

YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

Fiscal Year 2009

Third Quarter Ended June 30, 2009

by: Chief Paul O'Connell
Board Chairperson
August 20, 2009

Irish saying: *In the confrontation between the stream and the rock, the stream always wins – not through strength, but through persistence.*

THE MARKET: The above quote reflects our investment philosophy; we invest our funds with the long term outlook and we are confident that, over time, there will be a substantial payoff. In a past newsletter I quoted Winton Churchill in an effort to measure the madness of this investment market: "We know not if we are at the beginning of the end or the end of the beginning." As for the state of the economy, nothing has changed in the interim and Churchill's words seem appropriate. We simply do not know "where to from here;" but we will be persistent, we will move forward and over time we will prevail. The market continues to meander, trying to find its bottom and then rise from the ashes. We have no doubt that history will look back to this period of time and label it, "The Great Recession." We believe there will be several prime indicators of a true turnaround:

1. When the banks start loaning again. The Federal Reserve Chairperson, Ben Bernanke, wrote in a recent article for the Wall Street Journal that when the banks turn on the flow of money to the consumer, this will signal a return of monetary liquidity; the fuel for the recovery. 2. When the unemployment rate begins to reverse its current upward trend (now approaching 10% for the nation; over 10% for Florida). Once hiring prospects begin to improve, the market should follow.

We do know this: our Fund is uniquely positioned to take advantage of the turnaround when (not if) it comes. As you look at our portfolio you will note the diversification of our investments. Our portfolio is designed to follow our mandate: prudent investment with a focus on the long term results.

Lindsay Dalton: At the Board's July 20th meeting Lindsay Dalton, the Retirement Fund's Deputy Administrator for over 20 years, announced her retirement to become effective January 30, 2010. Needless to say, we tried to talk her out of this decision, but the time has come for her to enjoy a well deserved retirement. In our next newsletter, we will have information for you regarding a retirement party to honor her for the many years of service and dedication to the members of this System, active and retired. In the meantime, the Board of Trustees will begin a nationwide search for a replacement. These shoes will be difficult to fill!

D.R.O.P. Currently those in **DRÖP** (whether FF or LEO) or those retired police officers who have completed DRÖP and are still working for BSO; **the simple rule has always been as follows:** there can be no distribution of DRÖP money until there is separation from employment with the employer (FF from Pompano Beach or LEO from BSO). This rule is in place to protect the special tax status of the Fund. There has been significant discussion about access to these monies in a different form other than a straight distribution, thus not jeopardizing the Fund's tax status. The Board has explored this possibility in

partnership with our Board Attorney and Board Consultant. Here is what we will attempt to do in the very near future. Through the self-directed DROP administrator (Tegrit) a loan program will be established. Those DROP participants (still in DROP or completed DROP & still working for BSO) who are interested in taking a loan from their respective DROP accounts will be allowed to do so by entering into a loan agreement which must include a five year repayment element. Details of the DROP loan program will be forthcoming so stand by for this important information.

Washington Mutual: Your Board of Trustees has joined a class action law suit against Washington Mutual (WaMu). The pending class action lawsuit, in which an amended complaint named the Pompano P&F Retirement System as an additional plaintiff, was filed on June 15, 2009. The complaint alleges violations of federal securities laws by WaMu and certain of its directors and executive officers, its auditor Deloitte & Touche LLP (“Deloitte”), and several major financial institutions (the “Underwriters”) that underwrote WaMu’s securities offerings during the Class Period (October 17, 2005 through July 23, 2008, inclusive).

As alleged in the amended complaint, WaMu was one of the nation's largest originators and servicers of residential mortgages until it was forced to declare bankruptcy on September 26, 2008 after its banking subsidiary was seized by federal regulators. It is alleged that during the Class Period WaMu increasingly focused on high-risk and experimental mortgage products, while secretly abandoning proper standards of managing, conducting and accounting for its business. Among other things, it is alleged that WaMu elicited fraudulent appraisals on many of the homes serving as collateral for its mortgages, thus making defaults by borrowers more likely. As alleged, this wrongful practice, among others, caused WaMu to injure its investors by issuing false and misleading financial statements and misrepresenting the nature of WaMu’s lending business.

