

**YOUR PENSION MATTERS**  
**3/31/2013**  
**End of 2<sup>nd</sup> Quarter – FY 2012 - 2013**

by: Chief Paul O'Connell  
Board Chairperson  
6/18/2013

*Change is the law of life and those who look only to the past or present are certain to miss the future. **President John F. Kennedy***

**We are not making babies like we used to!! Have we gone from a baby boom to a baby bust?**

In an interesting article in the Bloomberg Business Week (2/11/13 and written by Charles Kenny) it was revealed that the birthrate in the United States is at the lowest level in over 100 years! Currently, women in the U.S. are having fewer than two children in their lifetime; which means not enough babies are being born to replace the existing population. This decline in reproductive practices is not unique to the USA; in 1970 the average woman (globally) gave birth to 4.7 children. That number has dropped to 2.5. In 2010, the World Bank reported that out of 196 countries, 71 saw fertility rates under two per woman; in 1986 it was 26 countries. Thus, from 1986 to 2010, we have witnessed an over 100% increase in the number of countries with a birth rate under what is needed just to replace the existing population.

Now, add the above to what we already know; **we are living longer**. That equals: the World is getting older and it is getting older very quickly. In 1980 the median age was 23; by 2050 it will be 38. In 1970, just 5% of the world's population was over 65 years of age. By 2050 that percentage will increase to 20%. (Japan has the oldest population with 32% of its population over the age of 60).

What does that mean to us? Well, think of it this way; where do governments currently spend its money? Education certainly takes up a large percentage of their respective budgets. That is about to change with the coming decrease in children and young adults. Now think of all the elders; more of them and living longer. The coming demand for elder care (health care, disabilities & assisted living) will explode! Social Security and Medicare will have fewer workers contributing to the growing demands of the elders who collect. The picture is not pretty and that is why Congress must act boldly and it must do so sooner, rather than later. Fasten your seat belts; a bumpy ride is directly ahead of us!

The **Seventh Annual Pension Educational Symposium** was held April 25 – April 27, 2013. It was, no doubt, the **VERY BEST** one we have ever had. Of course, it always helps when discussing record levels in the Dow, S&P and NASDAQ. The 2<sup>nd</sup> Quarter of the Fund's FY was pretty good as the Fund made some significant advances (in the quarter the Fund gained over **\$11 million**). Attached you will find an investment results summary from the Quarter ending March 31, 2013. It was a stellar return across the board as we captured a great deal of the up-market

that we saw from January 1<sup>st</sup> through March 31<sup>st</sup>. In fact, as of March 31<sup>st</sup> the value of our Pension Fund stood at an all time high of **\$206 million!** The following Quarter, which spans April 1<sup>st</sup> through June 30<sup>th</sup>, has been another story. Uncertainty in Europe continues to drag on the world economy as many investors are simply too uncertain how this will play. As the Board listened to our line-up of money managers, the theme for the investment future was pretty much unanimous, slow growth is in our future as the biggest drag on the economy has been and continues to be the lack of jobs; both here and abroad. As I am sure you have read in many places; past results may not necessarily reflect the future returns. *Put another way; the future is not guaranteed.*

**Mark your calendars for next year.** For the very first time our Annual Symposium will be held in Pompano Beach. We will be at the new **Pompano Beach Marriott** on A1A (just south of 14th Street Causeway). We have booked the hotel for the weekend of May 1<sup>st</sup> – 3<sup>rd</sup> of 2014. We are excited that Pompano Beach now has a venue which can host this event. Even more impressive: all the work the CRA has done to revitalize the beach and bring back the tourists. Pompano Beach has never looked better!!

**Welcome to South Florida – Debra Tocarchick!** Debbie joins the staff of the Pompano Beach P&F Retirement System as the new Deputy Director. She comes to us from Genesee County, Michigan where she served as the Administrator for the Genesee County Pension System. Our guess is that she and her husband moved down for the good weather!!

