

YOUR PENSION MATTERS

6/30/16

End of 3rd Quarter – FY 2015 - 2016

by: Chief Paul O'Connell
Board Chairperson
08/26/16

“Knowledge is what you know. Wisdom is what you do with what you know.”

The following article appeared in Marketwatch on 7/08/16. It was so compelling that we have “cut and paste” the article in its entirety. It is entitled “A letter to my grandchildren” and it is written by *Henry Heber*. Please take time to read and absorb this information!!

“I’m writing this because I feel that there are three things that will definitely have a negative influence on the people of your generation. These are irreversible, huge and doubtlessly will increase taxes and likely inflation. Nevertheless, you can do some things that will help you do well in this environment.

1. The birth rate has fallen below that needed to support the growing number of elderly ([See here.](#))

- When I entered high school in 1948, there were 40 workers per retiree.
- When I graduated from college in 1956, there were 11.
- When I retired there were only 3.3.
- Now there are less than 2.8.

Demographers say that in only 15 years there may be only two workers to support ever-growing government pensions, Social Security, Medicare and other welfare programs like Medicaid and Supplemental Nutritional Assistance Program (SNAP). The state and federal tax load on millennials and their parents will be overpowering.

2. People have saved too little money

Historical savings rates of those in my aging generation averaged around 10% of their after-tax income, down from over 20% during World War II. In 1985, consumption started to drive out savings, so savings fell to about 1% of income in 2005. It has slowly risen to 5% of income now with less than 1% of income for those below the employed median. The lost savings is bigger than the national debt. About a third of the Boomers cannot pay for [a \\$400 car repair](#) without taking out a loan. Half of the boomers can't come up with \$1,000.

3. The national debt has grown to unsupportable levels. In the last eight years, it has doubled to over \$19 trillion. We are debt financing all the new welfare needs. The non-political Congressional Budget Office [predicts an increase](#) of roughly a trillion dollars each year as far as the eye can see.

We are now issuing more debt and printing money just to cover the interest alone. The present value of currently mandated unfunded future federal obligations alone exceeds \$100 trillion. If Russia or China would decide to redeem their U.S. government bonds, it would be absolutely devastating because the cash is not there. Don't be confused by political promises for a "deficit" reduction. *Any* deficit increases the debt.

So what can younger people do?

1. Build an emergency fund. You will want a fund of about three to six months of after-tax income. This should be in a bank or money-market fund with checking privileges. You want to be able to cover a temporary job loss or expenses that otherwise would require debt, your home excepted.

2. Set aside more than 10% of after-tax income in savings for retirement. You would want to do this preferably in a Roth that will be tax free. However, if your employer offers matching funds in a 401(k) or 403(b), save at least that much of the 10% because that's like getting a return of more than 100% on your money. Put the remainder needed to get to 10% in the Roth or other savings. Buying three-year old cars and reducing subscription service costs can often increase savings the most.

3. Invest wisely. None of us can see what the best investments will be for the future, but I like to see younger people put about 60% of savings in low-cost stock index funds like the S&P 500 and REITs. The remainder should be in money markets and bonds. I particularly like Savings I Bonds which must be purchased directly from <http://www.treasurydirect.gov>

There's undoubtedly more, but this is a good start. Hopefully this advice will help you get off to a good start toward making your retirement years pleasant ones."

Henry Hebler
Marketwatch – 7/08/16

This is pretty sobering information and it confirms that we must continue to fight for our Pension rights, while at the same time, diligently save on our own. Social Security will look much different in 10-20 years! We all need to plan for the coming changes!!

COLD CALLS:

As you know, our Retirement System is subject to Public Record demands. Our office recently received a records demand for all of the members in **DROP**. We believe these demands come from "*financial advisors*" fishing for new clients. We cannot withhold the information but we can and will alert our members that they may receive "cold calls" from folks who want to *help* you invest your money. **USE CAUTION!!** Here is important information that appeared in our newsletter of August 2015.

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?

An important tool that can help you unscramble the alphabet soup: go to www.paladinregistry.com which can identify the various titles out there and explain some 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?

