

YOUR PENSION MATTERS

12/31/2012 Edition

End of 1st Quarter FY – 2012 - 2013

by: Chief Paul O'Connell
Board Chairperson
2/20/13

*What I have learned about life can best be described in three words: **It Goes On***
Robert Frost

One Year Anniversary: On January 6th I had the honor of attending a **Memorial Mass** for Firefighter Bill Elliot. The Mass was held at St. Coleman's Church and was very well attended by current and retired members of the Pompano Beach Fire Department (and there was a good representation from members of the old Pompano Police Department too). Special thanks to Des Payne for organizing this special event to mark the one year anniversary of Bill's tragic death in the line of duty. It is hard to believe one year has passed; but as the quote above states, life goes on and those left behind must face the challenge of moving forward.

In a similar light, we wish to extend our condolences to retired Firefighter Alan Drouillard who lost his wife, Sandra. No doubt the loss of a life partner is devastating and our prayers are with Alan and his family.

The New BSO: No doubt you are very aware of the significant transition of BSO that was the result of the election victory of Scott Israel. The Board of Trustees looks forward with working with the **New BSO** in the coming years in hopes that we can forge a new partnership of working together to secure the retirement benefits so richly earned by the members of the Pompano Beach Police Department, who have or continue to work for BSO.

PBPFRS Scholarship: As you know, the law firm of Sugarman & Susskind serves as Legal Counsel for the Board of Trustees. The firm has graciously funded a Broward College scholarship for use by the direct descendents (children, grandchildren, great-grandchildren, etc) of members of this pension fund; members who are either retired or active. The \$25,000 seed money establishes scholarship grants up to \$2,500 per academic year. It is need based and is now in place for students who attend or will be attending BC. Should you have any questions or if you have a child or grandchild who wishes to apply, please contact the Broward College Office of Financial Aid directly. The Board of Trustees, its staff and members of the Sugarman & Susskind firm have no influence or input on the selection process or the amount awarded. This Scholarship is in place for member families who may have a need for financial assistance in order to earn a degree or a police officer, firefighter or paramedic state certification. **A BIG Thank You** to the law firm of Sugarman & Susskind!!

A Threat to Us All: Allow us to write you about an issue that is not "pension" related but will certainly touch us all: **ALZHEIMER'S DISEASE**, a progressive brain disorder that slowly destroys a person's cognitive and functional abilities. Currently over 5 million Americans suffer from this insidious disease. Those numbers are expected to increase dramatically. By 2025, it is projected to affect 6.7 million people over the age of 65 - a 30% increase. By 2050, it is projected that somewhere between 11 and 16 million people will have this disease. The financial costs will be overwhelming. It is estimated that in 2050, the

cost of caring for those suffering with this disease will be over \$1 trillion per year. 2050 may seem like a long time from the present; but in terms of scientific research, it is not so far away. If this country is to avert the coming Alzheimer's tidal wave, the time for action is now. Your Board of Trustees urges each of you to visit www.alz.org and become familiar with the progress of this ongoing battle. Better yet, make a donation to the Alzheimer's Association which continues to lead the fight and the fund-raising for research.

Once again, ALL EYES ON TALLAHASSEE: As we have reported in past newsletters, the war drums are still beating in Tallahassee, this year louder than ever, as the Legislature continues its debate on the dismantling of public employee pensions as we have come to know and understand them. Keep your attention focused on your respective Representative / State Senator and how they vote on these bills coming onto the House or Senate Floor. The 2013 Session will be a linchpin in the battle to save our pensions!

FY 2011 – 2012 Audit Report: Our annual audit report was released to and adopted by the Board of Trustees at our January meeting. Here is a summary of that report which is available, in its entirety, at our Pension Office or on our website. For FY ending 9/30/12, the Fund showed a membership with **31 active police officers, 151 active firefighters and 373 benefit recipients.** During the FY net assets of the Fund increased by \$19.5 million, the result of significant improvement in our investment returns, which was +16%, returning over \$29 million!

First Quarter Performance: As you review the performance numbers for the first quarter of FY 12-13, I am sure you will see a "mixed bag." Although the FY 2011-2012 was outstanding (+16% investment return), the first quarter ending 12.31.12 was flat. However, the second quarter (which we are in now and which ends 3.31.13) is doing much better and the markets across the board are going in the right direction. The Board continues to believe our prudent reliance on investment experts simply makes for prudent decision making as we navigate the turbulent times in which we live. Speaking of turbulent times and making informed investment decisions, here is your chance to access a wealth of information directly from those money managers upon whom we rely. Our **7th Annual Symposium** will be held at the Deerfield Embassy Suites from **April 25 – 27, 2013.** Please join us!!!!

In our next newsletter we will write to you about the **7th Annual Symposium** and review the highlights of that event. Again, the event is scheduled for **April 25 – 27, 2013.** Please mark your calendars and join us if you can. We promise you it will be worth your time because of all the investment insight you will receive free of charge!! However, we know and understand the pressures of every day living and "paying the bills." If you cannot make it, we will summarize the event in our next newsletter. Remember, in 2011 & 2012 we experienced the greatest turnouts of membership (active & retired) attending the symposium. Please watch our website for the latest schedule which is still being developed as we write this newsletter.

