1%. The Dow gained 1.4%. The NASDAQ gained 1.1%. The Russell 2000, a broad measure of mid and small-cap names, rose 3.1%.

Now that the elections are over it is time to get back to work!!

"Logic will take you from A to B. Imagination will take you everywhere."
Albert Einstein

The above quote in a very small way describes the ongoing investment challenges we face as Trustees on your Pension Board. We are constantly searching for new investment ideas which can squeeze the best return on our investments while exposing the Fund to the minimum amount of risk.

The above quote can also be applied to how your Pension Board of Trustees has approached our investment decisions. In other words; what worked in the 1980's certainly could not 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 and 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 our FY 15 – 16 let us take a look at the results.

The third quarter of 2016 (final quarter for Fund's FY) was "*steady*." Volatility and uncertainty held down the market as we all waited for the results of the elections. 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.

Now that the crazy election of 2016 is behind us and a new Administration and Congress are ahead of us; perhaps there will be a calming of the headwinds which had slowed Wall Street.

Our Fund's performance for FY 2015 – 2016; end of year: Attached you will find the performance reports for our Fund. The quarterly rate of return was 3.74%. In comparison, the marketplace performed as follows for the quarter ending (as of 9/30/16): DOW 2.78% and S&P 500 3.85%. 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 1st 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 in light of the new Administration and Congress taking office in January 2017. *Stand-by and fasten your seat belts!*

In the meantime.....

In a recent newsletter, published by Bill Gruntler of Asset Protection Group (Plantation, FL), it identified the five (5) financial stages of life.

- 1) **Starting Out:** Financial success in your twenties and thirties is about building good financial habits and staying out of debt. If spending outstrips income, budgeting and debt management become critical. You must make it a priority to get out of debt and begin the process of building your net worth.
- 2) **Building and Nurturing:** As you get settled into your career (hopefully, a long one) your income will grow so that you devote more financial resources to long-term goals, such as retirement. Protecting your family from unforeseen circumstances also becomes a priority. Again, living within your means and staying out of debt is critical to a sound financial foundation.
- 3) **Looking to Retirement:** As we enter our fifties and sixties, we hope to be at the peak of our earning years. Our kids have moved on to build their own lives (we hope) and this presents us with the best opportunity to build our retirement “nest egg.” Again, it is all about the right balance; living within our means and controlling the outflow of cash becomes critical as we approach the next stage.
- 4) **Transitioning into Retirement:** *Each day 10,000 people reach retirement age (these are the “baby boomers”)! Just like these folks, we too will be facing important financial decisions such as: when to start collecting Social Security, the decision to “down size” your home, Medicare and all the supplement plan options that come with it (remember, Medicare only covers a small part of your health insurance, the rest will be your burden to carry). Then there is the psychological impact; I don't have to get up and go to work, now what am I going*

to do? This may be the most difficult challenge of all. A strong network of support is critical, family, friends and community will be very important.

- 5) Late into Retirement:** Good news is we are living longer! Bad news is we are living longer! The real fear of living longer is outliving our money. This is why planning is so important! Do not make the mistake of relying on your own wits to maneuver this uncharted territory. Each person (or couple) is different with different needs and wants and different means to achieve those needs and wants. Rely on an expert to help you navigate this new territory! Remember, only consult with someone who has the expertise and will act as a **FIDUCIARY!!**

REMINDER #1: Your Board of Trustees has yet to hear the Forfeiture case of Jeff Poole. We are working with the respective attorneys to agree upon a hearing date. Once agreed upon, we will certainly post the information on our website. You will recall that earlier in 2016 the Board of Trustees voted to forfeit the pension of David Benjamin.

REMINDER #2: Our Annual Educational Symposium is set for Thursday – Saturday, May 4 – 6, 2017. It will be held at the Pompano Beach Marriott. All are invited (actually **ENCOURAGED**) to attend. It will be a unique opportunity to listen to our investment managers as they report on their respective 2016 performances and their outlook for 2017.