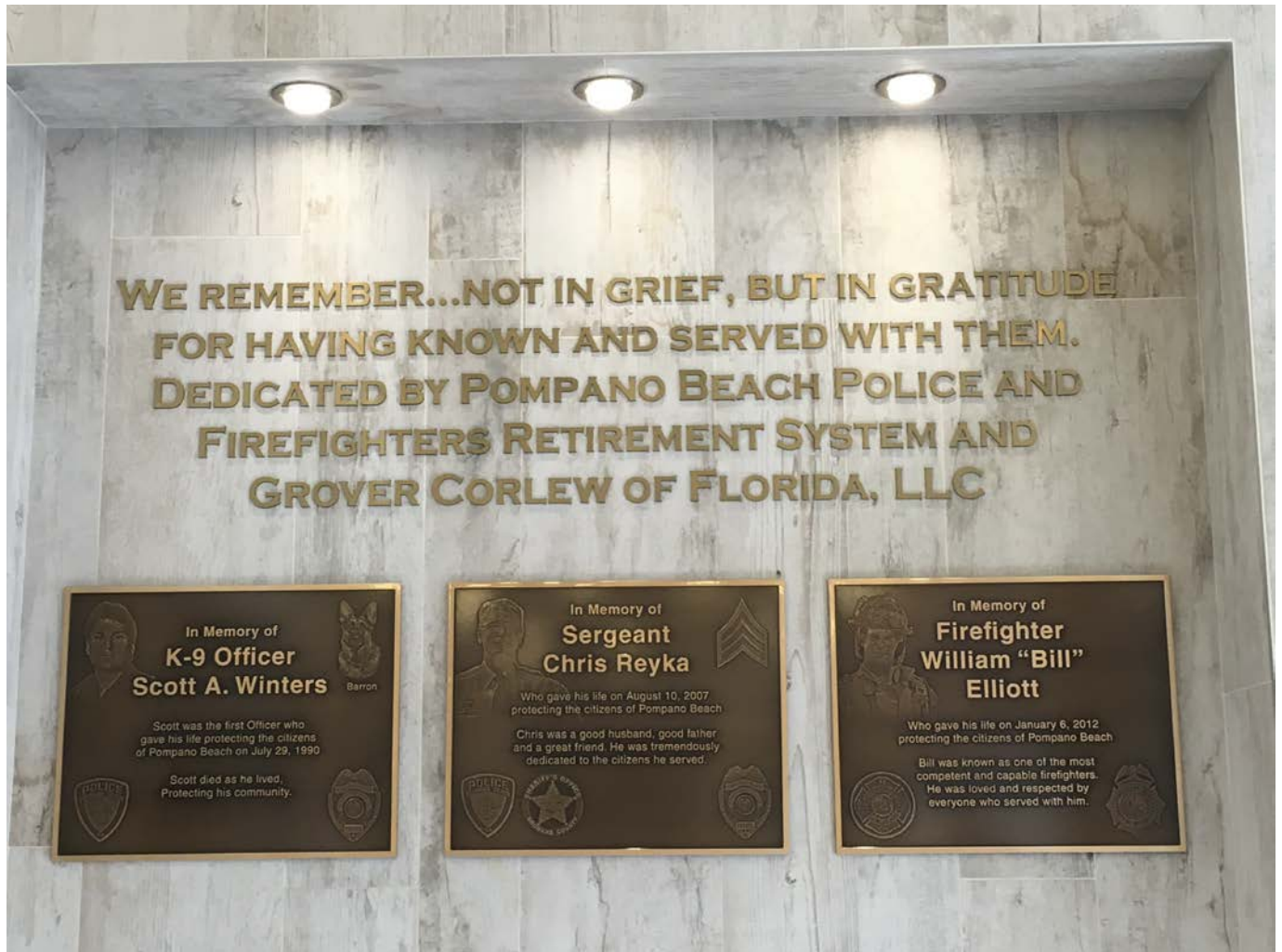
Perhaps the most important question to ask someone you are considering employing: "Will you assume the role of a fiduciary"? If the answer is no.....**run!!** If the answer is yes, the interview can continue. Finally, have there been any complaints filed against the advisor? Go to www.finra.org/investors/investor-complaint-center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

THE MARKET:

First, let us review the Fund's FY Third Quarter which ended 6/30/16: stocks and bonds generated moderately positive returns despite increased market turbulence. The **Dow** was +2.07%; the **NASDAQ** composite index was down -0.2% and the **S&P 500** was +2.46%. The Fund gained over \$4.5 million this quarter. *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, 2016 has been set at +2.13% as certified by our Consultant.

