

# YOUR PENSION MATTERS

## 12/31/13 Edition

### End of 1<sup>st</sup> Quarter FY 2013 - 2014

by: Chief Paul O'Connell  
Board Chairperson  
2/20/14

*"You know you are getting old when everything hurts; what doesn't hurt simply doesn't work anymore." George Burns*

In the quote above, **George Burns** was speaking about the body as it ages. What about the mind as it ages? Last year we wrote to you about **ALZHEIMER'S DISEASE** and how it is a threat to all of us. Whether you are impacted by this disease directly or indirectly matters not; we will all be affected. One way to minimize its impact is to prepare now for retirement; whether it is 10 years away or 10 days away. **Joe Hearn** wrote a recent article in *Market-Watch* (5/15/2013) in which he identified the eight (8) habits of highly effective retirees. Here are those eight (8) habits that each of us should put into place now as we approach or live in retirement:

**Live with a sense of urgency:** the average life expectancy is around 80. If you are lucky enough to retire at or before 65 and you stay healthy you have 10 years to "party." As we approach the mid to late seventies we tend to slow down.....see the George Burns quote above.

**Take Risks:** risks must be measured against the return. For example, always wear a helmet when riding a bike or wear a safety belt when riding in a motor vehicle. The risks Joe Hearn is writing about are risks like going back to school, taking on a part time job or doing volunteer work. In other words...get out of the house!

**Be healthy:** today the three (3) leading causes of death are heart disease, cancer and stroke. All three are heavily dependent on diet, lack of exercise, smoking, excessive drinking and stress. Imagine the positive impact on life expectancy if one were to work harder in controlling their calorie intake, exercise more and stop smoking!!

**Retire to something, not from something:** this goes back to the most important question one must ask and answer at the time they retire.....**now what?** If you do not have an answer to that question, it may not be time to retire; or if you are forced to retire; work hard to find the answer to that important question. *Successful retirees focus on pursuing something they love rather than running from something they hate.*

**Retire based on your bank account, not your birthday:** in other words, do not retire if you are not fiscally prepared to do so. For some this may not be an option. Regardless, we must be prepared for the day we enter full retirement. Retirement is about independence and a strong financial plan with the funds to float your retirement boat and it is critical to have these plans in place!

**Choose yes over no, active over passive and adventure over inertia:** delayed gratification has its place but in retirement it is not an option. Retirement is about living for today because tomorrow is unknown. Successful retirees do not wait for “someday” because someday is today!!

**Do important work:** we are all designed to do something meaningful and productive. Retirement does not remove that need. It simply means that we no longer have to base our choices on how much we are paid to do the work; we can enjoy the reward in non-monetary measurements.

**Foster meaningful relationships:** social interaction is a critical element to human happiness. Successful retirees are constantly looking for ways to experience community and connect with friends and family. In other words.....*get out of the house and live!!*

**FY 2012 – 2013 Audit Report:** our annual audit report was released to and adopted by the Board of Trustees at our January meeting. Here is a nutshell summary of that report which is available, in its entirety, at our Pension Office or on our website. For FY ending 9/30/13, the Fund showed a membership with **21 active police officers, 144 active firefighters and 384 benefit recipients.** During the FY net assets of the Fund increased by over \$19 million which was the result of continued improvement in our investment return which was +13.74%!!!

**Disability Decisions:** one of the more difficult decisions your Board of Trustees must make from time to time is the review of disability applications. During the past quarter we had three such reviews. **Firefighters Michael Clementi & Patrice Delaney** (both personally appeared) and **Police Officer Mark Rider** (appeared via Counsel) presented their respective applications to the Board and the Board granted said disabilities; unanimously in each case. We wish Michael, Patrice and Mark the very best going forward and, needless to say, they will be missed!

**The voice of our retirees:** for the past several years **Retired Pompano Beach Police Chief Gary Morton** has been the voice for our retired Police Officers. However, to date there has been no such voice for our retired firefighters. At our January meeting the Board of Trustees welcomed back **Richard Avallone** as the newly appointed voice for our retired firefighters. Although these representatives have no vote; they do have the voice of experience in which the Board holds great value. Thank you Gary & Richie for your continued devotion!

