

# YOUR PENSION MATTERS

## 6/30/17

### End of 3<sup>rd</sup> Quarter – FY 2016 - 2017

by: Chief Paul O'Connell  
Board Chairperson  
08/25/17

*“Reason outweighs opinion 100% of the time.”*

**Sometimes it can be the people we never heard of who can have the greatest impact on how we live our life. Richard Wagner, who recently passed away, was honored in an article written by Evan Simonoff and published in Marketwatch. Based on what was written (shown below) he will be missed.**

- *Richard B. Wagner, one of the genuine original thinkers of the financial planning profession, died (in March) from injuries suffered after a fall. In over 30 years, Wagner, George Kinder, Roy Diliberto and a small group of other advisers conceived the financial life planning movement and expanded the frontiers of an emerging profession. During that period, financial life planning was transformed from an esoteric aspect of what advisers did into the mainstream.”*

So wrote Evan Simonoff, editor of Financial Advisor magazine, in the wake of Wagner's death. Here is what he wrote:

What's not been written in the weeks since is what advisers can do to honor the legacy of the man who forever changed the financial planning profession; the man whose book [Financial Planning 3.0](#) just might serve as the bible for all financial planners in years to come; and the man who created [Finology](#), the study of the relationships between human beings and money, among other things.

So, we put that question to Wagner's colleagues: Given Wagner's contribution to the financial planning profession, what are some ways financial planners can honor his memory in their practices with their clients? Here's what they had to say:

#### **We are professional financial planners**

Financial planners should first reflect on Wagner's contribution to the financial planning profession. “Dick expanded the boundaries of our thinking as financial planners,” says Marty Kurtz, the CEO of The Planning Center. “He imagined the way our business should be. He made us think about the difference between the industry of financial services and the profession financial planning, saying things like ‘they are not us and we are not them.’”

Others share that point of view. “We — financial planners — should embrace who we are and what we do as a profession and live that,” says Elissa Buie, president and CEO of Yeske Buie. “Work to build and communicate our profession, she says.

Jacob Wagner, Dick's son, hopes that financial planners listen to the deep message his father captured in his book, **Financial Planning 3.0**. "Both the side that is about how to be a better professional and the other, which is understanding how we exchange value," says Jacob, who is president and CEO of Wagner Communication Systems, a firm that provides digital marketing for financial planners that Jacob founded. "He had good reasons to see financial planning as the greatest profession in the 21st century. Advisers need to be advocating claiming and clarifying their value and position as a trusted professional. Fend off the wolves in sheep's clothing preying upon the public, who desperately needs the profession's help."

What's more, Jacob noted that his father was always asking questions about who financial planners are as a profession and to continue to define and identify what it means to not just be a professional but how to drive the profession to become the best it can be and serve in the greatest possible way. "To understand that, if financial planning does its job right, we have a population that knows the consequences of their financial decisions and has financial 'common sense,'" says Jacob Wagner.

### **Manage people -- not their money**

Kurtz also said Wagner taught financial planners to not only think about the numbers, but to also consider the internal conflict, the confusion or the stimulation we (financial planners and their clients) may have in a money discussion and what that might mean.

"He told us we have a higher calling as a profession and he defined who we need to be over the next decade and beyond. Being that third party people can discuss money and life with," says Kurtz.

Kurtz also noted that Wagner saw the changing tide of influence that money has in our world and the vision of how totally encompassing our relationship with money could be in the future.

Kurtz further noted that financial planners have changed from a business of "right answers" to a profession of helping people deal with the effects of uncertainty. "We need a safe place to talk about our lives and our money. This is the need the financial planner must fill."

And this, Wagner believed, is the financial planner's destiny. "It is the study of Finology that the planner must learn and then through experience, take their clients on the same journey," says Kurtz.

Another financial planner, who like many was a dear friend of Wagner, offered the following reflection and advice: "You don't have to be in this business for more than 10 minutes to realize your role is going to be far more about managing people than it will ever be about managing their money," says Don St. Clair, a principal at St. Clair Financial who tweeted other reflections under the hashtag, #DickWagnertaughtmethat. "Dick Wagner never let us forget that money was merely the common denominator, and that unlike politicians and economists, we were in the business of helping numerators. Those wanting to honor his legacy will never, ever, ever forget — money, is uniquely human."

