

# YOUR PENSION MATTERS

## 12/31/16 Edition

### End of 1<sup>st</sup> Quarter FY 2016 - 2017

by: Chief Paul O'Connell  
Board Chairperson  
2/20/17

***Paul Merriman (Marketwatch) provides us with some quotes from John Bogle, Founder of Vanguard Funds and some follow-up commentary provided by Mr. Merriman.***

**On Diversification:** "Don't look for the needle in the haystack. Just buy the haystack."

That succinctly sums up the case for buying an index fund instead of hiring somebody to try to pick out gems.

**On Investment Expenses:** "The grim irony of investing is that we investors as a group not only don't get what we pay for, we get precisely what we don't pay for."

In other words, every dollar you save by refusing to pay for an active manager is a dollar of return that belongs to you, not the manager. Reality turns out to be just the opposite of the marketer's beloved slogan: You get what you pay for.

**On Market Timing:** "The idea that a bell rings to signal when investors should get into or out of the market is simply not credible. After nearly 50 years in this business, I do not know of anybody who has done it successfully and consistently."

I actually know a number of people who can time the market, though not with enough accuracy to win a large following.

The biggest psychological problem with timing is that it makes investors' returns look very different from the market, which is too stressful for many people.

The biggest practical problem with timing is this: Timing is likely to stop working if too many investors move in and out of the market at the same time. The very popularity of such a system would be its downfall.

In real life, that's not a huge problem because timing is so emotionally tough that relatively few people will stick with it.

**On Trading Volume:** "In recent years, annual trading in stocks — necessarily creating, by reason of the transaction costs involved, negative value for traders — averaged some \$33 trillion. But capital formation — that is, directing fresh investment capital to its highest and best uses, such as new businesses, new technology, medical breakthroughs, and modern plant and equipment for existing business — averaged some \$250 billion. Put another way, speculation represented about 99.2% of the activities of our equity market system, with capital formation accounting for 0.8%."

Stated more simply, John Bogle is saying this: More than 99% of the activity on Wall Street essentially amounts to pushing poker chips around the table, with less than 1% aimed at creating new poker chips. That's a sad commentary on this huge industry.

**On Index Funds:** "The index fund is a sensible, serviceable method for obtaining the market's rate of return with absolutely no effort and minimal expense. [Index funds](#) eliminate the risks of individual stocks, market sectors and manager selection, leaving only stock market risk."

John's last point is important: There's always risk that the stock market itself will leave investors with huge short-term losses. This is why I hold a significant part of my portfolio in bond funds — and it's why that is recommended so widely.

**Investing Simplified:** "Investing is not nearly as difficult as it looks. Successful investing involves doing a few things right and avoiding serious mistakes."

This is a nice, pithy quote, and at first glance, I agree with it. This is sort of ironic, considering that I have spent more than half century writing and speaking and teaching and advising in order to help people be better investors.

However, I think John Bogle has underestimated the challenges that investors face in the real world.

A partial list of the "few things" to "do right" would include managing your emotions, avoiding greed and fear, controlling expenses, properly diversifying your portfolio, maintaining patience and a long-term attitude, knowing where to place your trust, controlling your risk, having a long-term plan, giving up the urge to beat the market and knowing when to settle for "good enough" instead of overreaching in hopes of achieving the very best possible outcome.

Entire books have been written on the topic of "avoiding serious mistakes." So investing is not quite as simple as he makes it out to be.

**Time and Patience:** "Time is your friend; impulse is your enemy."

Very well stated, and this quote needs no comment from me.

**Stock-Market Risk:** "If you have trouble imagining a 20% loss in the stock market, you shouldn't be in stocks."

While I must agree, I think 20% is a serious underestimate of the damage a serious market decline can do. The average bear market represents a loss of 35%. And in the decade ended in 2009, the market dropped more than 50% - twice.

I also think Bogle's solution ("you shouldn't be in stocks") is a bad one. Almost every investor needs the long-term growth potential that comes from owning stocks. What investors need is [a portfolio that also includes bond funds](#).