REMINDER #3: The Board's law firm, Sugarman & Susskind, graciously established the Broward College Scholarship Fund in the amount of \$25,000 to benefit members of our Retirement System and their children, grandchildren, great grandchildren, etc. Scholarships are available to all full-time or part-time, degree seeking students enrolled in Associate or Baccalaureate degree programs or certification programs for police officers, firefighters or paramedics. A total of \$2,500 may be expended each academic year and is distributed based on the number of applications received. If interested, contact the Broward College Office of Student Financial Services at 954-201-2330 or finserv@broward.edu and ask for the Pompano Beach Police and Firefighters Scholarship funded by Sugarman and Susskind, PA.

REMINDER #4: THIS REMINDER APPLIES TO RETIREES RECEIVING A MONTHLY PENSION CHECK WHO RETIRED PRIOR TO AUGUST 1, 2016. Due to Comerica Bank's transition to a new benefit processing system on August 1, 2016, those who received pension benefits on both the old and the new systems will receive TWO (2) 1099-R FORMS for tax year ended 12/31/2016. One 1099-R form will represent benefits received and taxes paid for January 1 through July 31. The second 1099-R form will represent benefits received and taxes paid for August 1 through December 31. The Pension Office will send an email notification to you in January 2017 when they are notified that the forms have been mailed so you can watch for them. Since deductions for health insurance premiums are not shown on your 1099-R Forms, you will need your July 1 check stub or direct deposit statement to substantiate your deductions for the first half of the year, and your December 1 check stub or direct deposit statement to substantiate your deductions for the second half of the year. If you did not retain your July 1 statement, please feel free to contact the Pension Office and they will be happy to provide a copy.

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 Fire Fighters' Union 1549, it was agreed that it would be best to combine our efforts by adding **FF Billy Elliott** (EOW: 01-06-12) and conduct the memorial gathering in January each year. So, on **Sunday, January 22nd** the members of the Pompano Beach Fire Department and the Pompano Beach Police Department will gather at the Bank of America Building, 2365 E. Atlantic Blvd. to honor these three men who gave their lives in service to our community. Please join us at **noon** to honor these very special public servants.

In the meantime, your new Board of Trustees is seated and hard at work. Several Trustees attended the Florida Public Pension Trustee Association (FPPTA) Schools in Orlando and Bonita Springs 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
David Hall
Jorge Rossi
- Budget Committee:** **David Hall**, Chair
Paul O'Connell
Peter McGinnis
- Communications Committee:** **Jorge Rossi**, Chair
Sharra Aaronian
Robert Drago
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.

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 on January 22nd !!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of September 30, 2016

Distribution of Assets:	
Equity	
-Large Cap. Value	\$26,762,208
-Large Cap. Growth	\$27,740,668
-Mid Cap. Value	\$10,972,275
-Small/Mid Cap. Growth	\$10,914,560
-International Value	\$16,200,647
-International Growth	\$16,151,989
Total Equity	\$108,742,346
Fixed Income	\$48,810,062
Private Real Estate	\$17,698,169
Fund of Hedge Funds	\$19,861,633
Master Limited Partnerships	\$11,316,094
Private Equity	\$9,546,362
Cash (Non-Managed Account)	\$1,722,856
Total Portfolio	\$217,697,523

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.29%
-Large Cap. Growth	12.50%	12.74%
-Mid Cap. Value	5.00%	5.04%
-Small/Mid Cap. Growth	5.00%	5.01%
-International Value	7.50%	7.44%
-International Growth	7.50%	7.42%
Total Equity	50.00%	49.95%
Fixed Income	22.50%	22.42%
Private Real Estate	7.50%	8.13%
Fund of Hedge Funds	10.00%	9.12%
Master Limited Partnerships	5.00%	5.20%
Private Equity	5.00%	4.39%
Cash (Non-Managed Account)	0.00%	0.79%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$14,698,169
Fees		(\$40,758)
Gain or (Loss)		\$243,614

