

YOUR PENSION MATTERS

6/30/15

End of 3rd Quarter – FY 2014 - 2015

by: Chief Paul O'Connell
Board Chairperson
08/21/15

“Never look back unless you are planning to go that way.” Henry David Thoreau

THE MARKET: First, let us review the Fund's FY Third Quarter which ended 6/30/15: overall the market was flat for the quarter. Still, the various markets were near record levels. The **Dow** was -.3%; the **NASDAQ** was +2.1% and the **S&P 500** was +.3%. The Fund gained +.23% during this quarter (just over \$540,000); but has gained 7.21% over the past 12 months. There is no other way to describe our investment results other than to say - “steady but not exciting.” The Fund relies on our Consultant and our investment professionals to invest with prudence. In the meantime, our **DROP** rate of return for the 3rd Quarter ending June 30, 2015 has been set at +.23% as certified by our Consultant.

As you read through the attached quarterly reports for the Fund's FY 3rd quarter ending June 30th, keep in mind that it is not the daily reading of the market that counts, it is the long term results that count. We are **STILL** climbing out of the deepest recession of our lifetime and there is much work yet to be done. The current Bull Market is still moving up and is in its 70+ month: March 2009 to August 2015; although there have been many bumps in this uphill road!! For example, since the end of the 3rd quarter the market has been pressured by the events in Greece and China. This summer has been an excellent example that the US economy is truly part of a global economy where events overseas can help or hurt our Fund's performance.

The good news: our Fund now stands at just under \$230 million! Know that we are going in the right direction and working hard for our members.

D.R.O.P. - this is important information for those of you currently in D.R.O.P. or who have selected to keep your D.R.O.P. money within the System after you have retired from D.R.O.P. There are currently two (2) investment options available to you. You can choose to participate in the *“self-directed” D.R.O.P.* or you can participate in the *Pension Fund Return Option* (which means your investment of D.R.O.P. funds go up or go down with the Pension quarterly rate of return).

As June 30, 2015, there were approximately **\$19.5** million invested in D.R.O.P. The breakdown of the investments is as follows: **73.3%** in the Pension Fund Return Option, **15.2%** in the self-directed money market account and the remaining **11.5%** in the other self-directed mutual funds.

Here is the important information for those of you who have selected the *“self-directed” D.R.O.P. option*. Our Fund Consultant gives the Board quarterly reports on the performance of the investments managers we have hired. In addition, the Consultant gives a performance review of each of the investment vehicles available to you should you decide to participate in *“self-directed” D.R.O.P.* The Consultant's report is available to you for your review so that you can make informed investment decisions. The Board strongly suggests that you closely review the latest quarterly report (on the bottom of the DROP Information page on our website www.pbpfrs.org) and make smart choices that fit your particular financial goals. Better yet, speak with an investment advisor who can give you professional guidance. Please see the final section of this newsletter for some ideas on selecting the right advisor.

Just over one year ago we wrote to you about the guilty pleas of **David Benjamin and Jeff Poole**: they received 5 years and 1 year, respectively, in Federal Prison as a result of their respective plea agreement. We also wrote to you about the Board's obligation per Florida Statute to review the criminal charge(s) and compare/contrast said charge(s) to FS 112.3173 (the specific offenses which mandate pension forfeiture).

There have been some delays in the process of scheduling these hearings but all signs point to a January 2016 date for the Board of Trustees to hold these forfeiture proceedings. Please continue to monitor our website and we will certainly post the proper notice once dates have been agreed upon. The Board hired Gregg Rossman, a retired State Prosecutor (homicide division) to prosecute the separate cases against David Benjamin and Jeff Poole. Jeff Poole hired Ron Cohen, a respected Pension attorney to defend him in his forfeiture hearing. David Benjamin has not yet given us notice as to who will represent him.