Another key is to teach investors to expect — and ride out — the normal cycles (sometimes pretty wild) of good and bad markets.

**Trusting Brokers:** "It's amazing how difficult it is for a man to understand something if he's paid a small fortune not to understand it."

I think Bogle may have said this partly as a joke, knowing that there's some truth in it. Here's my translation: If you pay a high enough commission, a securities salesperson essentially is being paid to ignore the serious flaws of a product and to temporarily "forget about" alternatives that are better for the client but less profitable for the salesperson.

**Our First Quarter Performance** – As you review the performance numbers for the first quarter of FY 16-17, (which ended on 12/31/16). I am sure you will see some good and some bad numbers.

First, let's look at the calendar year numbers as the market ended the year in December.

The **S&P 500 finished + 11.96% and the NASDAQ finished +7.50%** for the entire calendar year. For the quarter itself (October 1 – December 31) the numbers were: **S&P 500 + 3.8% and the NASDAQ +1.7%**; as you can see, the market liked the results of the November election. Will that hold true through 2017? No one knows the answer to that question.

During the current second quarter (which will end in about 4 weeks – 3.31.17) the market has been hitting a daily high and was at an all-time high at the time of our quarterly investment performance report. The Trump administration's pro-growth initiatives focusing on infrastructure spending, tax reform and deregulation continue to fuel the market.

Regardless of the volatile times in which we live, there is some comfort in knowing an informed investment style is the correct direction in which to travel. Did you know over the past 30 years the S&P 500 recorded a +11.1% annual return?

The Board continues to believe in our prudent reliance on investment experts which is coupled with proper diversification. All of this is done in an emotional vacuum. This "*cold style*" of investing is a necessary and critical ingredient 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 **11<sup>th</sup> Annual**

**Symposium** is scheduled for **May 4<sup>th</sup> – 6<sup>th</sup> 2017**. It will be held in Pompano Beach at the **Marriott Resort** located on A1A just south of the 14 Street Causeway which was the site of our last three symposiums. 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 gain from the experts .... free of charge!! If you cannot make it we will summarize the event in our next newsletter. Remember, at many of the preceding Symposiums we experienced great attendance by our membership (active & retired). Please watch our web site for the latest schedule of speakers (the agenda is still being developed as we write this newsletter). Please join us!!!!

**The Fed recently decided** to re-start its process of raising interest rates (i.e. the cost of borrowing money). It was, in their view, a sign of confidence in the economy. By raising rates the Fed was signaling its confidence that our economy is better able to begin standing on its own two feet and to continue being able to grow at a moderately faster rate in the year(s) ahead.

Delivering this rate hike (25 basis points) in December avoided the greater risk of surprising the market with no rate hike; we can rest assured this is a Fed that will not surprise us or the markets. The Fed made very clear its intent to forecast its trajectory (predicting 3 or 4 rate hikes in 2017 at 25 basis points per hike). Raising the rate range to the upside doesn't suggest the sky's the limit for either our economy's growth or the Fed's interest-rate-hike policy. Instead, it reflects an assessment of moderately faster growth capable of sustaining that better pace ... maybe even picking up pace a bit down the road. Two keys to watch.....the jobs report & inflation; both of these signals will guide future Fed action.

The Fed remained crystal clear about their safeguarding role: If economic conditions worsen, they'll delay their rate-hike course. If not, a few more rate hikes are the likely corollary to a few more upticks in the pace of U.S. economic growth. That is a good thing.

**Our new President** – regardless of how you voted, President Trump is in office for the next four (4) years. We can hope that he has surrounded himself with strong, capable people each of whom will do their jobs with integrity and competently and for the good of the country. We are all rooting for President Trump because we are all in the same boat!! He will have his work cut out for him and here is why:

Between 2001 – 2012, the median incomes of households headed by people without college degrees (nearly 2/3 of all homes) **FELL AS THEY AGED!** It was no wonder voters were angry with the status quo and voted as they did. How President Trump and his team will address the income disparity will be one of the toughest economic challenges they will face.