A young financial planner had a similar observation. "Dick cared deeply for people," says Eric Roberge, a financial planner and founder of **Beyond Your Hammock**. "We are here to help people learn how to utilize money as a tool to live the life they envision for themselves. And, if they haven't envisioned that life, we need to help create that vision with them."

Advisers, says Jacob Wagner, should be asking their clients the deeper questions about mission and stewardship. “Helping people have effective financial planning is a great start,” he says. “Helping clients understand their relationship with money and create the life they want to have is the next step, but now we want folks to look at how we exchange value and become aware of the different types of reciprocity.”

That’s why it’s important to answer the question: “What is Finology?” “Because,” says Jacob Wagner, “we need the planning community to work with academia to understand how we work with money and all the ways we exchange value. After we start to know what is in this garden of knowledge we can further define this territory that he named Finology.”

### **Continue to do financial life planning**

From his perch, having launched the “life planning” movement with Wagner, George Kinder, founder and president of *The Kinder Institute of Life Planning*, had this to say: “The way to honor his legacy is simply to life plan your clients, and keep growing the movement.”

Others offered similar advice. “The financial life planning work we already do does honor and will continue to honor where Dick believes the profession needs to go,” says Lisa A.K. Kirchenbauer, president of Omega Wealth Management. “So, by continuing to do the work we do at Omega, we will honor Dick for many years to come.”

### **Be courageous**

Planners can honor Wagner’s memory by having courage, says Lee Baker, the owner and president of Apex Financial Services. “We all must have the courage to engage in conversations that may make us feel vulnerable,” he said. “It is this vulnerability that may open the door to deeper conversations with our clients.”

Baker says advisers can honor Wagner’s memory by challenging the status quo. “Whether it comes in the form of shifting the focus from the numbers to focusing on the how the numbers support the life the client wants to live or if it comes in the form of championing diversity so that we can better create a world where everyone thrives and prospers we can all take a page from Dick’s book,” he says.

Ben Coombs, another legendary financial planner who is now retired, had similar words of advice. “Always question the status quo and step outside of the box from time to time,” he says.

### **Read Financial Planning 3.0 and practice Finology**

“Honestly, the first best thing a planner can do is really learn what Dick was — and will ever continue — teaching,” says Buie. She says it’s important to take a 360-degree look at clients and really getting what money means to us and how it impacts us.

For her part, Kirchenbauer says financial planners should all read Wagner’s book this summer. “I anticipate that alone will generate a bunch of conversation and contemplation.”

Others share that sentiment. “I’m actually reading his book now, and I think the key message that we all should take from it is that it is our job as practitioners to continue to push the industry forward, says Roberge. “We can do that by appreciating how far we’ve come, but never being satisfied with our current state.”

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**MY NOTE:** Based on the comments above, Richard Wagner will surely be missed but his teachings will live on forever!

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## **THE MARKET:**

First, let us review the Fund’s FY Third Quarter which ended 6/30/17: overall the risk markets continued to gain and the bullish global equity outlook assumes earnings will continue to move higher as global economic recovery persists and valuations expand as market participants become more comfortable with the self-sustainability of the recovery.

For the year through August 14, the S&P 500 is up 11.52; the Wilshire 5000, the broadest measure of our domestic market, is up 9.06%; and the EAFE index, the broad measure of international markets, is up 16.95%.

For the reporting period (3<sup>rd</sup> Quarter) the **Dow** was + 3.1%; the **NASDAQ** was + 4.2% and the **S&P 500** was + 4.0%. The Fund gained + 2.81% during this quarter (nearly \$6.5 million); and has gained 12.06% 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 3<sup>rd</sup> Quarter ending June 30, 2017 has been set at + 2.81% as certified by our Consultant.

As you read through the attached quarterly reports for the Fund’s FY 3<sup>rd</sup> quarter ending June 30<sup>th</sup>, keep in mind that it is not the daily reading of the market that counts, it is the long term results that do count. The good news: our Fund now stands at just over \$225 million! Know that we are going in the right direction and working hard for our members.