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

Ironwood Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$10,369,688
Gain or (Loss)		\$297,707

MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$1,722,856
Gain or (Loss)		\$549

Other Important Facts:	
Total Portfolio	\$217,697,523
Total Gain or (Loss) - Gross of Fees	\$7,933,241

BLACKROCK			
Total Assets	100.00%	\$26,762,208	
Equity	98.08%	\$26,248,432	
Cash	1.92%	\$513,776	
Fees		(\$39,338)	
Gain or (Loss)		\$434,332	

SANDS CAPITAL MANAGEMENT			
Total Assets	100.00%	\$27,740,668	
Equity	98.51%	\$27,326,284	
Cash	1.49%	\$414,384	
Fees		(\$38,604)	
Gain or (Loss)		\$2,889,861	

RBC GLOBAL			
Total Assets	100.00%	\$10,972,275	
Equity	99.73%	\$10,942,532	
Cash	0.27%	\$29,743	
Fees		(\$9,461)	
Gain or (Loss)		\$880,203	

WELLS			
Total Assets	100.00%	\$10,914,560	
Equity	97.58%	\$10,649,945	
Cash	2.42%	\$264,614	
Fees		(\$24,485)	
Gain or (Loss)		\$576,030	

Pine Grove Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$9,491,945	
Gain or (Loss)		\$275,970	

Center Coast Master Limited Partnerships			
Fund of Hedge Fund	100.00%	\$11,316,094	
Gain or (Loss)		\$79,711	

NB CROSSROADS (PRIVATE EQUITY) #1			
Total Assets	100.00%	\$3,717,828	
Gain or (Loss)		\$0	

LAZARD (International Value)			
Total Assets	100.00%	\$16,200,647	
Equity	97.78%	\$15,841,369	
Cash	2.22%	\$359,278	
Fees		(\$20,949)	
Gain or (Loss)		\$724,457	

RENAISSANCE (International Growth)			
Total Assets	100.00%	\$16,151,989	
Equity	98.86%	\$15,968,246	
Cash	1.14%	\$183,743	
Fees		(\$24,766)	
Gain or (Loss)		\$1,113,075	

STANDISH MELLON			
Total Assets	100.00%	\$24,376,220	
Fixed	97.74%	\$23,826,454	
Cash	2.26%	\$459,766	
Fees		(\$18,509)	
Gain or (Loss)		\$111,229	

INCORE/VICTORY (FORMERLY MUNDER)			
Total Assets	100.00%	\$24,433,842	
Fixed	98.83%	\$24,147,938	
Cash	1.17%	\$285,904	
Fees		(\$12,351)	
Gain or (Loss)		\$169,583	

NB CROSSROADS (PRIVATE EQUITY) #2			
Fund of Hedge Fund	100.00%	\$1,542,349	
Gain or (Loss)		\$0	

BLACKSTONE (PRIVATE EQUITY)			
Total Assets	100.00%	\$2,607,421	
Gain or (Loss)		\$105,045	

GOLDMAN SACHS (PRIVATE EQUITY)			
Total Assets	100.00%	\$1,678,764	
Gain or (Loss)		\$0	

