

YOUR PENSION MATTERS
3/31/17
End of 2nd Quarter – FY 2016 - 2017

by: Chief Paul O'Connell
Board Chairperson
5/25/17

“It is more important to understand than it is to be understood.” **Bill Russell (the greatest basketball player ever!!)**

The Poole Forfeiture Case: Your Pension Board of Trustees held a marathon forfeiture hearing on March 15th to hear the two competing sides of this case. Gregg Rossman (retired Homicide Prosecutor) was hired by the Board to “prosecute” the case for forfeiture. Det. Jeff Poole hired attorney Ron Cohen to present a case against forfeiture. During the 8 hours of debate the Board heard testimony from witnesses and experts; but ultimately it was the Poole colloquy that ruled the day. Taking the colloquy given by Det. Poole to the Federal Judge and then applying that statement to Florida forfeiture law (see below); the Board reached a unanimous decision to forfeit his pension. It was, by no means, an easy decision. We knew in effect that we were imposing “*economic capital punishment*.” One could sense how uncomfortable the Trustees were during the debate; but we were compelled by the law to do what we did. Again, here is the applicable law:

“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.

The facts of the Poole case applied to the law illustrated above compelled forfeiture.

Our 11th Annual Pension Educational Symposium:

The **11th Annual Pension Educational Symposium** was held May 4 – May 6, 2017. **Again**, the symposium was held at the Pompano Marriott (a beautiful facility on the beach just south of the 14th Street Causeway which opened in September 2013). **Again**, both the facility and the setting were outstanding. **Again**, the wide range of speakers and money managers who attended was impressive. **Again**, the symposium was attended by membership, both active and retired; but not as many as in the past. Perhaps next year you will consider attending?

It was a very intense three-day review of our Pension Fund; what was accomplished in 2016, where do we stand now, what does 2017 look like going forward and a picture of the world in which we invest. For those who attended, thank you for your interest in what we do, how we do it and the “report card” we reviewed with the dozen+ money managers who attended and presented (see the list below).

So how is our Fund doing??

That was the big question during our Symposium as the **Bull Market** celebrated its Eight Year Anniversary (March 9, 2009 – March 8, 2017) during which the DJIA rose over 100% & the S&P 500 rose over 175% from the dark days of the Great Recession. Has the market “topped out”? Are we looking into the inevitable “correction” or a down right drop in the market? The Trump Effect & the Republican election sweep; has it had a positive or negative impact on the marketplace? Those were some of the topics of conversation during our **Eleventh Annual Pension Educational Symposium**.

For the year through March 31st, the S&P 500 is up 6.07% (+17.17% over the past 12 months); the DJIA is up 5.19% (+19.91% over the past 12 months); and the EAFE index, the broad measure of international markets, is up 7.25% (+11.67% over the past 12 months); As a reminder, our Fund is diversified over **15 different managers**:

FOUR U.S. EQUITY FUNDS:

<u>Large Cap Value:</u>	BlackRock
<u>Mid Cap Value:</u>	RBC Global Asset Management
<u>Large Cap Growth:</u>	Sands Capital Management, LLC
<u>Small/Mid Cap Growth:</u>	Wells Capital Management

TWO FIXED INCOME FUNDS:

<u>Bonds:</u>	Standish Mellon Asset Management Co., LLC Incore Capital Management (formerly Munder Capital)
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TWO INTERNATIONAL FUNDS:

<u>International Value:</u>	Lazard Asset Management
<u>International Growth:</u>	Renaissance Investment Management

SEVEN ALTERNATIVE INVESTMENT FUNDS:

<u>Fund of Hedge Funds:</u>	Ironwood Capital Management Pine Grove Associates, Inc.
<u>Core Real Estate:</u>	Invesco
<u>Private Equity:</u>	Blackstone Tactical Opportunities Fund, LP Goldman Sachs Asset Management Neuberger Berman Alternatives Advisers, LLC
<u>MLP:</u>	Center Coast Capital Advisors, LP

Those of you who were lucky enough to attend our 11th Annual Symposium received critical information directly from the market experts; the people who invest millions of dollars on a daily basis. In fact, our keynote speaker was Jeff Rosenberg of BlackRock Management. Mr. Rosenberg is a Strategist for the BlackRock investment team specializing in fixed income and he spoke about the continued “slow growth” which will be the investment theme of 2017.