**PBPFERS Scholarship Fund:** as the season of spring approaches those of us with children or grandchildren finishing their last year of high school know that the college years are approaching. The questions regarding costs vs. affordability are always of concern. This is a friendly reminder that there is in place this **Scholarship Fund.** 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 Broward College. Should you have any questions or if you have a child or children who wish to apply, please contact the Broward College Office of Financial Aid directly. The Board of

Trustees, its staff and members of the Sugarman & Susskind Law 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!!

**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 State Representative / State Senator and how they vote on these bills coming onto the House or Senate Floor. The 2014 Session will be **THE** linchpin in the battle to save our pensions! Finally, remember that the **2014 November election** is just around the corner. Please vote...if you do not vote, you do not count!

**First Quarter Performance:** as you review the performance numbers for the first quarter of FY 13-14, (which ended on 12/31/13) I am sure you will see some very good numbers (+**5.96%**). However, the second quarter (which we are in now and which ends 3/31/14) is significantly lower and the markets across the board are going through what some experts have labeled a “*correction.*” These fluctuations are part of the “ups and downs” of investing. The Board continues to believe in our prudent reliance on investment experts which 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 **8<sup>th</sup> Annual Symposium** is scheduled for **May 1<sup>st</sup> - 3<sup>rd</sup> 2014** and for the first time this event will be held in Pompano Beach at the new **Marriott Resort** located on A1A just south of the 14th Street Causeway. 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!! If you cannot make it we will summarize the event in our next newsletter. Remember, at the 2011, 2012 & 2013 Symposiums we experienced great turnouts of membership (active & retired) attending the event. Please watch our website for the latest schedule, which is still being developed as we write this newsletter. Please join us!!!!

**In our next newsletter** we will write to you about the reports we received from our experts at **8<sup>th</sup> Annual Symposium** and review the highlights of that event.

**Until then, stay safe and stay in touch!**

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

**Distribution of Assets:**

Equity	
-Large Cap. Value	\$34,786,935
-Large Cap. Growth	\$25,094,612
-Large Cap. Core	\$25,065,082
-Mid Cap. Value	\$13,141,692
-Small/Mid Cap. Growth	\$13,888,099
-International Value	\$11,817,162
-International Growth	\$13,425,524
Total Equity	\$137,219,107
Fixed Income	\$49,941,982
Private Real Estate	\$12,824,806
Fund of Hedge Funds	\$19,258,101
Private Equity	\$3,597,439
Cash (Non-Managed Account)	\$3,492,817
Total Portfolio	\$226,334,252

**Distribution by Percentages:**

	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	15.37%
-Large Cap. Growth	10.00%	11.09%
-Large Cap. Core	10.00%	11.07%
-Mid Cap. Value	5.00%	5.81%
-Small/Mid Cap. Growth	5.00%	6.14%
-International Value	5.00%	5.22%
-International Growth	5.00%	5.93%
Total Equity	55.00%	60.63%
Fixed Income	25.00%	22.07%
Private Real Estate	7.50%	5.67%
Fund of Hedge Funds	10.00%	8.51%
Private Equity	2.50%	1.59%
Cash (Non-Managed Account)	0.00%	1.54%
Total Portfolio	100.00%	100.00%

**INVESCO (Private Real Estate)**

Private Real Estate	100.00%	\$10,974,806
Fees		(\$29,315)
Gain or (Loss)		\$357,784

**OFFICE BUILDING**

Total Assets	100.00%	\$1,850,000
Gain or (Loss)		(\$1,213,689)

**UBP Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$5,818,056
Gain or (Loss)		\$145,479

**MAIN ACCOUNT (NON-MANAGED)**

Cash	100.00%	\$3,492,817
Gain or (Loss)		\$17,863

**Other Important Facts:**

Total Portfolio	\$226,334,252
Total Gain or (Loss) - Gross of Fees*	\$12,702,654

**BLACKROCK**

Total Assets	100.00%	\$34,786,935
Equity	96.91%	\$33,713,669
Cash	3.09%	\$1,073,267
Fees		(\$45,481)
Gain or (Loss)		\$3,104,223

