

# YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

Fiscal Year 2009

First Quarter Ended December 31, 2008

by: Chief Paul O'Connell  
Board Chairperson  
February 19, 2009

**“When the well runs dry, we will know the worth of water.” Benjamin Franklin**

**THE PRICE OF OIL:** We have seen the price of a barrel of oil skyrocket to over \$140 during 2008 (a 700% increase in just 7 years; remember, it was only \$10/barrel in 1998) and then drop like a rock to its current price of under \$35 a barrel. We have also seen the adverse effects this has had on our economy (just like we saw in the 70's and early 80's). No way around it, like it or not; the world's economies run on oil.

To make sense of all of this and put the energy market in a proper perspective, I believe it is best to spend some time in this edition to write about Charles Maxwell, also known as the **“Oracle of Oil”**. He is the senior energy analyst for Weeden & Co. and a 40 year expert in the field of energy research and investment. He has been ranked as the #1 analyst in this field by *Institutional Investor* nine times in the past. He sees our #1 problem as, “not that we lack more oil – it is that we lack the manmade capacity to produce more oil.” In other words, we have failed to invest in searching for and recovering future oil deposits. Now the squeeze is on. Oil supply is running far behind oil demand. The proof is in the numbers: in 1988 23 billion barrels of oil were both found and used. By 2007, those numbers diverged to become a gap of 8 billion barrels found and 31.5 billion barrels used. Source: *Business Week July 7, 2008*.

Do you see the problem? Do not be fooled by the recent drop in prices. This drop is the result of our current recession in combination with the foolish (perhaps even criminal) oil price speculation during 2008. The figures given above demonstrate that the oil supply shortage is here to stay. Here is a pretty safe bet: the price of oil will rise again. The question that faces our new administration is: what are we going to do about it?” Hopefully, this administration will not repeat the mistakes of past administrations and do nothing. Conservation is part of the solution; smaller and smarter cars to enhance gas mileage are necessary along with aggressive drilling to tap new sources of oil within our own borders. Alternative fuels are another part of the solution. The transfer of wealth from our country to the Middle East must stop. Each of us can play a part in this by doing the research before buying our next car and then **“buy green, drive green & live green.”**

**The Bernie Madoff Scandal:** no doubt you have read and heard much about the fraud this man perpetrated. The domino effect is still being measured and the true cost of the damage caused by his Ponzi Scheme will take years to determine. Our Pension Fund was not untouched by this

scandal. You will recall that in early 2008 our Fund further diversified and entered into the world of Hedge Funds. We did so in an effort to reduce our investment volatility which hedge funds are designed to do. We did so with the guidance of our Investment Consultant and Legal Advisor and we did so with our eyes open. We hired three (3) "Fund of Hedge Fund" managers and invested approximately \$5 million with each manager. Note: these fund to hedge fund managers are not "hedge funds" in the traditional sense. Rather, they invest in various hedge funds based on each individual hedge fund manager's long term performance. One of these fund to hedge fund managers had \$250,000 of our money in the Madoff Fund. We have fired this manager because they did not act in good judgment on the due diligence they performed on our investment. We have redeemed our remaining money from that entity and engaged outside legal counsel to pursue every legal avenue available to us in an effort to recover our lost money. We will update you as we progress forward and down this long legal process of recovery.

**3<sup>rd</sup> Annual Pompano Beach Educational Symposium** – Please mark your calendars and plan on attending the 3<sup>rd</sup> Annual Educational Symposium for Pompano Beach Police & Firefighters' Pension Fund Investments to be hosted by your Board of Trustees and completely underwritten by our Money Managers (in other words, this event comes at **NO COST TO THE FUND**). The dates of the event are Thursday, April 30 (11:30 AM – 5 PM); Friday, May 1 (9 AM – 4 PM) and Saturday, May 2 (9 AM – 12 PM). Although it will be at the same location (Deerfield Beach Embassy Suites), it will have a different twist to it.

**Here is the different twist:** We are in the middle of an economic tsunami and the question we must ask ourselves, both as a Pension Board and as an individual investor, is how do we best navigate these stormy investment waters that surround us? Here are some sobering facts: Our Pension Fund is safe, sound and secure but, like every other investment portfolio, it has taken a hard hit (**down just over 20%**). No doubt our individual portfolios have suffered similar setbacks.

For the 2008 investment year:	DOW	-33.84%	NASDAQ	-40.54%
	S&P 500	-38.49%	RUSSELL 1000	-38.15%
	RUSSELL 2000	-34.80%	RUSSELL 3000	-37.81%

As bad as these numbers sound, for us it was not as bad as it could have been. We attribute this to the fact that the Fund was well diversified and we hired the right money managers to help us navigate these investment waters.

At this Symposium all our money managers will be in attendance to share with us their insight as to what happened in 2008, why and how it happened. More importantly, they will share with us their outlook for the remainder of the 2009 investment year. Find some time in your busy schedule to attend. The time you spend here and the knowledge you gain: **PRICELESS!!**

**In the meantime & until then, stay safe and stay in touch!**

## Pompano Beach Police & Firefighters' Retirement System

### SUBSCRIBE TO WEBSITE MAILING LIST

[www.pbpfrs.org](http://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](mailto: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.