As further alleged in the amended complaint, in 2006 and 2007, with the direct participation of the Underwriters and Deloitte, WaMu was able to raise nearly \$5 billion through four securities offerings. Each participant in WaMu’s securities offerings, including the Underwriters and Deloitte, were obligated by law to ensure that the statements made to investors in the offering materials were not false. However, it is alleged that in offering these securities, neither WaMu, its officers, its Board of Directors, Deloitte, nor the underwriters disclosed the hidden weaknesses in WaMu’s lending practices and accounting policies. Rather, it is alleged that each of those securities offerings incorporated materially untrue information about WaMu.

This is another example of how your Board of Trustees continues to pursue those entities engaged in fraudulent conduct to the detriment of investors. We will update you on the progress of this litigation as it proceeds through the courts.

FYI: New legislation which became effective July 1, 2009 increased allowable investments in foreign stock from 10% to 25% of the total Fund portfolio. Your Board of Trustees will be exploring new investment opportunities in an effort to take advantage of this new rule.

YOUR E-MAIL ADDRESS: The Pension office needs your e-mail address!! Please go to the Fund website: www.pbpfrs.org and submit your address so we can maintain and enhance communication with you in a more effective and efficient manner.

Until then, stay safe and stay in touch!

Pompano Beach Police & Firefighters' Retirement System

SUBSCRIBE TO WEBSITE MAILING LIST

www.pbpfrs.org

The Pension Board has created both a *mailing list* and a *Member's Only* protected area on our website <http://www.pbpfrs.org/index2.htm>. We are in the third year of our website and we would like to take it to the next level to allow our members to enjoy our user-friendly website, and to be able to better provide information about what is going on with your pension. The website is always a work in progress and your ideas are always welcome.

To better serve you, we would appreciate if our members subscribe to our mailing list, which would allow us to communicate to our members and distribute information through e-mail. This is optional, but we are hopeful that a majority of the members will subscribe, which will be a cost savings on stamps and man hours for the mass mailings.

The member's only area would allow the pension board to put sensitive information in there meant for "Members Only". This area is password-protected and the password is going to be the same for everyone. The password protects us from anyone in the general public having access, but is only as good as our secrecy of that password.

To subscribe to our mailing list, go to <http://hobbyline.com/cgi-bin/dada/mail.cgi/list/pbpfrs/>. Once you have subscribed to our mailing list, please send an e-mail to patrick_fletcher@sheriff.org and identify yourself as having logged on, so the pension board knows who you are in relation to your e-mail address. Anyone not subscribing to this list will continue to receive mailings via 'snail mail' as before.

To log on to the members only area, go to this website: <http://www.pbpfrs.org/members/>. You will be prompted for a username and a password. The username is *sharra* and the password is *policefire*. Currently the protected area doesn't have any information, but we have to start somewhere.

FIREFIGHTER DEDICATION TO CHIEF RALPH "BUDDY" BORGER

The Pompano Beach Fire Rescue Department is pleased to announce the dedication of our newest fire apparatus, to retired Fire Chief Ralph "Buddy" Borger. This event will take place at Fire Station 63, located at 120 SW 3rd Street (public safety building) Pompano Beach FL. on September 4, 2009 @ 10:00 AM. All retired and active personnel are invited to attend.