**SANDS CAPITAL MANAGEMENT**

Total Assets	100.00%	\$25,094,612
Equity	99.08%	\$24,862,520
Cash	0.92%	\$232,091
Fees		(\$37,792)
Gain or (Loss)		\$2,424,519

**CORNERSTONE**

Total Assets	100.00%	\$25,065,082
Equity	95.55%	\$23,949,531
Cash	4.45%	\$1,115,551
Fees		(\$32,206)
Gain or (Loss)		\$2,763,919

**RBC GLOBAL**

Total Assets	100.00%	\$13,141,692
Equity	97.64%	\$12,831,462
Cash	2.36%	\$310,229
Fees		(\$10,519)
Gain or (Loss)		\$1,247,785

**WELLS**

Total Assets	100.00%	\$13,888,099
Equity	97.73%	\$13,572,943
Cash	2.27%	\$315,157
Fees		(\$28,524)
Gain or (Loss)		\$1,101,334

**Ironwood Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$6,342,796
Gain or (Loss)		\$245,012

**Pine Grove Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$7,097,249
Gain or (Loss)		\$164,343

**LAZARD (International Value)**

Total Assets	100.00%	\$11,817,162
Equity	96.85%	\$11,445,022
Cash	3.15%	\$372,140
Fees		(\$13,684)
Gain or (Loss)		\$826,113

**RENAISSANCE (International Growth)**

Total Assets	100.00%	\$13,425,524
Equity	98.85%	\$13,271,015
Cash	1.15%	\$154,509
Fees		(\$20,393)
Gain or (Loss)		\$1,286,933

**STANDISH MELLON**

Total Assets	100.00%	\$23,994,840
Fixed	98.26%	\$23,578,345
Cash	1.74%	\$416,495
Fees		(\$17,872)
Gain or (Loss)		\$34,561

**MUNDER CAPITAL MANAGEMENT**

Total Assets	100.00%	\$25,947,141
Fixed	95.13%	\$24,683,599
Cash	4.87%	\$1,263,542
Fees		\$0
Gain or (Loss)		\$56,228

**MUNDER - OTHER ASSETS**

Total Assets	100.00%	\$1
Fixed	0.00%	\$0
Cash	100.00%	\$1
Fees		\$0
Gain or (Loss)		(\$3,371)

**NB Crossroads (Private Equity)**

Total Assets	100.00%	\$3,002,456
Gain or (Loss)		\$143,617

**Blackstone (Private Equity)**

Total Assets	100.00%	\$594,983
Gain or (Loss)		\$0

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of December 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>			
	Quarter	9.58	9.43	10.01	9.51	10.52
	Since 1/31/2013	19.62	19.00	24.45	NA	25.89
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Growth</i>						
	Quarter	10.20	10.04	10.44	10.51	
	1 year	43.46	42.62	33.49	33.89	
	3 year	22.67	21.95	16.45	15.72	
	5 year	32.58	31.80	20.39	19.35	
	Since 5/31/2003	13.56	12.93	8.92	NA	
<b>CORNERSTONE</b>				<b>S&amp;P 500</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Core</i>						
	Quarter	12.29	12.14	10.52	10.43	
	1 year	34.80	34.02	32.41	33.15	
	3 year	17.21	16.48	16.18	16.49	
	Since 1/31/2009	19.68	18.96	20.41	NA	
<b>RBC GLOBAL</b>				<b>Russ Mid Value</b>	<b>PSN Money Mgrs.</b>	
<i>Mid Cap. Value</i>						
	Quarter	10.39	10.29	8.55	9.17	
	1 year	34.64	33.96	33.45	34.29	
	3 year	15.52	14.79	15.97	15.75	
	Since 1/31/2009	22.78	22.03	24.28	NA	
<b>WELLS</b>				<b>Russ 2500 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Small/Mid Cap. Growth</i>						
	Quarter	8.50	8.27	8.49	8.89	
	1 year	45.31	44.08	40.64	42.56	
	3 year	19.94	18.89	17.15	16.91	
	Since 1/31/2009	28.70	25.80	26.06	NA	
<b>LAZARD</b>				<b>MSCI ACWI x US</b>		
<i>International Value</i>						
	Quarter	7.52	7.39	4.76		
	Since 1/31/2013	12.92	12.54	10.78		
<b>RENAISSANCE</b>				<b>MSCI AC Wrld x US</b>		
<i>International Growth</i>						
	Quarter	10.49	10.31	4.76		
	1 year	32.85	32.01	15.29		
	3 year	10.11	9.41	5.15		
	Since 1/31/2009	17.18	16.48	15.20		
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
	Quarter	0.14	0.07	(0.14)	(0.14)	(0.02)
	1 year	(1.64)	(1.94)	(2.02)	(1.02)	(0.86)
	3 year	3.91	3.60	3.26	2.79	2.91
	5 year	5.47	5.16	4.44	4.18	3.96
	Since 4/30/2003	4.63	4.30	4.43	4.21	4.02
<b>MUNDER CAPITAL</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
	Quarter	0.26	0.26	(0.14)	(0.14)	(0.02)
	1 year	(1.24)	(1.30)	(2.02)	(1.02)	(0.86)
	3 year	3.94	3.74	3.26	2.79	2.91
	5 year	5.06	4.83	4.44	4.18	3.96
	Since 9/30/2002	4.94	4.68	4.55	4.30	4.17