On an interesting note, the United Kingdom's decision to exit from the European Union occurred one week prior to the end of the quarter sending the market down over 900 points in the first two days immediately following the vote; however, by the end of the quarter the market losses were fully recovered resulting in a slightly positive return for the quarter.

Scott Winters / Chris Reyka / Billy Elliot Memorial: The memorial is fully completed in the Bank of America lobby!! We attached a photo of it but you should find time to visit and see it for yourself!! It truly is a remarkable tribute to Scott, Chris & Billy.



Last month (July 29, 2016) marked the **26th 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 and his great deeds as a police officer and as a person have not faded. This month marks the **9th Anniversary** of **Sgt. Chris Reyka's** death (August 10, 2007). In January 2017, we will mark the **5th Anniversary** of **Billy Elliot's** death. On **Sunday, January 22, 2017** the Pompano Beach Firefighters and the Pompano Beach Police Officers will join together to honor the memory of our fallen Brothers. Please mark your calendar for January 22nd for a **Memorial** to be held at our Pension Offices, 2335 East Atlantic Blvd. in Pompano Beach. Please check our website for updated information. This will be an excellent opportunity to gather together in memory of our fallen. Special thanks to **Robin Larson** and **Mike Powell** and **IAFF Local #1549** who continue to keep the memory alive.

Board Elections: There was one election this year for a Police Trustee:

Retired Lt. Colonel Robert Drago	63 votes
Deputy Sheriff Patrick Fletcher	59 votes

Police: We extend our congratulations to Bob Drago who will be seated on September 19.

On behalf of the entire membership, we say THANK YOU to Patrick Fletcher for his 12 years of service as a member of the Board of Trustees. Those were not easy years - the Great Recession, many meetings to review legal and investment materials, disability votes and forfeiture hearings were all part of the past 12 years. Pat served us well and we are grateful for his service. We wish him and his family the very best going forward!

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

Congratulations to Sharra Aaronian as she was re-appointed by the Pompano Beach City Commission to another three year term on your Board of Trustees!!

Finally, for those whose son or daughter graduated from high school and plans to attend Broward College - please consider applying for a scholarship. Remember, this scholarship program is sponsored by our Legal Team, *Sugarman & Suskind* and is available to dependents of our members, retired or active. Information is available on the website, or contact the Pension staff for information and assistance.

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, 2016

Distribution of Assets:	
Equity	
-Large Cap. Value	\$27,645,925
-Large Cap. Growth	\$25,887,092
-Large Cap. Core	\$0
-Mid Cap. Value	\$10,639,082
-Small/Mid Cap. Growth	\$11,067,038
-International Value	\$16,011,450
-International Growth	\$15,304,434
Total Equity	\$106,555,022
Fixed Income	\$48,929,250
Private Real Estate	\$17,495,313
Fund of Hedge Funds	\$19,287,956
Master Limited Partnerships	\$11,236,384
Private Equity	\$9,319,910
Cash (Non-Managed Account)	\$1,539,635
Total Portfolio	\$214,363,469

Distribution by Percentages:		
	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.90%
-Large Cap. Growth	12.50%	12.08%
-Large Cap. Core	0.00%	0.00%
-Mid Cap. Value	5.00%	4.96%
-Small/Mid Cap. Growth	5.00%	5.16%
-International Value	7.50%	7.47%
-International Growth	7.50%	7.14%
Total Equity	50.00%	49.71%
Fixed Income	22.50%	22.83%
Private Real Estate	7.50%	8.16%
Fund of Hedge Funds	10.00%	9.00%
Master Limited Partnerships	5.00%	5.24%
Private Equity	5.00%	4.35%
Cash (Non-Managed Account)	0.00%	0.72%
Total Portfolio	100.00%	100.00%

INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$14,495,313
Fees		(\$40,143)
Gain or (Loss)		\$509,332

OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Gain or (Loss)		\$31,875

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$0
Gain or (Loss)		\$0

MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$1,539,635
Gain or (Loss)		\$50

Other Important Facts:		
Total Portfolio		\$214,363,469
Total Gain or (Loss) - Gross of Fees		\$4,509,493

BLACKROCK			
Total Assets	100.00%	\$27,645,925	
Equity	97.10%	\$26,844,414	
Cash	2.90%	\$801,511	
Fees		(\$40,090)	
Gain or (Loss)		\$1,149,365	

SANDS CAPITAL MANAGEMENT			
Total Assets	100.00%	\$25,887,092	
Equity	98.69%	\$25,547,799	
Cash	1.31%	\$339,293	
Fees		(\$38,723)	
Gain or (Loss)		(\$54,651)	

CORNERSTONE (TERMINATED)			
Total Assets		\$0	
Equity		\$0	
Cash		\$0	
Fees		\$0	
Gain or (Loss)		\$0	

RBC GLOBAL			
Total Assets	100.00%	\$10,639,082	
Equity	99.61%	\$10,597,685	
Cash	0.39%	\$41,397	
Fees		(\$35,166)	
Gain or (Loss)		(\$86,650)	

WELLS			
Total Assets	100.00%	\$11,067,038	
Equity	97.88%	\$10,832,817	
Cash	2.12%	\$234,221	
Fees		(\$23,350)	
Gain or (Loss)		\$564,350	

Ironwood Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$10,071,981	
Gain or (Loss)		\$102,430	

Pine Grove Fund of Hedge Fund			
Fund of Hedge Fund	100.00%	\$9,215,975	
Gain or (Loss)		\$119,398	

Center Coast Master Limited Partnerships			
Fund of Hedge Fund	100.00%	\$11,236,384	
Gain or (Loss)		\$1,247,775	

LAZARD (International Value)			
Total Assets	100.00%	\$16,011,450	
Equity	97.99%	\$15,690,108	
Cash	2.01%	\$321,342	
Fees		(\$20,539)	
Gain or (Loss)		\$221,936	

RENAISSANCE (International Growth)			
Total Assets	100.00%	\$15,304,434	
Equity	96.39%	\$14,752,604	
Cash	3.61%	\$551,831	
Fees		(\$25,539)	
Gain or (Loss)		(\$472,145)	

STANDISH MELLON			
Total Assets	100.00%	\$24,464,992	
Fixed	99.53%	\$24,350,231	
Cash	0.47%	\$114,760	
Fees		(\$19,169)	
Gain or (Loss)		\$582,411	

INCORE/VICTORY (FORMERLY MUNDER)			
Total Assets	100.00%	\$24,464,259	
Fixed	97.58%	\$23,871,662	
Cash	2.42%	\$592,597	
Fees		(\$12,769)	
Gain or (Loss)		\$579,739	

NB CROSSROADS (PRIVATE EQUITY) #1			
Total Assets	100.00%	\$3,638,278	
Gain or (Loss)		\$0	

NB CROSSROADS (PRIVATE EQUITY) #2			
Fund of Hedge Fund	100.00%	\$1,352,800	
Gain or (Loss)		\$0	

BLACKSTONE (PRIVATE EQUITY)			
Total Assets	100.00%	\$2,677,738	
Gain or (Loss)		\$14,278	

GOLDMAN SACHS (PRIVATE EQUITY)			
Total Assets	100.00%	\$1,651,094	
Gain or (Loss)		\$0	

