

YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

Fiscal Year 2007

Third Quarter Ended June 30, 2007

by: Chief Paul O'Connell
Board Chairperson

"All that we can know about those we have loved and lost is that they would wish us to remember them with a more intensified realization of their reality. What is essential does not die but clarifies. The highest tribute to the dead is not grief but gratitude." Thornton Wilder

On August 15th we laid to rest Sgt. Chris Reyka. There were many tears at the viewing and the funeral. He was original Pompano Beach and, after the 1999 merger, he stayed in Pompano Beach. It was home to him. It was a challenge to him and he never shrank from that challenge. To Chris, policing was not simply a profession, it was a passion. He did not patrol in drive; he patrolled in overdrive.

Allow me to tell you a little bit more about Chris Reyka, my friend and fellow road warrior of almost 20 years.

It was through my wife I first met Chris. My wife worked with Chris's wife, Kim, at Bendix on 62nd Street back in the 80's. At that time Chris owned his own landscaping business but he sought more (as any "jarhead" would). He rode with me as a civilian observer and we talked through the night about police work in Pompano Beach. He was hooked. Next thing I knew he was wearing Pompano Blue.

During the great debate of 1999 and the BSO - Pompano merger that followed Chris took no outward position. He cared not about the color of the uniform or the shape of the badge. He simply cared about doing his duty in law enforcement and making Pompano Beach a safer place in which to live.

Chris had his priorities right. First and foremost, he was a family man. His heart and soul were centered on his wife, Kim and their children, Ashley, Sean, Autumn and Spencer. The Reyka Family was and will remain centered on God, country and community. That was what Chris taught them and surely these lessons will remain intact through the generations that will follow.

Then there was Chris, the friend. His compassion for his fellow man was unmatched. His heart was true. Chris knew and understood Emerson when he wrote, "the only way to have a friend is to be a friend." He taught this to his family as a father and he taught this to his community as a cop and a scoutmaster. He was the classic illustration of "Semper Fi."

My wife and I met with Kim later that tragic day. She was very strong. We shared some stories, we shared some tears and we shared some laughs. But most of all, we shared a view of a future without Chris. Of some comfort to Kim was the pension that is to follow. I told her to worry not about finances because the pension will be there for her and her children. Kim & I will meet at a more appropriate time to review the specifics.

I met Kim a second time the following day. This time PBA President Dick Brickman came with me. He delivered a check for \$30,000 from the PBA as a benefit paid for by our union dues. The PBA also hosted the reception that followed Chris's interment. My sincere thanks are extended to Dick and the PBA for being there when it counted most.

That week, I also met with the new City Manager of Pompano Beach, Keith Chadwell. He committed the City to memorializing the memory of Chris and the sacrifice he made. Mr. Chadwell impressed me as a man of strong character and deep faith. I have every confidence that whatever is done by the City will be done with sincerity and sensitivity.

Chris now joins Pompano Beach K-9 Officer Scott Winters in the Promised Land and I have no doubt that together they will patrol in spirit the streets and alleys of Pompano Beach. Until we meet again dear Brothers, we remain faithful to you, the standard you set and the sacrifice you made.

To my Brothers and Sisters in Pompano Beach be you police or fire I say this:

We must remain motivated by courage for courage is the one virtue that moves us forward. These may seem like dark times but only with darkness can there be light. It is this light that will guide us to that which is right; we must firmly believe that goodness and righteousness will prevail. Always remember: we are doing God's work.

As difficult as this may seem, we must now turn to the business of pensions and all that comes with it.

First, we congratulate Trustees Richard Avallone and Patrick Fletcher on their re-election to the Pension Board of Trustees. Each won a new three year term by acclamation. We firmly believe this is a sign from our members that they are pleased with the current direction of the Board. It is our pledge to you to continue to work hard to preserve those pension benefits we have earned by serving the Pompano Beach community. As you know, the Board is under attack through litigation. Our defense continues unabated and this issue is discussed later in this letter. In addition, our pension is not the only one under attack as cities throughout the state scramble to cut spending in the wake of tax reform. Please refer to the cities of Boca Raton and Lake Park as recent examples (respectively, transfer to 401K and pension termination).

Second, the Board has authorized the granting of the guaranteed 2% COLA effective October 1, 2007. The 1% variable COLA to Firefighters will not be granted to retired Firefighters based on projected costs to the City. The 1% variable COLA to retired Police Officers may be or may not be granted depending on settlements talks which are ongoing and discussed below.