**ALTERNATIVE INVESTMENTS**

<b>INVESCO</b>					
<i>Private Real Estate</i>		Gross	Net	Russell NCREIF	NCREIF ODCE
	Quarter	3.37	3.09	2.53	3.56
	1 year	14.28	13.03	10.99	13.04
	3 year	13.30	11.88	11.93	14.27
	5 year	2.32	1.45	5.69	0.68
	Since 7/31/2006	2.89	2.30	6.05	3.76
<b>OFFICE BUILDING</b>					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	(40.45)	(40.45)	0.01	(0.14)
	1 year	(41.60)	(41.60)	0.05	(2.02)
	3 year	(17.33)	(17.33)	0.07	3.26
	5 year	(17.33)	(17.33)	0.10	4.44
	Since 3/31/2007	(11.93)	(11.93)	0.72	4.87
<b>UBP</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.56	2.56	2.65	
	1 year	6.04	6.04	7.67	
	3 year	2.04	2.04	2.67	
	5 year	4.26	4.26	4.51	
	Since 4/30/2008	0.21	0.21	0.40	
<b>Ironwood</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	4.02	4.02	2.65	
	1 year	11.90	11.90	7.67	
	3 year	7.49	7.49	2.67	
	5 year	9.66	9.66	4.51	
	Since 7/31/2008	2.67	2.67	0.56	
<b>Pine Grove</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.37	2.37	2.65	
	1 year	8.64	8.64	7.67	
	3 year	4.07	4.07	2.67	
	5 year	7.66	7.66	4.51	
	Since 9/30/2008	4.98	4.98	1.90	
<b>Neuberger Berman</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	5.78	5.52	10.52	
	1 year	15.72	15.53	32.41	
	3 year	6.07	8.29	16.18	
	Since 3/31/2010	(4.55)	6.71	15.42	
<b>Blackstone</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Since 11/30/2013	0.00	0.00	2.53	
<b>TOTAL FUND</b>					
<i>Time-Weighted Return (TWR)</i>				Policy Index	Composite Index
	Quarter	5.96	5.83	5.49	5.82
	1 year	19.43	18.83	17.51	18.40
	3 year	10.47	9.89	10.09	10.37
	5 year	14.08	13.50	12.63	13.05
	Since 9/30/2002	8.28	7.79	8.12	8.40
	Since 6/30/1995	7.45			
<b>TOTAL FUND</b>					
<i>Dollar-Weighted Net Return (IRR)</i>				Actuarial Rate	CPI +3
	Quarter		5.79	1.87	1.01
	1 year		18.84	7.70	4.50
	3 year		9.76	7.70	5.12
	5 year		13.55	7.70	5.08
	Since 9/30/2002		7.75	7.70	5.37

**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.

## NOTICE TO INTERESTED PARTIES

1. Notice to: All employees eligible to participate in the Pompano Beach Police & Firefighters' Retirement System.

An application is to be made to the Internal Revenue Service for an advance determination on the qualification of the following employee pension benefit Plan.

