

# YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

**Fiscal Year 2009**

**Fourth Quarter Ended September 30, 2009**

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

**Enthusiasm is one of the most powerful engines of success. When you do a thing, do it with all your might. Put your whole soul into it. Stamp it with your own personality. Nothing great was ever achieved without enthusiasm.**  
*Ralph Waldo Emerson*

**Lindsay Dalton:** You will recall that during our July meeting, Lindsay announced her retirement to be effective 1/31/2010. The Board is happy to announce that effective January 4, 2010, **Glenda Rowley** will join our team as Lindsay's replacement. Glenda comes to us with over 20 years of experience in Florida defined benefit plan administration. She worked with the Boca Raton (police & firefighters) and Hollywood (general employees) systems and will bring with her all that experience. We are glad to have her and we know she will be a great asset to our office! Lindsay will work with Glenda during the entire month of January to ensure a smooth transition. Which takes us to the next item.

**Mark your calendar!** On **Friday, January 29, 2010** we will give Lindsay a farewell to remember. Please join us at **Galuppi's** (the Pompano Golf Course, now operated by our good friend Pat Galuppi) for 6 PM cocktail hour and 7 PM dinner. We will honor Lindsay for all the hard work she has done for our members, both retired and active, during the past 21 years. Tickets can be purchased (\$30/person) by calling the pension office. We must have a **FINAL** count on or before COB Wednesday, 1/27/10. **Please find time to join us!!**

**CONGRATULATIONS:** Fire Inspector Pete McGinnis was re-elected by acclamation and Ernie Lee was re-appointed by the Pompano Beach City Commission. Congratulations to both and thank you for the good work that you have done and the many tasks you will tackle in the future. On a personal note, I was re-elected by you, the voters. I wish to thank you for your trust in me. My pledge to you is to continue to serve each of you; all of you and to do it with **Enthusiasm!**

**THE MARKET- A Year After The Meltdown: Have we recovered?** Well, not quite; perhaps, not even close. American household wealth is still down nearly \$11 trillion since 2007. But thanks to the 58% surge in the S&P 500 and a big push to shed debt, household net worth rose in the second quarter by nearly \$2 trillion -- its first gain since 2007. Over the past few years, here's how our total net worth has fared, according to the Federal Reserve's Flow of Funds report:

Total Household Net Worth:

**2003** \$46.9 Trillion; **2004** \$52.5 Trillion; **2005** \$58.8 Trillion; **2006** \$63.3 Trillion

**2007** \$63.9 Trillion; **2008** \$52.9 Trillion and **6/30/2009** \$53.1 Trillion

What strikes us about these numbers is not how far we've fallen since 2007, but just the opposite: Net worths are now about where they were in 2004-2005, a period when everyone was excited about the powerful recovery taking hold after the post-9/11 recession. Why this is important is because 70% of our economy is based on consumer spending. Whether or not you think that's healthy or sustainable, it is reality. Also, as we learned the hard way over the last year, consumers can stop spending horrifyingly quickly when they get worried. Consumer confidence, most of it tied to net worth and asset values, is more important to America than nearly any other economy in the world.

**The Lost Decade:** Some market-watchers are referring to the last decade as the "lost decade." Here is why: during the 1980s the S&P 500 gained 234%, during the 1990s the S&P 500 gained 308% and since 2000, the S&P 500 has **LOST** 31%. Dr. William George expressed deep concern about this in his guest column for Business Week (September 28, 2009; pg. 96) when he wrote that this "recovery" we are now in may be a "jobless recovery." Here are some sobering numbers. 7 million jobs have been lost during this recession; double that of any recession in our lifetimes. Take the loss of wealth (as shown above); add it to loss of jobs plus the bleak outlook for job creation and it adds up to a very long recovery process. He wrote that perhaps the best medicine would be innovation (something that America has always been good at) and the right kind of government incentives in the form of a revised tax code that would encourage business investments. Let's hope Washington gets this one right.

**DROP Loan:** The City has objected to this program and has labeled it a benefit subject to the bargaining process. The program is now on hold indefinitely.

**Self-Directed DROP:** The Board is extremely happy to announce that the Self-Directed DROP investment option will be **expanded** from the current 7 options to a total of **21 investment options!** This will give those members more investment opportunities well beyond what is available to you now. This expanded program will be on line January 1, 2010. More information will follow (see attached DROP Plan Provider Analysis).

**Roth IRA:** The rules which in the past have blocked out higher income individuals will be different during the 2010 tax year. Starting January 1, 2010 the income limits for converting traditional, rollover, SEP, and simple IRAs, and 401(k) or other workplace savings plans with former employers, to a Roth IRA will be removed. If you do convert a tax deferred savings into a Roth IRA you would pay taxes now (the rule for Roth IRA) rather than taxes upon withdrawal (the rule for traditional IRA). In addition, you would be able to spread that tax liability over a 2 year period; the 2011 & 2012 tax years. This may be an attractive transfer if you believe, as many do, that future tax rates will be going **UP**. **Every individual is different. Thus, it is prudent for you to review your individual wealth & tax situation with a tax advisor and a certified financial planner.**

In our next newsletter we will write to you about the current status of Social Security.....is it Safe??

**On behalf of the Pension Board of Trustees, I wish you a very happy holiday season as we look forward to a New Year and a new decade!**

**In the meantime, please stay safe and stay in touch!**