Next, we would like to share with you an exceptionally well-written article which appeared in US News and World Report magazine in its June 12, 2006 edition entitled, "7 Reasons **NOT** to Retire". Although the article is over a year old, the ideas presented still give each of us pause for thought as we contemplate and approach our retirement. For all of us the decision to "retire" from the pension system is a mandate of the system. The all important question each of us must then ask and be prepared to answer is, "**Now what?**" If you are not prepared to answer this question you may be "lost in retirement." Not necessarily a bad thing as long as you can afford it. Hopefully, for each of us our retirement years will be many in number (we have certainly earned it!). The question is: will your pension check be enough to sustain you over these many years? Thus, the question for each of us is: "do I continue to work?" That is the point of the above article as it lays out 7 reasons for us to give serious consideration to remaining in the workforce in some capacity during our retirement years:

1. It pays to work and money can buy peace of mind
2. There will be a demand for "older" workers!
3. Working can boost your health by keeping you active and sharp.
4. Separation does make the heart grow fonder....time away from your spouse may be good for the marriage!
5. Out of work can equal out of touch.
6. New work, new challenges could mean a new beginning
7. Work may add meaning to your later life.

One caveat before we summarize the article: each of us is different, with different needs and desires, and living in different financial environments. Be governed by what is best for you rather than the fad of the day. In addition, finding the right "post-retirement" job is **critical**. Remaining in the work force for the wrong reasons or in the wrong job (you are miserable going to work) can actually work against you (health-wise). So remember; this information is general in nature and may not apply to you or may only apply in part.

Let's look at 1. 2. & 3 as these can be supported by financial facts whereas # 4 -7 seems more personal in nature.

1. **It pays to work and money can buy peace of mind:** simply put, the longer you delay dipping into your pension money, the longer your pension money will last. In addition, if you continue to work you may be able to **ADD** to your retirement dollars by saving some of this newly earned money. Finally, from the Social Security perspective, if you could wait until after your "normal" retirement age (66 for most of us or

67 if you were born in 1960 or after) you can boost your SS payments by as much as 50% versus someone who taps his benefits early. Perhaps most importantly, you could receive health insurance coverage with this “post retirement” employment. That, by itself, may be the most important reason to continue to work.

2. **There will be a demand for “older” workers:** demographics show that there may be a shortage of qualified workers as more and more of the “boomers” leave the workforce. For example, Home Depot has an employment program geared specifically towards hiring “retirees” (yes, I have seen of few of you “retirees” working at Home Depot or Lowes). Another example: Coral Springs Police is now hiring retired Coral Springs Police Officers to come back and work part time to supplement its workforce because of the difficulty it is having in hiring qualified candidates and because these retirees are less expensive. These are but two examples of the new employment wave coming towards us.
3. **Working can boost your health by keeping you active and sharp:** Study has shown that complete retirement leads to an 11% decline in mental health, an 8% increase in illness and a 23% increase in difficulty performing daily activities over a six year period (i.e. if you don’t use it you will lose it!). The Alzheimer’s Association identifies 4 major components to staying healthy later in life: mental stimulation, physical activity, social connectedness and a healthy diet. Continuing to work will certainly add to the first 3 of the 4 (of course being in the right job is critical) and #4 is simply a matter of self-discipline.

As for the other 4 factors; again, these are more personal in nature and not subject to general study. In the end, each of us must make our own personal decision that is best for us and based on our personal needs and wants.

The **Market:** No doubt you have been following the madness in the market as its volatility seems to have reached new heights with daily swings in the triple digits. The turmoil has been labeled “mortgage mayhem” by some market watchers as the sub-prime mortgage market has dragged down with it the general market. Others have labeled it a market cleansing. Former Federal Reserve Chairman Alan Greenspan once noted that people react to the uncertainty generated by a financial market the way they do when they walk into a dark room. Their first reaction: they freeze. Clearly the recent turmoil in the stock and bond market has left many investors stymied and groping. What about our Pension Trust Fund? As the results of our quarter ending June 30th would suggest, the Fund is plugging along with positive returns. Nothing spectacular; but positive, nonetheless. Remember, this Fund invests for the long term, not the short term. Its investment horizon is over 20 years whereas some market investors have a horizon of 20 minutes. Our goal is not simple but it is straightforward: preserve the Fund on behalf of the current and future retirees. Our investment philosophy reflects this belief.

The **LAWSUIT:** settlement talks continue and these talks seem to be moving in the right direction. As stated above, I did meet with the new City Manager on 8/13 and he committed himself to making a good faith effort to find an equitable resolution to this ongoing litigation. The Board will update the members as these talks progress. Remember, this Board is absolutely committed to protecting the pensions we have earned.

Yahoo! Inc. – Your Pension Board has become co-lead Plaintiff in a Securities litigation claim against Yahoo! Inc. Here is our claim in a nutshell. The Board (along with other plaintiffs) claims in its suit that Yahoo executives engaged in “insider trading” to the tune of \$1 Billion while the stock was artificially inflated based on a deceptive advertising marketing scheme designed and implemented by company executives. The company’s stock traded as high as \$43 per share in January 2006 while this inside trading was ongoing. When the scheme (affectionately referred to as a “pump & dump” scheme) unfolded the stock plummeted costing its stockholders millions, if not billions, of dollars (our Pension Trust Fund suffered a loss of approximately \$500,000). In the meantime, company executives reaped millions of dollars in personal wealth when they cashed in. It is our intention to lead a class of plaintiffs in this claim to recover the damages caused by the illegal activity of Yahoo! Inc. and its directors. This is another example of your Board of Trustees acting on behalf of its members (both retired and active) in protecting the Fund from the illegal actions of others. We will keep up to date as the case progresses through Federal Court (California Middle District).