For those of you who could not attend, here is a nutshell version of their vision, of how we performed during the last year, where we stand now and what to expect during the remainder of the 2017.

The 2nd Quarter of the Fund’s fiscal year (January 1 – March 31st) certainly benefited from the “Trump Bump” as the market rose to new heights. Our Fund sits at just over \$240 million. However, the volatility was still in play and that was and is why the Board of Trustees has a much diversified portfolio. Attached you will find an investment results summary from the quarter ending March 31, 2017.

Also note that the Board posts the quarterly investment reports on its website under Investments/Performance Reports. We do this in an effort to be completely transparent in what we do and how we do it. However, the best way to keep up to date is to attend the quarterly meetings during which our Consultant gives a full report of where each manager stands (next one is August 21st.) Even better, come to the 2018 Symposium and you can hear from managers themselves!

The current Quarter, which spans April 1st through June 30th, has been much the same story. Uncertainty in the marketplace continues to drag on the world economy (although the election results in France did calm the markets). As the Board of Trustees 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 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. Please join us if you can for our **Twelfth Annual Pension Educational Symposium May 3 - 5, 2018!!**

Some very wise retirement advice: In a recent article written by **Janet Kidd Stewart** (janetkiddstewart.com) she shared with the reader some very sage advice.

Save & Spend in Buckets: When you are in the “accumulating savings stage of life, allocate every dollar of total household income to one of four buckets: Housing, taxes, savings & everything else. Try to make the buckets roughly equal. The key of course is the bucket labeled “everything else.” That is where self-control comes into play. Know the difference between what you **NEED** and what you **WANT**.

Know what you don’t know: many of us need to rely on a financial adviser simply because the world of finance is so complicated and moves so fast. **DO YOUR HOMEWORK!** Interview at least three candidates, each of whom will work as a fiduciary and on an hourly basis.

Save & insure; but not too much: While many of us are underinsured and have saved nothing there are others who have gone too far the other way, depriving themselves of satisfying life experiences. There must be a reasonable balance in our life to allow for some joy along the journey!

Finally, if your son or daughter is graduating from High School, congratulations! If he or she will be attending Broward College please consider applying for a scholarship. Information is on our website or call the Pension Board staff for information. Remember, this generous scholarship program is sponsored by our Legal Team, ***Sugarman & Susskind***, and is available to our members, retired or active, and their dependents.

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, 2017

Distribution of Assets:

Equity	
-Large Cap. Value	\$27,387,684
-Large Cap. Growth	\$29,127,921
-Mid Cap. Value	\$10,851,451
-Small/Mid Cap. Growth	\$11,551,190
-International Value	\$16,726,437
-International Growth	\$17,084,338
Total Equity	\$112,729,021
Fixed Income	\$47,781,387
Private Real Estate	\$18,316,365
Fund of Hedge Funds	\$20,649,797
Master Limited Partnerships	\$12,405,648
Private Equity	\$9,722,122
Cash (Non-Managed Account)	\$2,742,324
Total Portfolio	\$224,346,664

Distribution by Percentages:

	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.21%
-Large Cap. Growth	12.50%	12.98%
-Mid Cap. Value	5.00%	4.84%
-Small/Mid Cap. Growth	5.00%	5.15%
-International Value	7.50%	7.46%
-International Growth	7.50%	7.62%
Total Equity	50.00%	50.25%
Fixed Income	22.50%	21.30%
Private Real Estate	7.50%	8.16%
Fund of Hedge Funds	10.00%	9.20%
Master Limited Partnerships	5.00%	5.53%
Private Equity	5.00%	4.33%
Cash (Non-Managed Account)	0.00%	1.22%
Total Portfolio	100.00%	100.00%

Other Important Facts:

