

YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

SPECIAL EDITION

by: Chief Paul O'Connell
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“Be fearful when others are greedy; be greedy when others are fearful.” Warren Buffet

On October 20th your Pension Board of Trustees held its monthly meeting. We were greeted by the bleak reality that all of us have been reading about in the papers or watching on TV. The economy is in the dumps and the stock market has taken a dive. In fact, during the last year the DOW fell over 40% from its highest point (October 2007). Yes, our Pension Fund has taken a hit, not unlike all other Pension Funds and individual portfolios throughout the country. We will know the full extent of our market value when we receive our end of FY report for 2007 – 2008 at our November meeting. Needless to say, it has been a tough investment year; not just for us, but for the market as a whole. There has been no place to hide. Trustees have received many phone calls about the security of our Fund, thus the Board has decided to issue this “Special Edition” of ***Your Pension Matters*** in an effort to calm your fears.

2008 has been described by one Investment Newsletter (*Motley Fool*) as the **Panic of 2008**; comparable to the Panic of 1907 when (as now) Wall Street brokerages failed (Sterns, Lehman Brothers); depositors ran on their bank (IndyMac Bank & Washington Mutual); the failure of Freddie Mac & Fannie Mae) & other well-known companies who went under in 2008 (the list is too long, so just start with some airlines and go on from there). Some have referred to our economy as the Second Depression. Let us be very clear, panic is the enemy while calm, cool decision-making is our ally.

During the Depression unemployment was 25%, current unemployment stands at 6.1%; over 10,000 banks disappeared between 1929 & 1934; that has not and will not happen in 2008. Thus, our current economy, although not good, is nowhere near a depression. Since WWII the USA has been through 10 recessions. On average, these recessions have lasted 10 months and involved peak monthly unemployment of 7.6%. The 2 worst recessions were 1973-75 & 1981-82 both lasting about 16 months, and unemployment reached 9% and 10.8%, respectively. We fully expect the current unemployment rate to increase in the coming months as the economy bottoms out. The only questions are: how high will the rate go up and how long before the recovery will begin. In other words: “are we at the end of the beginning of a long and deep recession?” Or are we at “the beginning of the end of a recession that will simply come and go with a major market correction and an economic adjustment?” Only time will give us the correct answer. We have gone through tough economic times before and we came through those difficult times intact.

What is important is that your Retirement System is uniquely positioned to invest in the future with a long term horizon. **Never before has our Fund been as diversified as it is now.** Instead of 3 money managers (as in 1996) we now have 11 managers investing our money over a wide range of strategies such as small, mid and large cap companies; value and growth companies; commercial real estate; international; and funds of hedge funds. Remember, we own our own building which has held its value despite the faltering economy and we have an occupancy rate of 98%. In fact, while the market as a whole has suffered about 40% losses across a broad area, preliminary reports indicate that our Fund has suffered approximately 20% investment losses. Rest assured that we will remain vigilant and steadfast in our approach as we sail through the stormy investments seas that lie ahead of us. Benefit payments have and will continue unabated.

We are in tough times and the storm clouds are still gathering. But, we have survived similar tough times in the past and we will survive these difficult times too. Regardless, we must be thankful for what we do have and take stock in our many blessings.

In our next newsletter, we will give you a full review of the cold hard numbers of FY 2007 – 2008. In the meantime, stay safe and stay in touch!