**THANK YOU!!** – to those who helped plan and execute the memorial dedication ceremony on January 22<sup>nd</sup> ! The event was **VERY WELL** attended both by current and past Pompano Beach public safety personnel. In addition, the Elliot and Reyka families were in attendance and expressed **DEEP** gratitude for the dedication and to those who attended. If you were unable to attend, please stop by the Bank of America building on East Atlantic Blvd. to view the Bronze Plaques dedicated to **K-9 Officer Scott Winters; Sgt. Chris Reyka** and **Firefighter Billy Elliot**.

**Also....Mayor Lamar Fisher announced that a park will be dedicated to Sgt. Chris Reyka! The park is**

**located at the 200 block of North Riverside Drive (just down the street from the Scott Winters Park). We will notify everyone when a dedication ceremony is scheduled for the official ribbon cutting!**

**FY 2016-2017 Audit Report** – Our annual audit report was released to and adopted by the Board of Trustees at our January 2017 meeting. Here is a nutshell summary of that report which is available, in its entirety, at our Pension Office or on our website: [www.pbpfors.org](http://www.pbpfors.org). For fiscal year ending 9/30/16, the Fund showed a membership with **5 active police officers, 157 active firefighters and 402 benefit recipients**. During the fiscal year, net assets of the Fund increased by \$4.6 million! The gain on investments was 7.74%, net of fees, on a market value basis, which exceeded the assumed investment rate of return of 7.50%.

**Once again, ALL EYES ARE ON TALLAHASSEE** – As we have reported in past newsletters, the war drums are still beating in Tallahassee, this year louder than ever, as a new, more conservative Legislature convenes the 2017 session (scheduled to begin in March). **Open Carry** and **Carry on Campus** (SB 140) are priority bills (we cannot understand why). There is a bill to expand the Stand Your Ground immunity (SB 128) and expand the Juvenile Civil Citation Program (SB 196). As of this writing, we have no information on bills that would pose a threat to the public pension environment.

The date for the Jeff Poole forfeiture hearing has been set for March 15, 2017, at 9:00 AM, at the Emma Lou Olson Civic Center located at 1801 NE 6<sup>th</sup> St in Pompano Beach. This larger facility is better suited than the Pension Office to accommodate members and the public who may have an interest in attending. As a reminder, here is the basis for pension forfeiture:

***“A Public Office is a Public Trust”***

**Florida Constitution, Article II, Section 8**

**FSS 112.3173 (3)** is the legislative enactment of the Constitutional directive illustrated above. It reads:

**FORFEITURE** — Any public officer or employee who is convicted of a specified offense committed prior to retirement, or whose office or employment is terminated by reason of his or her admitted commission, aid, or abetment of a specified offense, shall forfeit all rights and benefits under any public retirement system of which he or she is a member, except for the return of his or her accumulated contributions as of the date of termination.

**FSS 112.3173 (2) (e)** identifies and defines the “specified offenses” which warrant forfeiture.

e) “Specified offense” means:

1. The committing, aiding, or abetting of an embezzlement of public funds;
2. The committing, aiding, or abetting of any theft by a public officer or employee from his or her employer;
3. Bribery in connection with the employment of a public officer or employee;
4. Any felony specified in chapter 838, except ss. [838.15](#) and [838.16](#);
5. The committing of an impeachable offense;

6. The committing of any felony by a public officer or employee who, willfully and with intent to defraud the public or the public agency for which the public officer or employee acts or in which he or she is employed of the right to receive the faithful performance of his or her duty as a public officer or employee, realizes or obtains, or attempts to realize or obtain, a profit, gain, or advantage for himself or herself or for some other person through the use or attempted use of the power, rights, privileges, duties, or position of his or her public office or employment position; or
7. The committing on or after October 1, 2008, of any felony defined in s. [800.04](#) against a victim younger than 16 years of age, or any felony defined in chapter 794 against a victim younger than 18 years of age, by a public officer or employee through the use or attempted use of power, rights, privileges, duties, or position of his or her public office or employment position.