Scott Winters / Chris Reyka / Billy Elliot Memorial: Last month (July 2015) marked the **25th Anniversary** of the murder of K-9 Officer Scott Winters. Scott was the first Pompano Beach Police Officer killed in the line of duty. Although the years have passed, the memory of Scott, his great deeds as a police officer and as a person have not faded. On **Sunday, January 24, 2016** the Pompano Beach Fire Fighters and the Pompano Beach Police Officers will join together to honor the memory of our fallen Brothers. Please mark your calendar for January 24th for a **Memorial** to be held at our Pension Offices, 2335 East Atlantic Blvd. in Pompano Beach. Please check our website for updated information. We will have a special announcement / unveiling that will make this event memorable and we hope this event will become an annual event to honor Scott, Chris & Billy. Special thanks to **Robin Larson** and **Mike Powell and IAFF Local #1549** who continue to keep the memory alive.

Consumer Reports – Money Adviser: in its June 2015 issue the Money Adviser had some excellent information regarding “the alphabet soup of designations for money managers” and the sometimes misleading designations that accompany an advisor's name.

Do you know the difference between a certified senior advisor (CSA), a certified senior consultant (CSC), a chartered advisor for senior living (CASL), a certified specialist in retirement planning (CSRP) and a certified retirement services professional (CSSP)? How about a certified annuity consultant (CAC) or a certified annuity advisor (CAA)? There are over 50 senior designations currently used in today's marketplace of “advisors.” Pretty amazing, isn't it? Perhaps we should say, pretty scary, isn't it?

Two tools that can help you unscramble the alphabet soup: go to www.paladinregistry.com or www.finra.org/investors/professional-designations which can identify the various titles out there and explain some of the important factors you need to know before you hire someone to handle your money. To avoid hiring someone like Scott Rothstein or Bernie Madoff, do your homework!! You should know the various certificates / designations / titles and what these mean. You should know what kind of education the person with a certificate / designation received to secure said certificate. As firefighters and police officers, we know what we had to go through before we earned such a title.

What did these folks do to earn such a title? Did you know that to earn the title “Accredited Retirement Advisor” (ARA) or “Certified Elder Planning Specialist” (CEPS) **NO COURSE WORK & NO ACCREDITATION TESTING** is required? Should you trust someone with no qualifications with your hard earned money?

Perhaps the most important question to ask someone you are considering employing: “Will you assume the role of a fiduciary”? If the answer is no.....**run!!** If the answer is yes, the interview can continue. Finally, have there been any complaints filed against the advisor? Go to www.brokercheck.finra.org to research the person before you hire him/her.

Board Elections: There will be no elections this year because:

Fire: **Trustee Peter McGinnis:** congratulations to Peter as he was re-elected by acclamation to a three-year term as no one else applied to run for this term in office.

Police: **Trustee Paul O'Connell:** congratulations to Paul as he was re-elected by acclamation to a three-year term as no one else applied to run for this term in office.

Congratulations to **David Hall** as he was re-appointed by the Pompano Beach City Commission to another three-year term on your Board of Trustees!!

Next issue: our fiscal year-end report! Until then, stay safe and stay in touch!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2015

Distribution of Assets:

Equity	
-Large Cap. Value	\$28,691,943
-Large Cap. Growth	\$29,031,554
-Large Cap. Core	\$3,581
-Mid Cap. Value	\$12,747,069
-Small/Mid Cap. Growth	\$13,228,650
-International Value	\$17,146,871
-International Growth	\$17,138,031
Total Equity	\$117,987,699
Fixed Income	\$51,745,135
Private Real Estate	\$16,201,230
Fund of Hedge Funds	\$20,930,482
Master Limited Partnerships	\$11,060,025
Private Equity	\$8,380,861
Cash (Non-Managed Account)	\$2,457,346
Total Portfolio	\$228,762,778

Distribution by Percentages:

	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.54%
-Large Cap. Growth	12.50%	12.69%
-Large Cap. Core	0.00%	0.00%
-Mid Cap. Value	5.00%	5.57%
-Small/Mid Cap. Growth	5.00%	5.78%
-International Value	7.50%	7.50%
-International Growth	7.50%	7.49%
Total Equity	50.00%	51.58%
Fixed Income	22.50%	22.62%
Private Real Estate	7.50%	7.08%
Fund of Hedge Funds	10.00%	9.15%
Master Limited Partnerships	5.00%	4.83%
Private Equity	5.00%	3.66%
Cash (Non-Managed Account)	0.00%	1.07%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)

Private Real Estate	100.00%	\$13,201,230
Fees		(\$36,495)
Gain or (Loss)		\$667,768