Until then, stay safe and stay in touch!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of December 31, 2012

Distribution of Assets:		
Equity		
-Large Cap. Value	\$29,414,884	
-Large Cap. Growth	\$20,647,404	
-Large Cap. Core	\$20,680,194	
-Mid Cap. Value	\$11,088,581	
-Small/Mid Cap. Growth	\$10,862,296	
-International Value	\$10,525,525	
-International Growth	\$10,591,824	
Total Equity	\$113,810,708	
Fixed Income	\$50,759,982	
Private Real Estate	\$12,709,923	
Fund of Hedge Funds	\$17,687,987	
Private Equity	\$2,085,450	
Cash (Non-Managed Account)	\$1,291,117	
Total Portfolio	\$198,345,167	

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	14.83%
-Large Cap. Growth	10.00%	10.41%
-Large Cap. Core	10.00%	10.43%
-Mid Cap. Value	5.00%	5.59%
-Small/Mid Cap. Growth	5.00%	5.48%
-International Value	5.00%	5.31%
-International Growth	5.00%	5.34%
Total Equity	55.00%	57.38%
Fixed Income	25.00%	25.59%
Private Real Estate	7.50%	6.41%
Fund of Hedge Funds	10.00%	8.92%
Private Equity	2.50%	1.05%
Cash (Non-Managed Account)	0.00%	0.65%
Total Portfolio	100.00%	100.00%

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,486,857
Gain or (Loss)		\$64,292
Ironwood Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,668,345
Gain or (Loss)		\$174,622
Pine Grove Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$6,532,785
Gain or (Loss)		\$105,270
INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$9,709,923
Fees		(\$26,483)
Gain or (Loss)		\$200,997
MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$1,291,117
Gain or (Loss)		\$2,163
OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Gain or (Loss)		\$5,456
NB Crossroads (Private Equity)		
Total Assets	100.00%	\$2,085,450
Gain or (Loss)		\$0

Other Important Facts:			
Total Portfolio			\$198,345,167
Total Gain or (Loss) - Gross of Fees			\$2,832,644
LORD ABBETT			
Total Assets	100.00%		\$29,414,884
Equity	99.02%		\$29,127,432
Cash	0.98%		\$287,452
Fees			(\$44,760)
Gain or (Loss)			\$428,320
SANDS CAPITAL MANAGEMENT			
Total Assets	100.00%		\$20,647,404
Equity	99.38%		\$20,518,807
Cash	0.62%		\$128,597
Fees			(\$31,196)
Gain or (Loss)			(\$155,747)
CORNERSTONE			
Total Assets	100.00%		\$20,680,194
Equity	96.14%		\$19,881,238
Cash	3.86%		\$798,957
Fees			(\$32,206)
Gain or (Loss)			(\$27,954)
RBC GLOBAL			
Total Assets	100.00%		\$11,088,581
Equity	97.17%		\$10,774,234
Cash	2.83%		\$314,347
Fees			(\$18,603)
Gain or (Loss)			\$495,938
WELLS			
Total Assets	100.00%		\$10,862,296
Equity	99.45%		\$10,802,647
Cash	0.55%		\$59,649
Fees			(\$23,821)
Gain or (Loss)			(\$1,225)
INVESCO (International Value)			
Total Assets	100.00%		\$10,525,525
Equity	96.89%		\$10,198,050
Cash	3.11%		\$327,475
Fees			(\$17,015)
Gain or (Loss)			\$910,514
RENAISSANCE (International Growth)			
Total Assets	100.00%		\$10,591,824
Equity	98.99%		\$10,484,829
Cash	1.01%		\$106,995
Fees			(\$16,749)
Gain or (Loss)			\$347,566
STANDISH MELLON			
Total Assets	100.00%		\$24,444,886
Fixed	100.74%		\$24,624,738
Cash	-0.74%		(\$179,852)
Fees			(\$18,157)
Gain or (Loss)			\$120,325
MUNDER CAPITAL MANAGEMENT			
Total Assets	100.00%		\$23,589,055
Fixed	88.43%		\$20,858,867
Cash	11.57%		\$2,730,188
Fees			\$0
Gain or (Loss)			\$126,333
MUNDER - OTHER ASSETS			
Total Assets	100.00%		\$2,726,041
Fixed	89.96%		\$2,452,237
NCREIF	10.04%		\$273,803
Fees			\$0
Gain or (Loss)			\$35,773