**In our next newsletter** we will write to you about the outcome of the forfeiture hearing and review the reports we received from our experts at **11<sup>th</sup> Annual Symposium**. Please attend if you can....it is **FREE!**

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

**SUMMARY OF RELEVANT FACTS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of December 31, 2016**

Distribution of Assets:	
<b>Equity</b>	
-Large Cap. Value	\$26,744,851
-Large Cap. Growth	\$25,540,139
-Mid Cap. Value	\$10,608,192
-Small/Mid Cap. Growth	\$10,486,884
-International Value	\$15,586,840
-International Growth	\$15,496,042
<b>Total Equity</b>	<b>\$104,462,948</b>
<b>Fixed Income</b>	<b>\$47,376,451</b>
<b>Private Real Estate</b>	<b>\$17,977,526</b>
<b>Fund of Hedge Funds</b>	<b>\$20,280,325</b>
<b>Master Limited Partnerships</b>	<b>\$11,723,687</b>
<b>Private Equity</b>	<b>\$9,719,818</b>
<b>Cash (Non-Managed Account)</b>	<b>\$5,373,292</b>
<b>Total Portfolio</b>	<b>\$216,914,048</b>

Distribution by Percentages:	Policy	Current
<b>Equity Breakdown</b>		
-Large Cap. Value	12.50%	12.33%
-Large Cap. Growth	12.50%	11.77%
-Mid Cap. Value	5.00%	4.89%
-Small/Mid Cap. Growth	5.00%	4.83%
-International Value	7.50%	7.19%
-International Growth	7.50%	7.14%
<b>Total Equity</b>	<b>50.00%</b>	<b>48.16%</b>
<b>Fixed Income</b>	<b>22.50%</b>	<b>21.84%</b>
<b>Private Real Estate</b>	<b>7.50%</b>	<b>8.29%</b>
<b>Fund of Hedge Funds</b>	<b>10.00%</b>	<b>9.35%</b>
<b>Master Limited Partnerships</b>	<b>5.00%</b>	<b>5.40%</b>
<b>Private Equity</b>	<b>5.00%</b>	<b>4.48%</b>
<b>Cash (Non-Managed Account)</b>	<b>0.00%</b>	<b>2.48%</b>
<b>Total Portfolio</b>	<b>100.00%</b>	<b>100.00%</b>

<b>INVESCO (Private Real Estate)</b>		
Private Real Estate	100.00%	\$14,977,526
Fees		(\$41,528)
Gain or (Loss)		\$320,885

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

<b>Ironwood Fund of Hedge Fund</b>		
Fund of Hedge Fund	100.00%	\$10,565,069
Gain or (Loss)		\$195,381

<b>MAIN ACCOUNT (NON-MANAGED)</b>		
Cash	100.00%	\$5,373,292
Gain or (Loss)		\$469

<b>Other Important Facts:</b>		
Total Portfolio		\$216,914,048
Total Gain or (Loss) - Gross of Fees		(\$128,460)

<b>BLACKROCK</b>			
Total Assets	100.00%	\$26,744,851	
Equity	96.19%	\$25,726,117	
Cash	3.81%	\$1,018,734	
Fees		(\$38,653)	
Gain or (Loss)		\$2,382,678	

<b>SANDS CAPITAL MANAGEMENT</b>			
Total Assets	100.00%	\$25,540,139	
Equity	96.99%	\$24,770,522	
Cash	3.01%	\$769,618	
Fees		(\$40,917)	
Gain or (Loss)		(\$1,995,528)	

<b>RBC GLOBAL</b>			
Total Assets	100.00%	\$10,608,192	
Equity	99.49%	\$10,553,898	
Cash	0.51%	\$54,294	
Fees		(\$9,625)	
Gain or (Loss)		\$800,917	

<b>WELLS</b>			
Total Assets	100.00%	\$10,486,884	
Equity	97.23%	\$10,196,149	
Cash	2.77%	\$290,734	
Fees		(\$24,670)	
Gain or (Loss)		\$207,324	

<b>Pine Grove Fund of Hedge Fund</b>			
Fund of Hedge Fund	100.00%	\$9,715,256	
Gain or (Loss)		\$223,311	