**REMEMBER.....**Last month marked the **27<sup>th</sup> Anniversary** of the murder of **K-9 Officer Scott Winters** (07/29/1990). 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. This month marks the **10<sup>th</sup> Anniversary** of **Sgt. Chris Reyka’s** death (8/10/07), please visit the new park named in his honor....200 Block of North Riverside! *Dedication ceremonies TBD*. In January 2018 we will mark the **6<sup>th</sup> Anniversary** of **Billy Elliot’s** (1/06/12) death. We will remember these three men because a hero remembered never dies!

## SUGARMAN & SUSSKIND SCHOLARSHIP FUND:

Instructions for those applying for the Sugarman & Susskind Scholarship at Broward College:

Please locate the **2017-2018 Broward College Scholarship Application** which can be accessed through the website at - [www.broward.edu/scholarships](http://www.broward.edu/scholarships). The student must log in using his or her Broward College email address and password. There are questions within the application that will match the student to eligible awards based on funding and eligibility.

An advertisement for Broward College scholarships. It features a young man and woman smiling against a dark blue background. The text reads: "BROWARD COLLEGE HAS SCHOLARSHIPS FOR YOU!" in large, bold, yellow and white letters. Below this, it says "Apply Online!" in a white script font, followed by "BROWARD.EDU/SCHOLARSHIPS" in yellow. At the bottom, it provides contact information: "FOR MORE INFORMATION, CONTACT US AT: SCHOLARSHIPS@BROWARD.EDU". A small disclaimer at the bottom left states: "Please note: Submitting an application does not guarantee a scholarship award."

## Board Elections:

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

**Police:** **Trustee Daniel Christophers:** congratulations to Dan 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 **Richard Samolewicz** 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, 2017**

**Distribution of Assets:**

Equity	
-Large Cap. Value	\$28,179,417
-Large Cap. Growth	\$30,173,518
-Mid Cap. Value	\$10,793,308
-Small/Mid Cap. Growth	\$11,854,074
-International Value	\$17,401,278
-International Growth	\$17,808,276
Total Equity	\$116,209,871
Fixed Income	\$48,522,804
Private Real Estate	\$18,560,714
Fund of Hedge Funds	\$20,869,983
Master Limited Partnerships	\$11,582,084
Private Equity	\$9,854,154
Cash (Non-Managed Account)	\$1,251,133
Total Portfolio	\$226,850,742

**Distribution by Percentages:**

	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.42%
-Large Cap. Growth	12.50%	13.30%
-Mid Cap. Value	5.00%	4.76%
-Small/Mid Cap. Growth	5.00%	5.23%
-International Value	7.50%	7.67%
-International Growth	7.50%	7.85%
Total Equity	50.00%	51.23%
Fixed Income	22.50%	21.39%
Private Real Estate	7.50%	8.18%
Fund of Hedge Funds	10.00%	9.20%
Master Limited Partnerships	5.00%	5.11%
Private Equity	5.00%	4.34%
Cash (Non-Managed Account)	0.00%	0.55%
Total Portfolio	100.00%	100.00%

**Other Important Facts:**

Total Portfolio	\$226,850,742
Total Gain or (Loss) - Gross of Fees	\$6,498,303

**BLACKROCK**

Total Assets	100.00%	\$28,179,417
Equity	95.90%	\$27,024,877
Cash	4.10%	\$1,154,540
Fees		(\$38,472)
Gain or (Loss)		\$931,206

**SANDS CAPITAL MANAGEMENT**

Total Assets	100.00%	\$30,173,518
Equity	98.34%	\$29,673,422
Cash	1.66%	\$500,096
Fees		(\$42,655)
Gain or (Loss)		\$2,178,251

**RBC GLOBAL**

Total Assets	100.00%	\$10,793,308
Equity	98.56%	\$10,638,230
Cash	1.44%	\$155,078
Fees		(\$9,381)
Gain or (Loss)		(\$48,761)

**WELLS**

Total Assets	100.00%	\$11,854,074
Equity	97.73%	\$11,584,707
Cash	2.27%	\$269,367
Fees		(\$25,468)
Gain or (Loss)		\$642,351