FINAL NOTICE: Retired members received a survey form asking them their status in health insurance coverage. This was a preliminary study by the Board as it attempts to implement the provisions of the Pension Protection Act of 2006. If you have completed and returned the survey; thank you! If you have not, please do so on or before September 15th so the Board can act in a timely manner.

Until then, stay safe and stay in touch!

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2007

LORD ABBETT/BOSTON *		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
Large Cap. Value		Gross	Net			
Quarter		5.58	5.43	4.92	6.31	6.28
1 year		20.70	20.03	21.84	21.83	20.59
Since 10/31/2004		13.64	13.05	16.68	NA	13.38
Lord Abbett/Boston - 3 year		12.36	11.79	15.91	15.07	11.67
Lord Abbett/Boston - Since 9/30/2002		16.56		19.15	18.63	15.83
Lord Abbett/Boston - 5 year		10.14		13.30	13.00	10.71
Lord Abbett/Boston - Since 6/30/1995		11.01		12.82	12.82	10.68
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
Large Cap. Growth						
Quarter		4.38	4.24	6.86	6.88	
1 year		11.59	10.97	19.04	18.74	
3 year		6.86	6.25	8.71	9.94	
Since 5/31/2003		12.45	11.85	11.07	NA	
VOYAGEUR *				S&P 500	Dynamic Index**	
Large Cap. Asset Allocator						
Quarter		6.91	6.81	6.28	6.86	
1 year		19.82	19.40	20.59	19.04	
3 year		8.52	8.18	11.67	8.07	
Since 9/30/2002		13.52	13.17	15.83	13.49	
Since 3/31/2002		5.17		7.19	5.07	
INVESCO				MSCI EAFE Net		
International						
Quarter		6.38	6.21	6.40		
1 year		25.17	24.57	27.00		
3 year		20.88	20.17	22.24		
Since 1/31/2004		19.74	19.07	20.36		
ALLEGIANCE CAPITAL				LB Int. Aggregate	LB Aggregate	LB Int. Gov/Credit
Fixed Income						
Quarter		(0.61)	(0.67)	(0.34)	(0.52)	(0.14)
1 year		5.72	5.46	5.99	6.11	5.76
3 year		3.65	3.39	3.77	3.98	3.41
Since 5/31/2003		2.82	2.58	2.98	2.94	2.47
STANDISH MELLON				LB Aggregate	LB Int. Aggregate	LB Int. Gov/Credit
Fixed Income						
Quarter		(0.77)	(0.84)	(0.52)	(0.34)	(0.14)
1 year		5.79	5.48	6.11	5.99	5.76
3 year		4.07	3.74	3.98	3.77	3.41
Since 9/30/2002		3.49		3.74	3.56	3.40
MUNDER CAPITAL				LB Aggregate	LB Int. Aggregate	LB Int. Gov/Credit
Fixed Income						
Quarter		(0.44)	(0.51)	(0.52)	(0.34)	(0.14)
1 year		5.87	5.61	6.11	5.99	5.76
3 year		4.17	3.96	3.98	3.77	3.41
Since 9/30/2002		3.75	3.49	3.74	3.56	3.40
INVESCO				NAREIT		
REIT						
Quarter		(10.11)	(10.28)	(9.04)		
Since 6/30/2006		11.65	10.75	12.57		
INVESCO				LB Aggregate		
Private Real Estate						
Quarter		3.55	3.55	(0.53)		
Since 7/31/2006		11.21	11.21	4.69		
TOTAL FUND *				Total Fund Index		
Quarter		2.90	2.79	3.35		
1 year		13.43	12.93	15.64		
3 year		8.42	7.96	10.01		
Since 9/30/2002		11.28	10.82	12.35		
5 year		4.06				
Since 6/30/1995		8.17				

Total Fund Index comprised of 25% Russell 1000 Value/ 25% Russell 1000 Growth/ 15% Dynamic Index/ 23% LB Aggregate/ 12% LB Int. Aggregate for periods prior to January 31, 2004; 22.5% Russell 1000 Value/ 22.5% Russell 1000 Growth/ 12% Dynamic Index/ 8% MSCI EAFE Net/ 23% LB Aggregate/ 12% LB Int. Aggregate for periods from January 31, 2004 to April 30, 2006; and 22.5% Russell 1000 Value/ 22.5% Russell 1000 Growth/ 9.5% S&P 500/ 8% MSCI EAFE Net/ 25% LB Aggregate/ 10% LB Int. Aggregate/ 2.5% NAREIT for periods thereafter.

* 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. Smith Barney Consulting Group 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 Smith Barney Consulting Group.

** Dynamic Index represents blended performance of S&P 500 BARRA Value for periods prior to July 31, 2003, S&P 500 BARRA Growth for periods from July 31, 2003 to April 30, 2006, & Russell 1000 Growth for periods thereafter