<b>Center Coast Master Limited Partnerships</b>			
Fund of Hedge Fund	100.00%	\$11,723,687	
Gain or (Loss)		\$407,593	

<b>NB CROSSROADS (PRIVATE EQUITY) #1</b>			
Total Assets	100.00%	\$3,543,636	
Gain or (Loss)		\$0	

<b>LAZARD (International Value)</b>			
Total Assets	100.00%	\$15,586,840	
Equity	98.83%	\$15,405,139	
Cash	1.17%	\$181,701	
Fees		(\$20,338)	
Gain or (Loss)		(\$613,806)	

<b>RENAISSANCE (International Growth)</b>			
Total Assets	100.00%	\$15,496,042	
Equity	98.82%	\$15,313,756	
Cash	1.18%	\$182,286	
Fees		(\$26,399)	
Gain or (Loss)		(\$655,947)	

<b>STANDISH MELLON</b>			
Total Assets	100.00%	\$23,622,366	
Fixed	98.90%	\$23,361,395	
Cash	1.10%	\$260,971	
Fees		(\$18,298)	
Gain or (Loss)		(\$753,854)	

<b>INCORE/VICTORY (FORMERLY MUNDER)</b>			
Total Assets	100.00%	\$23,754,085	
Fixed	99.43%	\$23,618,757	
Cash	0.57%	\$135,328	
Fees		(\$12,219)	
Gain or (Loss)		(\$679,757)	

<b>NB CROSSROADS (PRIVATE EQUITY) #2</b>			
Fund of Hedge Fund	100.00%	\$1,695,053	
Gain or (Loss)		\$0	

<b>BLACKSTONE (PRIVATE EQUITY)</b>			
Total Assets	100.00%	\$2,469,637	
Gain or (Loss)		\$0	

<b>GOLDMAN SACHS (PRIVATE EQUITY)</b>			
Total Assets	100.00%	\$2,011,492	
Gain or (Loss)		\$0	

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of December 31, 2016**

**TRADITIONAL INVESTMENTS**

<b>BLACKROCK</b>		<b>Your Returns</b>				
<i>Large Cap. Value</i>		<b>Gross</b>	<b>Net</b>	<b>Russ 1000 Value</b>	<b>PSN Money Mgrs.</b>	<b>S&amp;P 500</b>
Quarter		9.21	9.05	6.68	5.34	3.82
1 year		16.45	15.78	17.34	15.16	11.96
3 year		8.08	7.45	8.59	7.83	8.88
Since 1/31/2013		11.10	10.46	12.63	NA	13.19
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Growth</i>						
Quarter		(7.23)	(7.37)	1.01	1.17	
1 year		(6.66)	(7.23)	7.08	6.13	
3 year		2.09	1.48	8.56	7.23	
5 year		13.78	13.10	14.50	14.05	
Since 5/31/2003		10.92	10.29	8.84	NA	
<b>RBC GLOBAL</b>				<b>Russ Mid Value</b>	<b>PSN Money Mgrs.</b>	
<i>Mid Cap. Value</i>						
Quarter		7.62	7.52	5.52	8.03	
1 year		15.81	15.00	20.00	20.64	
3 year		9.80	9.15	9.45	8.07	
5 year		15.92	15.22	15.70	14.66	
Since 1/31/2009		17.69	16.98	18.44	NA	
<b>WELLS</b>				<b>Russ 2500 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Small/Mid Cap. Growth</i>						
Quarter		1.97	1.73	2.60	3.08	
1 year		8.81	7.82	9.73	10.39	
3 year		3.22	2.28	5.44	4.56	
5 year		13.25	12.24	13.87	14.10	
Since 1/31/2009		18.38	17.36	17.81	NA	
<b>LAZARD</b>				<b>MSCI AC Wld x US</b>		
<i>International Value</i>						
Quarter		(3.79)	(3.92)	(1.25)		
1 year		1.79	1.25	4.49		
3 year		(1.37)	(1.89)	(1.78)		
Since 1/31/2013		2.07	1.57	1.25		
<b>RENAISSANCE</b>				<b>MSCI AC Wld x US</b>		
<i>International Growth</i>						
Quarter		(4.06)	(4.22)	(1.25)		
1 year		(1.27)	(1.92)	4.49		
3 year		(1.82)	(2.48)	(1.78)		
5 year		6.88	6.18	5.00		
Since 1/31/2009		9.58	8.90	8.44		
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
Quarter		(3.09)	(3.17)	(2.98)	(2.05)	(2.07)
1 year		2.51	2.20	2.65	1.97	2.08
3 year		2.88	2.52	3.03	2.42	2.09
5 year		2.50	2.16	2.23	1.95	1.85
Since 4/30/2003		4.25	3.91	4.12	3.82	3.59
<b>INCORE/VICTORY (Munder)</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
Quarter		(2.78)	(2.83)	(2.98)	(2.05)	(2.07)
1 year		2.80	2.64	2.65	1.97	2.08
3 year		3.04	2.92	3.03	2.42	2.09
5 year		2.73	2.59	2.23	1.95	1.85
Since 9/30/2002		4.54	4.31	4.23	3.91	3.73