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of December 31, 2012

TRADITIONAL INVESTMENTS

LORD ABBETT		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
<i>Large Cap. Value</i>		Gross	Net			
	Quarter	1.49	1.34	1.53	0.82	(0.38)
	1 year	12.83	12.17	17.50	15.09	16.00
	3 year	8.39	7.75	10.86	10.83	10.87
	5 year	(0.50)	(1.09)	0.59	2.18	1.66
	Since 10/31/2004	3.63	3.04	4.75	NA	5.07
	<i>Lord Abbett/Boston - Since 9/30/2002</i>	6.84		8.12	8.74	7.77
	<i>Lord Abbett/Boston - Since 6/30/1995</i>	7.12		8.42	8.92	7.63
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	(0.75)	(0.90)	(1.33)	(0.31)	
	1 year	24.89	24.16	15.25	15.66	
	3 year	17.82	17.13	11.35	10.69	
	5 year	8.32	7.69	3.12	2.34	
	Since 5/31/2003	10.83	10.21	6.64	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
<i>Large Cap. Core</i>						
	Quarter	(0.12)	(0.28)	(0.38)	0.12	
	1 year	15.06	14.34	16.00	16.02	
	3 year	10.55	9.86	10.87	10.77	
	Since 1/31/2009	16.10	15.39	17.52	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	4.68	4.49	3.92	2.01	
	1 year	17.41	16.61	18.49	15.82	
	3 year	13.20	12.43	13.39	11.87	
	Since 1/31/2009	19.93	19.15	22.04	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	(0.01)	(0.24)	1.77	2.10	
	1 year	16.57	15.54	16.13	15.74	
	3 year	17.35	16.31	13.78	13.15	
	Since 1/31/2009	24.77	25.63	22.58	NA	
INVESCO				ACWI x US/EAFE*		
<i>International Value</i>						
	Quarter	9.09	8.91	5.86		
	1 year	15.79	15.05	16.84		
	3 year	1.18	0.54	3.19		
	5 year	(3.50)	(4.15)	(3.90)		
	Since 1/31/2004	4.88	4.21	5.04		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	3.39	3.22	5.86		
	1 year	10.95	10.24	16.84		
	3 year	3.28	2.64	3.87		
	Since 1/31/2009	13.48	12.82	15.17		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.49	0.42	0.21	0.18	0.35
	1 year	5.63	5.32	4.22	3.55	3.90
	3 year	6.92	6.60	6.19	5.22	5.19
	5 year	6.42	6.11	5.95	5.39	5.18
	Since 4/30/2003	5.31	4.97	5.13	4.77	4.54
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.54	0.54	0.21	0.18	0.35
	1 year	5.90	5.70	4.22	3.55	3.90
	3 year	6.54	6.28	6.19	5.22	5.19
	5 year	6.63	6.37	5.95	5.39	5.18
	Since 9/30/2002	5.56	5.56	5.21	4.84	4.68

* Invesco comparison index comprised of 100% MSCI AC World ex US for periods since 6/30/11 & 100% MSCI EAFE for periods prior to 6/30/11

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF PPTY	NCREIF ODCE
	Quarter	2.11	1.83	2.54	2.35
	1 year	9.09	7.28	10.55	10.94
	3 year	13.33	12.15	12.64	14.40
	5 year	(1.47)	(2.09)	2.14	(1.09)
	Since 7/31/2006	1.22	0.73	5.30	N/A
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	0.18	0.18	0.02	0.21
	1 year	(0.78)	(0.78)	0.08	4.22
	3 year	(1.70)	(1.70)	0.09	6.19
	5 year	(6.86)	(7.00)	0.33	5.95
	Since 3/31/2007	(5.41)	(5.53)	0.83	6.11
UBP					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.19	1.19	1.53	
	1 year	4.39	4.39	4.11	
	3 year	1.96	1.96	1.80	
	Since 4/30/2008	(1.00)	(1.00)	(1.12)	
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	3.18	3.18	1.53	
	1 year	9.33	9.33	4.11	
	3 year	6.60	6.60	1.80	
	Since 7/31/2008	0.68	0.68	(1.01)	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.64	1.64	1.53	
	1 year	6.52	6.52	4.11	
	3 year	3.52	3.52	1.80	
	Since 9/30/2008	4.13	4.13	0.56	
Neuberger Berman					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	(0.38)	
	1 year	4.21	4.20	16.00	
	Since 3/31/2010	(11.00)	(0.60)	9.80	
TOTAL FUND					
<i>Time-Weighted Return (TWR)</i>				Policy Index	Composite Index
	Quarter	1.46	1.46	1.25	1.30
	1 year	12.12	12.12	11.62	11.81
	3 year	8.90	8.90	8.68	8.71
	5 year	3.56	3.56	3.05	3.54
	Since 9/30/2002	7.25	7.25	7.24	7.47
	Since 6/30/1995	6.80			
TOTAL FUND					
<i>Dollar-Weighted Net Return (IRR)</i>				Actuarial Rate	CPI +3
	Quarter		1.43	1.92	0.54
	1 year		12.19	7.90	4.65
	3 year		8.97	7.90	4.97
	5 year		3.34	7.90	4.73
	Since 9/30/2002		7.34	7.90	5.43

Note

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.