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2009

TRADITIONAL INVESTMENTS

LORD ABBETT/BOSTON *		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
Large Cap. Value		Gross	Net			
	Quarter	18.59	18.43	16.69	15.86	15.93
	1 year	(25.28)	(25.77)	(29.03)	(25.37)	(26.22)
	3 year	(9.01)	(9.55)	(11.12)	(8.22)	(8.22)
	Since 10/31/2004	(2.76)	(3.30)	(2.95)	NA	(2.33)
	<i>Lord Abbett/Boston - Since 9/30/2002</i>	3.87		4.27	4.95	3.83
	<i>Lord Abbett/Boston - Since 6/30/1995</i>	5.74		6.62	7.27	5.67
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
Large Cap. Growth						
	Quarter	20.55	20.40	16.32	15.18	
	1 year	(25.07)	(25.51)	(24.49)	(26.37)	
	3 year	(5.81)	(6.34)	(5.45)	(5.91)	
	5 year	(1.79)	(2.34)	(1.82)	(0.22)	
	Since 5/31/2003	3.17	2.61	1.43	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
Large Cap. Core						
	Quarter	15.41	15.26	15.93	15.74	
	Since 1/31/2009	12.49	12.35	12.66	NA	
VOYAGEUR				Russ Mid Value	PSN Money Mgrs.	
Mid Cap. Value						
	Quarter	18.72	18.54	20.94	18.27	
	Since 1/31/2009	11.40	11.24	15.08	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
Small/Mid Cap. Growth						
	Quarter	14.21	14.04	21.79	22.17	
	Since 1/31/2009	17.92	17.75	21.84	NA	
INVESCO				MSCI EAFE Net		
International Value						
	Quarter	24.85	24.67	25.43		
	1 year	(23.69)	(24.35)	(31.36)		
	3 year	(6.75)	(7.36)	(7.98)		
	5 year	2.73	2.06	2.31		
	Since 1/31/2004	3.41	2.75	2.71		
RENAISSANCE				MSCI AC Wrld x US		
International Growth						
	Quarter	25.30	25.17	27.60		
	Since 1/31/2009	19.46	19.34	24.98		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
Fixed Income						
	Quarter	3.34	3.26	1.78	1.67	1.67
	1 year	4.84	4.52	6.05	6.13	5.27
	3 year	5.65	5.34	6.43	6.43	6.14
	5 year	4.67	4.35	5.01	4.92	4.57
	Since 4/30/2003	4.08	3.73	4.38	4.32	4.00
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
Fixed Income						
	Quarter	1.89	1.83	1.78	1.67	1.67
	1 year	6.73	6.46	6.05	6.13	5.27
	3 year	6.84	6.57	6.43	6.43	6.14
	5 year	5.42	5.18	5.01	4.92	4.57
	Since 9/30/2002	4.80	4.53	4.57	4.47	4.26

ALTERNATIVE INVESTMENTS

INVESCO					
REIT		Gross	Net	NAREIT	
	Quarter	26.15	25.91	28.85	
	1 year	(38.66)	(39.00)	(43.29)	
	Since 6/30/2006	(15.29)	(15.89)	(18.00)	
INVESCO					
Private Real Estate				NCREIF	
	Quarter	(15.94)	(15.94)	(5.20)	
	1 year	(30.44)	(30.44)	(19.56)	
	Since 7/31/2006	(6.04)	(6.04)	1.02	
OFFICE BUILDING					
Private Real Estate				BC Aggregate	90-Day T-Bill
	Quarter	1.68	1.43	1.78	0.04
	1 year	7.44	6.63	6.05	0.50
	Since 3/31/2007	6.11	5.75	5.59	1.98
UBP					
Fund of Hedge Funds				HFRI FOF Cons	
	Quarter	2.69	2.69	3.85	
	1 year	(15.04)	(15.04)	(15.16)	
	Since 4/30/2008	(12.29)	(12.29)	(12.31)	
Ironwood					
Fund of Hedge Funds				HFRI FOF Cons	
	Quarter	5.54	5.54	3.85	
	Since 7/31/2008	(21.40)	(21.40)	(13.57)	
Pine Grove					
Fund of Hedge Funds				HFRI FOF Cons	
	Quarter	6.70	6.70	3.85	
	Since 9/30/2008	(2.50)	(2.50)	(7.43)	
TOTAL FUND *				Policy Index	Composite Index
	Quarter	11.81	11.70	12.12	11.55
	1 year	(15.15)	(15.51)	(16.02)	(14.66)
	3 year	(2.49)	(2.91)	(2.71)	(2.15)
	5 year	0.82	0.39	1.18	1.63
	Since 9/30/2002	4.64	4.20	4.94	5.20
	Since 6/30/1995	5.44			

Policy Index comprised of 25% Russell 1000 Value/ 25% Russell 1000 Growth/ 15% Dynamic Index/ 23% LB Aggregate/ 12% BC 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% BC Aggregate/ 12% BC Int. Aggregate for periods from January 31, 2004 to April 30, 2006; 22.5% Russell 1000 Value/ 22.5% Russell 1000 Growth/ 9.5% S&P 500/ 8% MSCI EAFE Net/ 22.5% BC Aggregate/ 10% BC Int. Aggregate/ 2.5% NAREIT/ 2.5% NCREIF from 4/30/06 to 4/30/08; and 22.5% Russell 1000 Value/ 22.5% Russell 1000 Growth/ 6.5% S&P 500/ 8% MSCI EAFE Net/ 22.5% BC Aggregate/ 10% BC Int. Aggregate/ 2.5% NAREIT/ 2.5% NCREIF/ 3% HFRI FOF Conservative 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. 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.