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of December 31, 2008**

**TRADITIONAL INVESTMENTS**

<b>LORD ABBETT/BOSTON *</b>		<b>Your Returns</b>		<b>Russ 1000 Value</b>	<b>PSN Money Mgrs.</b>	<b>S&amp;P 500</b>
<b>Large Cap. Value</b>		<b>Gross</b>	<b>Net</b>			
Quarter		(20.68)	(20.82)	(22.17)	(21.56)	(21.94)
1 year		(36.40)	(36.79)	(36.85)	(35.48)	(37.00)
3 year		(7.64)	(8.17)	(8.33)	(7.28)	(8.36)
Since 10/31/2004		(3.22)	(3.75)	(2.62)	NA	(3.33)
Lord Abbett/Boston - Since 9/30/2002		4.09		5.09	5.18	3.62
Lord Abbett/Boston - Since 6/30/1995		5.92		7.10	7.44	5.65
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<b>Large Cap. Growth</b>						
Quarter		(29.84)	(29.96)	(22.79)	(22.58)	
1 year		(47.77)	(48.07)	(38.43)	(38.42)	
3 year		(16.04)	(16.51)	(9.11)	(8.10)	
5 year		(4.41)	(4.95)	(3.42)	(1.07)	
Since 5/31/2003		(1.14)	(1.67)	(0.41)	NA	
<b>VOYAGEUR *</b>				<b>S&amp;P 500</b>	<b>Dynamic Index**</b>	
<b>Large Cap. Asset Allocator</b>						
Quarter		(21.82)	(21.89)	(21.94)		(22.79)
1 year		(37.00)	(37.20)	(37.00)		(38.43)
3 year		(7.87)	(8.16)	(8.36)		(9.23)
5 year		(3.01)	(3.31)	(2.19)		(3.76)
Since 9/30/2002		2.87	2.56	3.62		2.42
Since 3/31/2002		(2.36)		(1.63)		(2.81)
<b>INVESCO</b>				<b>MSCI EAFE Net</b>		
<b>International</b>						
Quarter		(18.78)	(18.93)	(19.96)		
1 year		(38.72)	(39.14)	(43.39)		
3 year		(5.91)	(6.47)	(7.35)		
Since 1/31/2004		2.32	1.71	1.39		
<b>ALLEGIANCE CAPITAL</b>				<b>BC Int. Aggregate</b>	<b>BC Aggregate</b>	<b>BC Int. Gov/Credit</b>
<b>Fixed Income</b>						
Quarter		3.26	3.16	3.57	4.57	4.84
1 year		5.23	4.92	4.86	5.24	5.08
3 year		5.22	4.94	5.48	5.51	5.51
5 year		4.31	4.05	4.43	4.65	4.21
Since 5/31/2003		3.86	3.61	4.07	3.98	3.76
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<b>Fixed Income</b>						
Quarter		3.63	3.55	4.57	3.57	4.84
1 year		2.86	2.54	5.24	4.86	5.08
3 year		4.34	4.03	5.51	5.48	5.51
5 year		4.09	3.75	4.65	4.43	4.21
Since 4/30/2003		3.90	3.54	4.43	4.24	4.07
<b>MUNDER CAPITAL</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<b>Fixed Income</b>						
Quarter		4.75	4.68	4.57	3.57	4.84
1 year		6.35	6.07	5.24	4.86	5.08
3 year		6.01	5.78	5.51	5.48	5.51
5 year		5.09	4.85	4.65	4.43	4.21
Since 9/30/2002		4.84	4.57	4.63	4.40	4.34

**ALTERNATIVE INVESTMENTS**

<b>INVESCO</b>					
<b>REIT</b>				<b>NAREIT</b>	
	Quarter	(34.89)	(35.00)	(38.80)	
	1 year	(33.61)	(34.10)	(37.73)	
	Since 6/30/2006	(14.67)	(15.32)	(16.98)	
<b>INVESCO</b>					
<b>Private Real Estate</b>				<b>NCREIF</b>	
	Quarter	(8.53)	(8.53)	(8.29)	
	1 year	(5.36)	(5.36)	(6.45)	
	Since 7/31/2006	4.09	4.09	6.80	
<b>OFFICE BUILDING</b>					
<b>Private Real Estate</b>				<b>BC Aggregate</b>	<b>90-Day T-Bill</b>
	Quarter	1.47	1.21	4.57	0.05
	1 year	6.01	5.75	5.24	1.26
	Since 3/31/2007	5.51	5.36	6.09	2.49
<b>UBP</b>					
<b>Fund of Hedge Funds</b>				<b>HFRI FOF Cons</b>	
	Quarter	(12.93)	(12.93)	(10.53)	
	Since 4/30/2008	(17.36)	(17.36)	(17.09)	
<b>Ironwood</b>					
<b>Fund of Hedge Funds</b>				<b>HFRI FOF Cons</b>	
	Quarter	(19.01)	(19.01)	(10.53)	
	Since 7/31/2008	(26.81)	(26.81)	(16.47)	
<b>Pine Grove</b>					
<b>Fund of Hedge Funds</b>				<b>HFRI FOF Cons</b>	
	Quarter	(10.80)	(10.80)	(10.53)	
<b>TOTAL FUND *</b>				<b>Policy Index</b>	<b>Composite Index</b>
	Quarter	(14.61)	(14.71)	(13.60)	(12.64)
	1 year	(26.33)	(26.65)	(24.57)	(23.51)
	3 year	(4.73)	(5.15)	(3.32)	(2.79)
	5 year	0.22	(0.21)	0.83	1.21
	Since 9/30/2002	3.87	3.43	4.66	4.87
	Since 6/30/1995	5.10			

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 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% LB 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. 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 Citi Institutional Consulting.

\*\* 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.