Total Portfolio	\$224,346,664
Total Gain or (Loss) - Gross of Fees	\$10,422,568

BLACKROCK

Total Assets	100.00%	\$27,387,684
Equity	95.12%	\$26,052,257
Cash	4.88%	\$1,335,427
Fees		(\$38,375)
Gain or (Loss)		\$681,208

SANDS CAPITAL MANAGEMENT

Total Assets	100.00%	\$29,127,921
Equity	98.61%	\$28,722,457
Cash	1.39%	\$405,464
Fees		(\$38,172)
Gain or (Loss)		\$3,624,800

RBC GLOBAL

Total Assets	100.00%	\$10,851,451
Equity	99.54%	\$10,801,984
Cash	0.46%	\$49,467
Fees		(\$9,491)
Gain or (Loss)		\$252,749

WELLS

Total Assets	100.00%	\$11,551,190
Equity	96.79%	\$11,180,843
Cash	3.21%	\$370,347
Fees		(\$23,926)
Gain or (Loss)		\$1,088,233

Pine Grove Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$9,865,751
Gain or (Loss)		\$150,495

Center Coast Master Limited Partnerships

Fund of Hedge Fund	100.00%	\$12,405,648
Gain or (Loss)		\$681,960

NB CROSSROADS (PRIVATE EQUITY) #1

Total Assets	100.00%	\$3,451,647
Gain or (Loss)		\$0

LAZARD (International Value)

Total Assets	100.00%	\$16,726,437
Equity	95.12%	\$15,910,745
Cash	4.88%	\$815,692
Fees		(\$19,183)
Gain or (Loss)		\$1,158,115

RENAISSANCE (International Growth)

Total Assets	100.00%	\$17,084,338
Equity	98.56%	\$16,837,890
Cash	1.44%	\$246,449
Fees		(\$25,316)
Gain or (Loss)		\$1,613,613

STANDISH MELLON

Total Assets	100.00%	\$23,806,857
Fixed	94.95%	\$22,603,768
Cash	5.05%	\$1,203,090
Fees		(\$17,860)
Gain or (Loss)		\$201,280

INCORE/VICTORY (FORMERLY MUNDER)

Total Assets	100.00%	\$23,974,529
Fixed	99.44%	\$23,839,776
Cash	0.56%	\$134,753
Fees		(\$11,953)
Gain or (Loss)		\$232,397

INVESCO (Private Real Estate)

Private Real Estate	100.00%	\$15,316,365
Fees		(\$41,528)
Gain or (Loss)		\$421,895

OFFICE BUILDING

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

Ironwood Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$10,784,046
Gain or (Loss)		\$218,977

MAIN ACCOUNT (NON-MANAGED)

Cash	100.00%	\$2,742,324
Gain or (Loss)		\$2,929

NB CROSSROADS (PRIVATE EQUITY) #2

Fund of Hedge Fund	100.00%	\$1,784,810
Gain or (Loss)		\$0

BLACKSTONE (PRIVATE EQUITY)

Total Assets	100.00%	\$2,562,365
Gain or (Loss)		\$62,041

GOLDMAN SACHS (PRIVATE EQUITY)

Total Assets	100.00%	\$1,923,300
Gain or (Loss)		(\$0)