**ALTERNATIVE INVESTMENTS**

<b>INVESCO</b>					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
	Quarter	2.19	1.90	1.73	2.11
	1 year	9.26	8.05	7.97	8.76
	3 year	12.14	10.92	11.02	12.06
	5 year	11.82	10.60	10.92	12.21
	Since 7/31/2006	6.10	4.98	7.46	6.29
<b>OFFICE BUILDING</b>					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	1.07	1.07	0.08	(2.98)
	1 year	4.34	4.34	0.27	2.65
	3 year	33.16	33.16	0.11	3.03
	5 year	6.47	6.47	0.09	2.23
	Since 3/31/2007	0.01	(0.06)	0.53	4.30
<b>Ironwood</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.88	1.88	2.03	
	1 year	2.55	2.55	2.28	
	3 year	3.85	3.85	1.92	
	5 year	6.50	6.50	3.51	
	Since 7/31/2008	3.09	3.09	1.04	
<b>Pine Grove</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	2.35	2.35	2.03	
	1 year	4.38	4.38	2.28	
	3 year	1.04	1.04	1.92	
	5 year	3.61	3.61	3.51	
	Since 9/30/2008	3.53	3.53	1.91	
<b>Center Coast</b>					
<i>Master Limited Partnerships</i>				Alerian MLP	
	Quarter	3.60	3.47	2.04	
	1 year	14.93	14.34	18.31	
	Since 1/31/2015	(9.75)	(10.11)	(9.69)	
<b>Neuberger Berman</b>					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	0.00	0.08	
	1 year	6.08	6.03	3.99	
	3 year	10.80	10.92	6.23	
	5 year	10.41	10.93	12.99	
	Since 3/31/2010	1.99	9.30	11.24	
<b>Neuberger Berman</b>					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	0.00	0.08	
	1 year	4.03	4.02	3.99	
	Since 7/31/2014	1.19	2.58	5.37	
<b>Blackstone</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	(0.37)	0.08	
	1 year	4.54	2.95	3.99	
	3 year	8.21	5.60	6.23	
	Since 11/30/2013	9.14	5.72	6.92	
<b>Goldman Sachs</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	0.00	0.08	
	1 year	7.33	7.61	3.99	
	3 year	6.14	7.75	6.23	
	Since 12/31/2013	6.14	7.75	6.23	

TOTAL FUND				Policy Index
<i>Time-Weighted Return (TWR)</i>				
Quarter	(0.05)	(0.17)		0.89
1 year	4.95	4.43		7.84
3 year	3.77	3.26		4.61
5 year	8.39	7.86		8.48
Since 9/30/2002	7.34	6.85		7.26
Since 6/30/1995	6.93			

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		(0.18)		1.82	1.59
1 year		4.36		7.50	5.16
3 year		3.24		7.50	4.24
5 year		8.03		7.50	4.43

**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.