We extend congratulations to **Fire Chief Harry Small** who retired after 35 years of service to the Pompano Beach community. Harry was a great illustration of community service and never hesitated to share his knowledge with those who were willing to listen. We wish Harry the very best in his retirement!!

On a final note, our deepest sympathies go out to the family of retired Firefighter Donald Phillips who passed away in April. We especially express our condolences to Don's wife Janie. Don's life was a life well lived and he will be missed!

**To All: Enjoy your summer and in the meantime, stay safe and stay in touch!**

**SUMMARY OF RELEVANT FACTS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of March 31, 2013**

<b>Distribution of Assets:</b>		
<b>Equity</b>		
-Large Cap. Value	\$32,314,368	
-Large Cap. Growth	\$21,972,602	
-Large Cap. Core	\$22,069,326	
-Mid Cap. Value	\$11,975,338	
-Small/Mid Cap. Growth	\$11,957,363	
-International Value	\$10,331,588	
-International Growth	\$11,119,008	
Total Equity	\$121,739,593	
Fixed Income	\$50,785,172	
Private Real Estate	\$12,998,090	
Fund of Hedge Funds	\$18,166,380	
Private Equity	\$2,180,030	
Cash (Non-Managed Account)	\$696,646	
Total Portfolio	\$206,565,911	

<b>Distribution by Percentages:</b>	<b>Policy</b>	<b>Current</b>
<b>Equity Breakdown</b>		
-Large Cap. Value	15.00%	15.64%
-Large Cap. Growth	10.00%	10.64%
-Large Cap. Core	10.00%	10.68%
-Mid Cap. Value	5.00%	5.80%
-Small/Mid Cap. Growth	5.00%	5.79%
-International Value	5.00%	5.00%
-International Growth	5.00%	5.38%
Total Equity	55.00%	58.93%
Fixed Income	25.00%	24.59%
Private Real Estate	7.50%	6.29%
Fund of Hedge Funds	10.00%	8.79%
Private Equity	2.50%	1.06%
Cash (Non-Managed Account)	0.00%	0.34%
Total Portfolio	100.00%	100.00%

<b>UBP Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$5,588,496
Gain or (Loss)		\$101,639
<b>Ironwood Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$5,851,737
Gain or (Loss)		\$183,392
<b>Pine Grove Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$6,726,147
Gain or (Loss)		\$193,362
<b>INVESCO (Private Real Estate)</b>		
Private Real Estate	100.00%	\$9,998,090
Fees		(\$26,970)
Gain or (Loss)		\$315,136
<b>MAIN ACCOUNT (NON-MANAGED)</b>		
Cash	100.00%	\$696,646
Gain or (Loss)		\$1,992
<b>OFFICE BUILDING</b>		
Total Assets	100.00%	\$3,000,000
Gain or (Loss)		(\$22,147)
<b>NB Crossroads (Private Equity)</b>		
Total Assets	100.00%	\$2,180,030
Gain or (Loss)		\$94,580

<b>Other Important Facts:</b>		
Total Portfolio		\$206,565,911
Total Gain or (Loss) - Gross of Fees*		\$11,122,027
*Includes \$379,432 gain for Invesco Intl & \$1,164,089 gain for Ld Abbet		

<b>BLACKROCK</b>		
Total Assets	100.00%	\$32,314,368
Equity	98.37%	\$31,787,397
Cash	1.63%	\$526,971
Fees		\$0
Gain or (Loss)		\$1,935,394

<b>SANDS CAPITAL MANAGEMENT</b>		
Total Assets	100.00%	\$21,972,602
Equity	97.56%	\$21,435,784
Cash	2.44%	\$536,818
Fees		(\$30,985)
Gain or (Loss)		\$1,525,198

<b>CORNERSTONE</b>		
Total Assets	100.00%	\$22,069,326
Equity	97.19%	\$21,449,042
Cash	2.81%	\$620,284
Fees		(\$32,206)
Gain or (Loss)		\$2,139,131