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of September 30, 2016

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
Quarter		1.54	1.39	3.48	3.23	3.85
1 year		14.76	14.10	16.20	14.52	15.43
3 year		8.21	7.58	9.70	9.18	11.17
Since 1/31/2013		9.25	8.61	11.57	NA	12.99
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
Quarter		11.31	11.15	4.58	4.93	
1 year		12.26	11.59	13.76	11.18	
3 year		8.12	7.48	11.83	10.50	
5 year		17.44	16.75	16.60	16.06	
Since 5/31/2003		11.77	11.13	8.93	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
Quarter		8.45	8.36	4.45	4.30	
1 year		9.87	9.08	17.26	15.46	
3 year		10.73	10.07	10.48	9.27	
5 year		18.15	17.43	17.37	15.88	
Since 1/31/2009		17.19	16.47	18.26	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
Quarter		5.29	5.05	6.99	8.02	
1 year		8.78	7.78	11.03	11.23	
3 year		5.38	4.42	7.42	6.91	
5 year		16.08	15.04	16.20	16.36	
Since 1/31/2009		18.73	17.71	18.04	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
Quarter		4.59	4.45	6.91		
1 year		9.55	8.97	9.26		
3 year		2.35	1.82	0.18		
Since 1/31/2013		3.29	2.79	1.68		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
Quarter		7.29	7.12	6.91		
1 year		9.44	8.73	9.26		
3 year		2.91	2.22	0.18		
5 year		9.43	8.72	6.04		
Since 1/31/2009		10.50	9.81	8.91		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
Quarter		0.45	0.38	0.46	0.31	0.16
1 year		5.19	4.88	5.19	3.57	3.52
3 year		4.01	3.65	4.02	3.08	2.80
5 year		3.37	3.03	3.08	2.56	2.45
Since 4/30/2003		4.57	4.23	4.44	4.05	3.82
INCORE/VICTORY (Munder)				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
Quarter		0.69	0.64	0.46	0.31	0.16
1 year		5.07	4.91	5.19	3.57	3.52
3 year		4.11	4.00	4.02	3.08	2.80
5 year		3.63	3.49	3.08	2.56	2.45
Since 9/30/2002		4.83	4.61	4.53	4.13	3.95

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
Quarter		1.68	1.40	1.77	2.07
1 year		9.62	8.41	9.22	10.07
3 year		12.57	11.35	11.31	12.45
5 year		11.99	10.80	11.19	12.40
Since 7/31/2006		6.03	4.91	7.47	6.23
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
Quarter		1.07	1.07	0.07	0.46
1 year		4.34	4.34	0.20	5.19
3 year		11.63	11.63	0.09	4.02
5 year		6.12	6.12	0.08	3.08
Since 3/31/2007		(0.10)	(0.18)	0.53	4.75
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		2.96	2.96	1.91	
1 year		0.58	0.58	0.34	
3 year		4.57	4.57	2.17	
5 year		6.14	6.14	3.13	
Since 7/31/2008		2.95	2.95	0.84	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		2.99	2.99	1.91	
1 year		0.38	0.38	0.34	
3 year		1.05	1.05	2.17	
5 year		3.19	3.19	3.13	
Since 9/30/2008		3.34	3.34	1.73	
Center Coast					
<i>Master Limited Partnerships</i>				Alerian MLP	
Quarter		0.71	0.58	1.07	
1 year		9.48	8.93	12.74	
Since 1/31/2015		(13.00)	(13.33)	(12.13)	
Neuberger Berman					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		0.00	0.00	0.07	
1 year		4.37	4.34	11.23	
3 year		11.89	11.82	9.80	
5 year		10.30	10.86	15.52	
Since 3/31/2010		1.65	9.20	11.69	
Neuberger Berman					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		0.00	0.00	0.07	
1 year		3.70	3.19	11.23	
Since 7/31/2014		0.35	1.42	5.97	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
Quarter		4.12	3.65	3.85	
1 year		6.60	4.89	15.43	
Since 11/30/2013		9.98	6.54	8.94	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		0.00	0.00	0.07	
1 year		0.05	0.25	11.23	
Since 12/31/2013		4.63	5.91	6.79	

TOTAL FUND				Policy Index
<i>Time-Weighted Return (TWR)</i>				
Quarter		3.74	3.62	3.10
1 year		8.29	7.74	9.68
3 year		5.79	5.26	6.14
5 year		9.72	9.17	9.73
Since 9/30/2002		7.47	6.98	7.31
Since 6/30/1995		7.01		

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter			3.63	1.82	0.99
1 year			7.68	7.50	4.56
3 year			5.33	7.50	4.02
5 year			9.37	7.50	4.21

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.