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2017

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
	Quarter	2.40	2.26	3.27	3.92	6.07
	1 year	18.33	17.65	19.22	17.31	17.17
	3 year	8.65	8.02	8.67	8.36	10.38
	Since 1/31/2013	11.04	10.39	12.70	NA	13.96
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	14.04	13.88	8.91	7.92	
	1 year	17.51	16.82	15.76	15.55	
	3 year	6.41	5.78	11.28	9.48	
	5 year	11.80	11.14	13.32	12.66	
	Since 5/31/2003	11.77	11.14	9.35	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	2.29	2.20	3.76	2.95	
	1 year	18.40	17.71	19.82	21.04	
	3 year	8.51	7.86	8.94	8.72	
	5 year	13.17	12.52	14.06	13.16	
	Since 1/31/2009	17.43	16.73	18.36	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	10.15	9.91	6.25	5.98	
	1 year	24.49	23.40	19.77	22.89	
	3 year	7.01	6.04	7.22	6.53	
	5 year	11.87	10.87	12.16	12.42	
	Since 1/31/2009	19.17	18.14	18.09	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
	Quarter	7.31	7.18	7.86		
	1 year	9.48	8.93	13.13		
	3 year	0.86	0.34	0.56		
	Since 1/31/2013	3.68	3.18	3.03		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	10.25	10.08	7.86		
	1 year	10.08	9.38	13.13		
	3 year	1.52	0.84	0.56		
	5 year	6.49	5.79	4.36		
	Since 1/31/2009	10.58	9.90	9.18		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.78	0.70	0.82	0.68	0.78
	1 year	0.45	0.15	0.44	0.35	0.42
	3 year	2.51	2.15	2.68	2.25	2.01
	5 year	2.47	2.13	2.34	1.95	1.88
	Since 4/30/2003	4.23	3.89	4.11	3.80	3.58
INCORE/VICTORY (Munder)				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.93	0.88	0.82	0.68	0.78
	1 year	1.15	0.95	0.44	0.35	0.42
	3 year	2.69	2.55	2.68	2.25	2.01
	5 year	2.75	2.62	2.34	1.95	1.88
	Since 9/30/2002	4.52	4.30	4.21	3.89	3.72

ALTERNATIVE INVESTMENTS

INVESCO					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
Quarter		2.55	2.26	1.55	N/A
1 year		10.43	9.20	7.27	N/A
3 year		12.45	11.22	10.58	N/A
5 year		12.02	10.80	10.69	N/A
Since 7/31/2006		6.20	5.08	7.43	N/A
OFFICE BUILDING					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
Quarter		1.07	1.07	0.12	0.82
1 year		4.34	4.34	0.34	0.44
3 year		33.38	33.38	0.15	2.68
5 year		6.87	6.87	0.11	2.34
Since 3/31/2007		0.12	0.04	0.53	4.27
Ironwood					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		2.07	2.07	1.22	
1 year		8.17	8.17	5.32	
3 year		3.68	3.68	1.76	
5 year		6.15	6.15	3.18	
Since 7/31/2008		3.24	3.24	1.11	
Pine Grove					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
Quarter		1.55	1.55	1.22	
1 year		8.46	8.46	5.32	
3 year		0.58	0.58	1.76	
5 year		3.33	3.33	3.18	
Since 9/30/2008		3.61	3.61	1.95	
Center Coast					
<i>Master Limited Partnerships</i>				Alerian MLP	
Quarter		5.82	5.69	3.95	
1 year		26.49	25.86	28.32	
Since 1/31/2015		(6.26)	(6.64)	(6.97)	
Neuberger Berman					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		0.00	0.00	0.12	
1 year		10.90	10.92	2.74	
3 year		11.14	11.18	5.65	
5 year		11.32	11.74	10.37	
Since 3/31/2010		2.73	9.97	10.84	
Neuberger Berman					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		0.00	0.00	0.12	
1 year		8.52	8.97	2.74	
Since 7/31/2014		3.12	5.39	4.90	
Blackstone					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		2.48	2.12	0.12	
1 year		9.19	7.44	2.74	
3 year		8.84	6.64	5.65	
Since 11/30/2013		9.81	6.65	6.43	
Goldman Sachs					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
Quarter		0.00	0.00	0.12	
1 year		4.15	4.29	2.74	
3 year		11.73	8.43	5.65	
Since 12/31/2013		6.07	7.46	5.78	

TOTAL FUND				Policy Index
<i>Time-Weighted Return (TWR)</i>				
Quarter	4.72	4.60	3.77	
1 year	11.22	10.69	10.96	
3 year	4.97	4.45	5.25	
5 year	7.54	7.01	7.71	
Since 9/30/2002	7.56	7.07	7.40	
Since 6/30/1995	7.08			

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		4.61	1.82	1.44	
1 year		10.71	7.50	5.94	
3 year		4.35	7.50	4.34	
5 year		7.00	7.50	4.40	

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.