OFFICE BUILDING

Total Assets	100.00%	\$3,000,000
Gain or (Loss)		\$24,454

UBP Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$752,325
Gain or (Loss)		\$974

MAIN ACCOUNT (NON-MANAGED)

Cash	100.00%	\$2,457,346
Gain or (Loss)		\$92

Other Important Facts:

Total Portfolio		\$228,762,778
Total Gain or (Loss) - Gross of Fees		\$545,810

BLACKROCK

Total Assets	100.00%	\$28,691,943
Equity	96.05%	\$27,557,423
Cash	3.95%	\$1,134,520
Fees		(\$34,896)
Gain or (Loss)		(\$264,738)

SANDS CAPITAL MANAGEMENT

Total Assets	100.00%	\$29,031,554
Equity	98.50%	\$28,596,739
Cash	1.50%	\$434,815
Fees		(\$36,659)
Gain or (Loss)		(\$96,967)

CORNERSTONE

Total Assets	100.00%	\$3,581
Equity	99.83%	\$3,575
Cash	0.17%	\$6
Fees		(\$33,165)
Gain or (Loss)		\$391,173

RBC GLOBAL

Total Assets	100.00%	\$12,747,069
Equity	99.38%	\$12,667,822
Cash	0.62%	\$79,247
Fees		(\$12,102)
Gain or (Loss)		\$268,479

WELLS

Total Assets	100.00%	\$13,228,650
Equity	95.87%	\$12,681,963
Cash	4.13%	\$546,687
Fees		(\$29,612)
Gain or (Loss)		\$444,701

Ironwood Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$10,453,605
Gain or (Loss)		\$70,924

Pine Grove Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$9,724,552
Gain or (Loss)		(\$25,385)

Center Coast Master Limited Partnerships

Fund of Hedge Fund	100.00%	\$11,060,025
Gain or (Loss)		(\$464,812)

LAZARD (International Value)

Total Assets	100.00%	\$17,146,871
Equity	98.29%	\$16,854,123
Cash	1.71%	\$292,748
Fees		(\$15,161)
Gain or (Loss)		\$182,513

RENAISSANCE (International Growth)

Total Assets	100.00%	\$17,138,031
Equity	98.79%	\$16,931,108
Cash	1.21%	\$206,922
Fees		(\$19,743)
Gain or (Loss)		\$47,905

STANDISH MELLON

Total Assets	100.00%	\$25,847,706
Fixed	85.59%	\$22,123,557
Cash	14.41%	\$3,724,149
Fees		(\$19,371)
Gain or (Loss)		(\$455,126)

MUNDER CAPITAL MANAGEMENT

Total Assets	100.00%	\$25,897,428
Fixed	92.72%	\$24,013,178
Cash	7.28%	\$1,884,251
Fees		\$0
Gain or (Loss)		(\$414,361)

NB CROSSROADS (PRIVATE EQUITY) #1

Total Assets	100.00%	\$3,789,873
Gain or (Loss)		\$0

NB CROSSROADS (PRIVATE EQUITY) #2

Fund of Hedge Fund	100.00%	\$758,891
Gain or (Loss)		\$0

BLACKSTONE (PRIVATE EQUITY)

Total Assets	100.00%	\$2,346,714
Gain or (Loss)		\$94,156

GOLDMAN SACHS (PRIVATE EQUITY)