<b>RBC GLOBAL</b>		
Total Assets	100.00%	\$11,975,338
Equity	98.21%	\$11,760,844
Cash	1.79%	\$214,494
Fees		(\$18,998)
Gain or (Loss)		\$1,311,757

<b>WELLS</b>		
Total Assets	100.00%	\$11,957,363
Equity	98.29%	\$11,752,707
Cash	1.71%	\$204,656
Fees		(\$24,047)
Gain or (Loss)		\$1,420,067

<b>LAZARD (International Value)</b>		
Total Assets	100.00%	\$10,331,588
Equity	95.83%	\$9,900,822
Cash	4.17%	\$430,767
Fees		\$0
Gain or (Loss)		(\$173,369)

<b>RENAISSANCE (International Growth)</b>		
Total Assets	100.00%	\$11,119,008
Equity	98.18%	\$10,916,228
Cash	1.82%	\$202,780
Fees		(\$17,331)
Gain or (Loss)		\$527,184

<b>STANDISH MELLON</b>		
Total Assets	100.00%	\$24,421,217
Fixed	115.20%	\$28,132,087
Cash	-15.20%	(\$3,710,870)
Fees		(\$18,330)
Gain or (Loss)		(\$23,670)

<b>MUNDER CAPITAL MANAGEMENT</b>		
Total Assets	100.00%	\$23,624,978
Fixed	85.52%	\$20,204,495
Cash	14.48%	\$3,420,483
Fees		(\$15,650)
Gain or (Loss)		\$35,923

<b>MUNDER - OTHER ASSETS</b>		
Total Assets	100.00%	\$2,738,977
Fixed	86.82%	\$2,378,095
Cash	13.18%	\$360,882
Fees		\$0
Gain or (Loss)		\$12,937

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of March 31, 2013**

**TRADITIONAL INVESTMENTS**

<b>BLACKROCK</b>		<b>Your Returns</b>		<b>Russ 1000 Value</b>	<b>PSN Money Mgrs.</b>	<b>S&amp;P 500</b>
<i>Large Cap. Value</i>		<b>Gross</b>	<b>Net</b>			
	Since 1/31/2013	4.27	4.27	5.46	NA	5.16
	Since 1/15/2013	6.48	6.48			
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Growth</i>						
	Quarter	7.41	7.25	9.54	NA	
	1 year	7.77	7.13	10.08	NA	
	3 year	19.27	18.57	13.06	NA	
	5 year	13.64	12.98	7.30	NA	
	Since 5/31/2003	11.34	10.72	7.45	NA	
<b>CORNERSTONE</b>				<b>S&amp;P 500</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Core</i>						
	Quarter	10.45	10.28	10.61	NA	
	1 year	13.44	12.72	13.96	NA	
	3 year	12.11	11.41	12.67	NA	
	Since 1/31/2009	17.84	17.12	19.24	NA	
<b>RBC GLOBAL</b>				<b>Russ Mid Value</b>	<b>PSN Money Mgrs.</b>	
<i>Mid Cap. Value</i>						
	Quarter	11.97	11.79	14.21	NA	
	1 year	14.02	13.24	21.47	NA	
	3 year	14.34	13.56	14.95	NA	
	Since 1/31/2009	21.89	21.10	24.50	NA	
<b>WELLS</b>				<b>Russ 2500 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Small/Mid Cap. Growth</i>						
	Quarter	13.19	12.96	12.20	NA	
	1 year	12.69	11.69	13.69	NA	
	3 year	19.00	17.96	14.95	NA	
	Since 1/31/2009	26.84	25.80	24.49	NA	
<b>LAZARD</b>				<b>MSCI ACWI x US</b>		
<i>International Value</i>						
	Since 1/31/2013	(1.21)	(1.21)	(0.86)		
	Since 1/30/2013	(2.10)	(2.10)			
<b>RENAISSANCE</b>				<b>MSCI AC Wld x US</b>		
<i>International Growth</i>						
	Quarter	4.98	4.81	3.17		
	1 year	3.72	3.05	8.38		
	3 year	5.13	4.45	4.41		
	Since 1/31/2009	13.94	13.27	15.06		
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
	Quarter	(0.10)	(0.17)	(0.12)	0.15	0.26
	1 year	4.56	4.24	3.78	3.03	3.53
	3 year	6.28	5.96	5.52	4.64	4.75
	5 year	5.96	5.64	5.47	4.94	4.61
	Since 4/30/2003	5.16	4.82	4.98	4.66	4.45
<b>MUNDER CAPITAL</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
	Quarter	0.15	0.09	(0.12)	0.15	0.26
	1 year	5.20	4.92	3.78	3.03	3.53
	3 year	5.97	5.69	5.52	4.64	4.75
	5 year	6.16	5.88	5.47	4.94	4.61
	Since 9/30/2002	5.44	5.44	5.07	4.74	4.59