**Pine Grove Fund of Hedge Fund**

Fund of Hedge Fund	100.00%	\$10,034,052
Gain or (Loss)		\$168,301

**Center Coast Master Limited Partnerships**

Fund of Hedge Fund	100.00%	\$11,582,084
Gain or (Loss)		(\$823,564)

**NB CROSSROADS (PRIVATE EQUITY) #1**

Total Assets	100.00%	\$3,412,753
Gain or (Loss)		\$0

**LAZARD (International Value)**

Total Assets	100.00%	\$17,401,278
Equity	97.63%	\$16,988,598
Cash	2.37%	\$412,680
Fees		(\$20,558)
Gain or (Loss)		\$1,033,399

**RENAISSANCE (International Growth)**

Total Assets	100.00%	\$17,808,276
Equity	99.13%	\$17,652,821
Cash	0.87%	\$155,454
Fees		(\$27,379)
Gain or (Loss)		\$1,154,316

**STANDISH MELLON**

Total Assets	100.00%	\$24,150,083
Fixed	97.41%	\$23,523,524
Cash	2.59%	\$626,559
Fees		(\$17,833)
Gain or (Loss)		\$361,059

**INCORE/VICTORY (FORMERLY MUNDER)**

Total Assets	100.00%	\$24,372,720
Fixed	99.10%	\$24,153,600
Cash	0.90%	\$219,121
Fees		(\$11,958)
Gain or (Loss)		\$410,149

**INVESCO (Private Real Estate)**

Private Real Estate	100.00%	\$15,560,714
Fees		(\$43,145)
Gain or (Loss)		\$330,638

**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%	\$10,835,931
Gain or (Loss)		\$51,885

**MAIN ACCOUNT (NON-MANAGED)**

Cash	100.00%	\$1,251,133
Gain or (Loss)		\$1,348

**NB CROSSROADS (PRIVATE EQUITY) #2**

Fund of Hedge Fund	100.00%	\$2,013,937
Gain or (Loss)		\$0

**BLACKSTONE (PRIVATE EQUITY)**

Total Assets	100.00%	\$2,621,494
Gain or (Loss)		\$75,850

**GOLDMAN SACHS (PRIVATE EQUITY)**

Total Assets	100.00%	\$1,805,970
Gain or (Loss)		(\$1)

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of June 30, 2017**

**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		3.26	3.12	1.34	1.73	3.09
1 year		17.26	16.59	15.53	15.58	17.90
3 year		8.51	7.88	7.36	7.35	9.62
Since 1/31/2013		11.18	10.54	12.28	NA	13.90
<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Large Cap. Growth</i>						
Quarter		7.36	7.21	4.67	4.46	
1 year		26.43	25.70	20.42	19.06	
3 year		8.44	7.80	11.11	9.65	
5 year		14.98	14.30	15.31	14.69	
Since 5/31/2003		12.12	11.48	9.53	NA	
<b>RBC GLOBAL</b>				<b>Russ Mid Value</b>	<b>PSN Money Mgrs.</b>	
<i>Mid Cap. Value</i>						
Quarter		(0.54)	(0.62)	1.37	1.45	
1 year		18.75	18.34	15.93	19.37	
3 year		6.09	5.45	7.46	7.12	
5 year		15.11	14.46	15.13	14.90	
Since 1/31/2009		16.80	16.11	17.96	NA	
<b>WELLS</b>				<b>Russ 2500 Growth</b>	<b>PSN Money Mgrs.</b>	
<i>Small/Mid Cap. Growth</i>						
Quarter		5.37	5.14	4.13	4.60	
1 year		24.60	23.51	21.44	23.97	
3 year		8.71	7.73	7.64	7.63	
5 year		14.23	13.21	14.33	14.40	
Since 1/31/2009		19.29	18.26	18.08	NA	
<b>LAZARD</b>				<b>MSCI AC Wld x US</b>		
<i>International Value</i>						
Quarter		6.06	5.93	5.78		
1 year		14.52	13.95	20.45		
3 year		1.26	0.74	0.80		
Since 1/31/2013		4.86	4.35	4.17		
<b>RENAISSANCE</b>				<b>MSCI AC Wld x US</b>		
<i>International Growth</i>						
Quarter		6.63	6.46	5.78		
1 year		21.00	20.24	20.45		
3 year		1.85	1.18	0.80		
5 year		9.45	8.73	7.22		
Since 1/31/2009		11.10	10.41	9.63		
<b>STANDISH MELLON</b>				<b>BC Aggregate</b>	<b>BC Int. Aggregate</b>	<b>BC Int. Gov/Credit</b>
<i>Fixed Income</i>						
Quarter		1.44	1.37	1.45	0.92	0.94
1 year		(0.48)	(0.78)	(0.31)	(0.16)	(0.21)
3 year		2.25	1.92	2.48	2.01	1.91
5 year		2.37	2.03	2.21	1.87	1.77
Since 4/30/2003		4.26	3.92	4.14	3.80	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		1.66	1.61	1.45	0.92	0.94
1 year		0.44	0.24	(0.31)	(0.16)	(0.21)
3 year		2.54	2.38	2.48	2.01	1.91
5 year		2.62	2.48	2.21	1.87	1.77
Since 9/30/2002		4.56	4.34	4.24	3.88	3.72