Total Assets	100.00%	\$1,485,383
Gain or (Loss)		\$74,059

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2015

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
	Quarter	(0.63)	(0.78)	0.10	(0.15)	0.28
	1 year	2.88	2.26	4.14	4.58	7.43
	Since 1/31/2013	10.97	10.32	15.05	NA	16.58
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	0.32	0.17	0.12	0.63	
	1 year	8.43	7.79	10.57	10.41	
	3 year	19.55	18.84	17.99	18.22	
	5 year	22.56	21.83	18.59	17.96	
	Since 5/31/2003	12.73	12.10	9.23	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	2.10	2.01	(1.97)	(0.95)	
	1 year	11.71	11.12	3.68	3.95	
	3 year	23.65	23.01	19.13	17.40	
	5 year	20.29	19.59	17.73	17.00	
	Since 1/31/2009	21.33	20.62	20.76	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	3.44	3.21	0.60	1.49	
	1 year	12.79	11.80	11.28	10.08	
	3 year	19.52	18.47	20.33	19.86	
	5 year	20.74	19.67	19.54	19.38	
	Since 1/31/2009	23.50	22.46	22.16	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
	Quarter	2.18	2.05	0.53		
	1 year	(3.91)	(4.42)	(5.27)		
	Since 1/31/2013	5.61	5.12	4.33		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	1.52	1.31	0.53		
	1 year	(2.24)	(2.92)	(5.27)		
	3 year	13.26	12.52	9.44		
	5 year	11.50	10.78	7.76		
	Since 1/31/2009	13.42	12.72	11.45		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	(1.76)	(1.83)	(1.68)	(0.67)	(0.62)
	1 year	1.47	1.09	1.85	1.89	1.68
	3 year	2.19	1.84	1.82	1.74	1.60
	5 year	3.76	3.42	3.35	2.89	2.79
	Since 4/30/2003	4.52	4.18	4.36	4.08	3.85
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	(1.62)	(1.62)	(1.68)	(0.67)	(0.62)
	1 year	1.83	1.67	1.85	1.89	1.68
	3 year	2.43	2.31	1.82	1.74	1.60
	5 year	3.89	3.70	3.35	2.89	2.79
	Since 9/30/2002	4.82	4.59	4.47	4.17	3.99

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
	Quarter	5.32	5.02	3.14	
	1 year	16.55	15.25	12.97	
	3 year	13.67	12.40	11.64	
	5 year	14.51	13.20	12.72	
	Since 7/31/2006	4.38	3.21	7.12	
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	0.63	0.63	0.00	(1.68)
	1 year	117.41	117.41	0.02	1.85
	3 year	8.82	8.82	0.05	1.82
	5 year	6.57	6.57	0.06	3.35
	Since 3/31/2007	(0.76)	(0.76)	0.59	4.68
UBP					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	0.13	0.13	0.32	
	1 year	1.98	1.98	2.75	
	3 year	2.60	2.60	5.53	
	5 year	2.21	2.21	3.67	
	Since 4/30/2008	0.09	0.09	1.07	
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	0.68	0.68	0.32	
	1 year	5.73	5.73	2.75	
	3 year	9.34	9.34	5.53	
	5 year	8.12	8.12	3.67	
	Since 7/31/2008	3.61	3.61	1.21	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	(0.26)	(0.26)	0.32	
	1 year	(1.59)	(1.59)	2.75	
	3 year	5.27	5.27	5.53	
	5 year	4.22	4.22	3.67	
	Since 9/30/2008	4.35	4.35	2.28	
Center Coast					
<i>Master Limited Partnerships</i>				Alerian MLP	
	Quarter	(4.16)	(4.16)	(6.09)	
	Since 1/31/2015	(4.57)	(4.57)	(8.20)	
Neuberger Berman					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	0.28	
	1 year	11.78	11.85	7.43	
	3 year	13.07	13.54	17.31	
	5 year	0.54	10.21	17.35	
	Since 3/31/2010	0.52	10.16	13.80	
Neuberger Berman					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	0.28	
	Since 7/31/2014	(4.12)	(3.87)	8.93	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	4.22	3.87	0.28	
	1 year	9.07	7.47	7.43	
	Since 11/30/2013	12.71	8.65	11.02	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	5.95	5.80	0.28	
	1 year	15.26	15.05	7.43	
	Since 12/31/2013	8.21	14.88	9.83	

TOTAL FUND				Policy Index	Composite Index
<i>Time-Weighted Return (TWR)</i>					
Quarter	0.23	0.12		(0.41)	(0.41)
1 year	4.76	4.26		3.77	3.97
3 year	11.46	10.90		10.83	11.29
5 year	11.49	10.93		11.04	11.32
Since 9/30/2002	8.02	7.51		7.91	8.19
Since 6/30/1995	7.35				

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		0.13		1.82	1.61
1 year		4.25		7.50	2.99
3 year		11.06		7.50	4.29
5 year		11.10		7.50	4.83
Since 9/30/2002		7.51		7.50	5.19

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.