**ALTERNATIVE INVESTMENTS**

<b>INVESCO</b>					
<i>Private Real Estate</i>		Gross	Net	BC AGG/ NCREIF	NCREIF ODCE
	Quarter	3.25	2.97	(0.12)	NA
	1 year	10.53	9.00	7.63	NA
	3 year	14.78	13.48	12.31	NA
	5 year	(1.09)	(1.77)	1.79	NA
	Since 7/31/2006	1.66	1.14	5.08	NA
<b>OFFICE BUILDING</b>					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	(0.74)	(0.74)	0.02	(0.12)
	1 year	(0.72)	(0.72)	0.08	3.78
	3 year	0.77	0.77	0.09	5.52
	5 year	(7.21)	(7.21)	0.25	5.47
	Since 3/31/2007	(5.31)	(5.31)	0.80	5.83
<b>UBP</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.85	1.85	2.50	Note: UBP returns as of 2/28/13 since 3/31/13 return
	1 year	3.88	3.88	4.25	estimates are not available yet. Returns will be recalculated
	3 year	2.01	2.01	2.10	once statement is received & the "certified" return letter
	Since 4/30/2008	(0.58)	(0.58)	(0.54)	will be provided at that time.
<b>Ironwood</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	3.24	3.24	2.50	
	1 year	8.78	8.78	4.25	
	3 year	6.85	6.85	2.10	
	Since 7/31/2008	1.34	1.34	(0.41)	
<b>Pine Grove</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.96	2.96	2.50	Note: March return estimate provided by Pinegrove was
	1 year	6.53	6.53	4.25	used to calculate returns. Returns will be recalculated
	3 year	3.70	3.70	2.10	once statement is received & the "certified" return letter
	Since 9/30/2008	4.57	4.57	1.11	will be provided at that time.
<b>Neuberger Berman</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	4.54	4.60	10.61	
	1 year	7.44	8.54	13.96	
	Since 3/31/2010	(8.79)	2.69	12.67	
<b>TOTAL FUND</b>					
<i>Time-Weighted Return (TWR)</i>				Policy Index	Composite Index
	Quarter	5.63	5.49	5.91	6.07
	1 year	8.53	7.93	9.98	10.20
	3 year	9.46	8.89	9.29	9.37
	5 year	6.11	5.59	5.35	5.82
	Since 9/30/2002	7.63	7.14	7.65	7.89
	Since 6/30/1995	7.03			
<b>TOTAL FUND</b>					
<i>Dollar-Weighted Net Return (IRR)</i>				Actuarial Rate	CPI +3
	Quarter		5.57	1.87	1.24
	1 year		7.78	7.70	4.55
	3 year		8.89	7.70	5.17
	5 year		5.43	7.70	4.67
	Since 9/30/2002		7.18	7.70	5.45

**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.