2. Name of Plan: Pompano Beach Police & Firefighters' Retirement System
3. Plan Number: 001
4. Name and Address of Applicant:

Board of Trustees of Pompano Beach Police & Firefighters'  
Retirement System  
c/o Glenda R. Rowley, CEBS, Executive Director  
2335 E. Atlantic Boulevard, Suite 400  
Pompano Beach, FL 33062

5. Employer Identification Number of Applicant: 59-6499222
6. Name and address of Plan Administrator:

Glenda R. Rowley, CEBS, Executive Director  
2335 E. Atlantic Boulevard, Suite 400  
Pompano Beach, FL 33062

7. The application will be filed on January 31, 2014 for an advance determination as to whether the plan meets the qualification requirements of Section 401 or 403(a) of the Internal Revenue Code of 1986, with respect to the amendments to plan since its initial qualification. The application will be filed with:

EP Determinations  
Internal Revenue Service  
Attn: Customer Service Manager  
P.O. Box 2508  
Cincinnati, OH 45202

8. The following employees are eligible to participate in the Plan: All full-time Firefighters of the City of Pompano Beach, and all former full-time Police Officers of the City of Pompano Beach who elected to continue to

participate in this plan, are eligible to participate in the Plan as of the first day of their full-time employment.

9. The Internal Revenue Service has previously issued a determination letter with respect to the qualification of this plan.

### **RIGHTS OF INTERESTED PARTIES**

10. You have the right to submit to EP Determinations, at the above address, either individually or jointly with other interested parties, your comments as to whether this plan meets the qualification requirements of the Internal Revenue Code.

You may instead, individually or jointly with other interested parties, request the Department of Labor to submit, on your behalf, comments to EP Determinations regarding qualification of the plan. If the Department declines to comment on all or some of the matters you raise, you may, individually, or jointly if your request was made to the Department jointly, submit your comments on these matters directly to EP Determinations.

### **REQUEST FOR COMMENTS BY THE DEPARTMENT OF LABOR**

11. The Department of Labor may not comment on behalf of interested parties unless requested to do so by the lesser of 10 employees or 10% of the employees who qualify as interested parties. The number of persons needed for the Department to comment with respect to this plan is 10. If you request the Department to comment, your request must be in writing and must specify the matters upon which comments are requested, and must also include:

- (1) the information contained in items 2 through 5 of this Notice; and
- (2) the number of persons needed for the Department to comment.

A request to the Department to comment should be addressed as follows:

Deputy Assistant Secretary  
Employee Benefits Security Administration  
ATTN: 3001 Comment Request  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210



## **COMMENTS TO THE INTERNAL REVENUE SERVICE**

12. Comments submitted by you to EP Determinations must be in writing and received by them by March 17, 2014. However, if there are matters that you request the Department of Labor to comment upon on your behalf, and the Department declines, you may submit comments on these matters to EP Determinations to be received by them within 15 days from the time the Department notifies you that it will not comment on a particular matter, or by March 17, 2014, whichever is later, but not after April 1, 2014. A request to the Department to comment on your behalf must be received by February 17, 2014 if you wish to preserve your right to comment on a matter upon which the Department declines to comment, or by February 25, 2014 if you wish to waive that right.

## **ADDITIONAL INFORMATION**

13. Detailed instructions regarding the requirements for notification of interested parties may be found in sections 17 and 18 of Rev. Proc. 2013–6. Additional information concerning this application (including, where applicable, an updated copy of the plan and related trust; the application for determination; any additional documents dealing with the application that have submitted to the Service; and copies of section 17 of Rev. Proc. 2013–6 are available at the City of Pompano Beach Police & Firefighters' Retirement System, 2355 E. Atlantic Boulevard, Suite 400, Pompano Beach, FL, 33062, during the hours of 10 a.m. – 4 p.m. Monday through Friday for inspection and copying. A nominal charge for copying or mailing will apply.