**ALTERNATIVE INVESTMENTS**

<b>INVESCO</b>					
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE
	Quarter	1.88	1.60	1.75	N/A
	1 year	8.55	7.35	6.98	N/A
	3 year	11.98	10.75	10.17	N/A
	5 year	12.08	10.85	10.49	N/A
	Since 7/31/2006	6.24	5.11	7.43	N/A
<b>OFFICE BUILDING</b>					
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate
	Quarter	1.07	1.07	0.18	1.45
	1 year	4.34	4.34	0.46	(0.31)
	3 year	33.28	33.28	0.21	2.48
	5 year	7.01	7.01	0.15	2.21
	Since 3/31/2007	0.22	0.15	0.53	4.31
<b>Ironwood</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	0.48	0.48	0.53	
	1 year	7.59	7.59	5.32	
	3 year	3.10	3.10	1.50	
	5 year	6.26	6.26	3.65	
	Since 7/31/2008	3.20	3.20	1.14	
<b>Pine Grove</b>					
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	
	Quarter	1.71	1.71	0.53	
	1 year	8.88	8.88	5.32	
	3 year	0.51	0.51	1.50	
	5 year	3.78	3.78	3.65	
	Since 9/30/2008	3.71	3.71	1.96	
<b>Center Coast</b>					
<i>Master Limited Partnerships</i>				Alerian MLP	
	Quarter	(6.64)	(6.76)	(6.35)	
	1 year	3.08	2.56	0.40	
	Since 1/31/2015	(8.28)	(8.66)	(8.79)	
<b>Neuberger Berman</b>					
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	0.00	0.18	
	1 year	12.25	12.42	14.57	
	3 year	10.75	10.77	8.58	
	5 year	11.93	12.14	13.98	
	Since 3/31/2010	3.11	10.16	12.50	
<b>Neuberger Berman</b>					
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	0.00	0.18	
	1 year	9.78	9.66	14.57	
	Since 7/31/2014	3.52	5.64	9.36	
<b>Blackstone</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	
	Quarter	2.99	2.64	3.09	
	1 year	11.85	10.22	17.90	
	3 year	8.28	6.54	9.62	
	Since 11/30/2013	9.99	6.99	10.85	
<b>Goldman Sachs</b>					
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	
	Quarter	0.00	0.00	0.18	
	1 year	11.17	11.15	14.57	
	3 year	8.83	8.21	8.58	
	Since 12/31/2013	6.80	8.37	9.45	

TOTAL FUND				Policy Index
<i>Time-Weighted Return (TWR)</i>				
Quarter	2.81	2.69	2.04	
1 year	12.06	11.54	10.81	
3 year	4.98	4.47	4.86	
5 year	8.87	8.33	8.63	
Since 9/30/2002	7.64	7.14	7.48	
Since 6/30/1995	7.14			

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		2.70	1.82	0.80	
1 year		11.57	7.50	4.47	
3 year		4.30	7.50	3.84	
5 year		8.36	7.50	4.28	

**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.