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2016

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
	Quarter	4.21	4.06	4.58	3.59	2.46
	1 year	5.92	5.30	2.86	1.80	4.01
	3 year	8.98	8.26	9.87	9.41	11.67
	Since 1/31/2013	9.47	8.83	11.34	NA	12.75
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	(0.21)	(0.36)	0.62	0.53	
	1 year	(6.97)	(7.53)	3.03	(1.13)	
	3 year	10.61	9.95	13.08	11.52	
	5 year	11.96	11.29	12.35	11.12	
	Since 5/31/2003	11.09	10.46	8.74	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	(0.83)	(1.15)	4.77	3.37	
	1 year	(10.00)	(10.82)	3.24	0.62	
	3 year	10.00	9.35	10.99	9.94	
	5 year	10.32	9.62	11.70	10.29	
	Since 1/31/2009	16.54	15.81	18.23	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	5.27	5.05	2.70	3.07	
	1 year	(8.59)	(9.46)	(7.70)	(8.79)	
	3 year	7.78	6.80	9.05	8.17	
	5 year	9.88	8.89	9.26	9.26	
	Since 1/31/2009	18.59	17.57	17.63	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
	Quarter	1.40	1.27	(0.64)		
	1 year	(5.64)	(6.14)	(10.24)		
	3 year	3.73	3.19	1.16		
	Since 1/31/2013	2.19	1.70	(0.16)		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	(2.99)	(3.15)	(0.64)		
	1 year	(10.68)	(11.26)	(10.24)		
	3 year	4.79	4.09	1.16		
	5 year	2.98	2.31	0.10		
	Since 1/31/2009	9.83	9.14	8.24		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	2.40	2.32	2.21	1.44	1.59
	1 year	5.86	5.54	6.00	4.36	4.33
	3 year	4.16	3.77	4.06	3.24	2.95
	5 year	4.10	3.76	3.76	2.96	2.90
	Since 4/30/2003	4.62	4.28	4.49	4.10	3.88
INCORE/VICTORY (Munder)				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	2.38	2.33	2.21	1.44	1.59
	1 year	5.40	5.30	6.00	4.36	4.33
	3 year	4.02	3.93	4.06	3.24	2.95
	5 year	4.07	3.92	3.76	2.96	2.90
	Since 9/30/2002	4.87	4.64	4.58	4.18	4.01

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
	Quarter	3.64	3.35	2.03	2.13
	1 year	11.02	9.80	10.64	11.81
	3 year	12.78	11.56	11.61	12.99
	5 year	12.10	10.91	11.52	12.71
	Since 7/31/2006	6.01	4.89	7.47	6.17
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	1.07	1.07	0.06	2.21
	1 year	4.37	4.37	0.13	6.00
	3 year	10.99	10.99	0.07	4.06
	5 year	5.79	5.79	0.07	3.76
	Since 3/31/2007	(0.21)	(0.30)	0.54	4.83
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.03	1.03	0.12	
	1 year	(3.65)	(3.65)	(3.71)	
	3 year	4.34	4.34	1.80	
	5 year	4.79	4.79	1.84	
	Since 7/31/2008	2.66	2.66	0.57	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.31	1.31	0.12	
	1 year	(5.23)	(5.23)	(3.71)	
	3 year	0.44	0.44	1.80	
	5 year	1.82	1.82	1.84	
	Since 9/30/2008	3.06	3.06	1.48	
Center Coast					
<i>Master Limited Partnerships</i>				Alerian MLP	
	Quarter	14.57	14.43	19.70	
	1 year	(17.50)	(17.91)	(13.11)	
	Since 1/31/2015	(15.53)	(15.83)	(14.76)	
Neuberger Berman					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	2.46	
	1 year	5.94	6.07	4.01	
	3 year	11.76	11.71	11.67	
	5 year	8.51	10.07	12.11	
	Since 3/31/2010	1.37	9.21	12.17	
Neuberger Berman					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	2.46	
	1 year	4.31	3.77	4.01	
	Since 7/31/2014	0.01	1.14	12.17	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.54	0.16	2.46	
	1 year	4.07	2.46	4.01	
	Since 11/30/2013	9.28	5.45	6.73	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	0.00	0.00	2.46	
	1 year	1.83	1.80	4.01	
	Since 12/31/2013	5.61	7.40	7.46	

TOTAL FUND				Policy Index
<i>Time-Weighted Return (TWR)</i>				
Quarter	2.13	2.00	2.62	
1 year	(1.46)	(1.98)	0.21	
3 year	6.46	5.91	6.55	
5 year	6.76	6.22	6.90	
Since 9/30/2002	7.32	6.83	7.21	
Since 6/30/1995	6.91			

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		2.01	1.82	1.63	
1 year		(2.09)	7.50	4.25	
3 year		6.13	7.50	4.09	
5 year		6.61	7.50	4.42	
Since 9/30/2002		7.22	7.50	5.13	

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.