

YOUR PENSION MATTERS

09/30/17 Edition

End of FY 2016 - 2017

by: Chief Paul O'Connell
Board Chairperson
11/23/17

"I never lose. Either I win or I learn."

Nelson Mandela

The above quote is my favorite....it really is a life lesson for handling the many challenges we face as we travel this journey called "Life."

The above quote can also be applied to how your Pension Board of Trustees has approached our investment decisions. In other words; what worked in the 1980's certainly could **NOT** work in today's investment world. Through learning and diversification, our Fund has been better able to weather the storms we have faced: the Tech Bubble, 9/11 and the Great Recession were just a few extreme examples. Of course a future challenge will be **WASHINGTON, D.C**.....what will they do next and how we can best prepare for it (proactive) or deal with it (reactive).

So, as we close out our **FY 16 – 17** let us take a look at the results. For the one-year through September 30, the S&P 500 was up 18.61%; the Wilshire 5000, the broadest measure of our domestic market, was up 13.32%; the EAFE index, a broad measure of international markets, was up 19.10%; and the Bloomberg Barclays U.S. Aggregate Bond Index, a broad measure of U.S. investment-grade bonds, was up 0.8%

Our Fund third quarter (calendar 2017 & final quarter for Fund's FY) was "steady as she goes." Volatility has been low and stable. Our current bull market is 83 months old. The average bull market is 63 months. Is the bull market too old? Only time will tell.

Our Fund's performance for FY 2016 – 2017; end of year: Attached you will find the performance reports for our Fund. The quarterly rate of return was 3.11%, and the one-year was 11.43%. Here are the general market numbers for the quarter ending 9/30/17: DOW 5.58 and S&P 500 4.48%; and one-year ending 9/30/2017: DOW: 25.45 and S&P 500 18.61. Please remember our Fund has a mixture of equities, bonds and alternative investments. The Fund will **never** match the aforementioned indexes. Our Fund diversifies over a broad range of investments in an effort to capture most of the up market and as little as possible of the down market.

Lower Investment Management Fees:

With the assistance of its investment consultant, the Board has negotiated lower investment management fees with a large number of its existing managers; Blackrock, Lazard, Renaissance, Standish Mellon and Wells Capital. The Board strives to reduce costs wherever possible – and this is one example.

In a recent column on retirement planning, written by Elliot Raphelson (raphelliot@gmail.com), he identified five (5) factors which will impact your well-being in retirement:

- 1) **Spending:** Job #1 will be mapping out your expenses while in retirement. A major fallacy is that because you are no longer working your expenses will be reduced (commuting, clothing, etc.). That is a mistake. Many find that as they enter retirement, expenses do not change because they have more free time to spend money on recreation and toys. The good news is that this is a factor that can be controlled through good planning and “**self-control**” (for example: lifestyle or housing). Learning to live within your means is critical to making your retirement nest egg last for decades.
- 2) **Expected income:** We are very fortunate in that our Pension provides for a monthly pension check which *cannot go* down. In fact, it includes a 2% COLA each year (starting after 5 years of retirement). In addition, you will receive monthly Social Security checks (more about this in a future newsletter). Hopefully, you have also saved via other means such as a 457 fund or other investment vehicles. Taken together, these incomes streams will help you enjoy your retirement years!
- 3) **Asset allocation:** As we approach or enter retirement our investment strategy may need to be completely different. No two situations are the same and there is no valid “cookie-cutter” approach. You should determine whether your investment objectives are in line with your needs and wants. Re-balance at least once a year to maintain the proportion of stocks to bonds which is right for your particular situation. It is best to consult with a “fee-based” advisor to guide you through the maze of investment choices. Again, it is all about the right balance; living within our means and controlling the outflow of cash becomes critical as we live in or approach retirement.
- 4) **Annuity options:** *Perhaps the #2 fear* we face in retirement (#1 being our health) is outliving our retirement monies. We know that Social Security (a life annuity) will be there for us; although it is difficult to know what it will look like 20 years from now. Should you consider taking some of your nest egg and transfer that amount into an annuity which will provide you a guaranteed lifetime income? There are pluses (known & guaranteed monthly amount) and minuses (very high fees) to this strategy. Again, consulting with a fee-based financial advisor may be the right thing to do when considering such an option. Remember, a life annuity comes with a significant cost because you are transferring the investment risk to a third party and there is a price tag to this!
- 5) **Taxes:** Yes, there will be taxes in retirement! Good planning and sticking to the plan will be critical as you attempt to minimize the tax bite. Rely on an expert to help you navigate this new territory! Remember, only consult with someone who has the expertise and will act as a **FIDUCIARY!!**

Thank you, Elliot Raphaelson for the above guidance!!

The Equifax Nightmare: as you know there was a security breach of biblical proportion at the credit rating firm of Equifax. My friends, there is a big storm coming regarding identity theft! In a

recent article in the Washington Post, *Michelle Singletary* wrote about some ideas you may consider in protecting your social security records. Here is what she wrote:

The financial exploitation of seniors is already a problem. Now with the massive data breach by Equifax, it's just one more thing to concern the elderly.

Many people are scrambling, trying to put in place credit freezes to prevent identity thieves from opening up credit in their name. But if you expect to get a Social Security check or you're already getting a benefit there's something else you should do and fast.

You need to go online and open a *my Social Security account*. Do this before someone uses your stolen information to hijack this extremely important portal for your Social Security benefits. (www.ssa.gov/myaccount).

As the Motley Fool's Maurie Backman points out, "Someone could, in theory, access your information at some point or another, file for benefits as you (either immediately or once you become eligible), direct those benefits to a new address, and collect them for years with you none the wiser. Then, when you finally decide it's time to file for benefits, you'll learn that you have supposedly been receiving them for years."

Armed with publicly available information and data stolen in the Equifax breach — your address, Social Security, driver's license and credit card numbers — identity thieves could have enough to get through the security to set up an online Social Security account.

"A my Social Security account is your gateway to many of our online services," wrote Social Security's **Jim Borland**, acting deputy commissioner for communications in a blog post last week. "Create your account today and take away the risk of someone else trying to create one in your name, even if they obtain your Social Security number."

Here's something else to keep in mind. If you've placed a freeze or fraud alert on your credit file, you will not be able to open the account until you unlock the file. Social

Security uses information in your file to verify your identity. You can open an account in person by going to a [local Social Security office](#).

Get ahead of possible identity theft by creating your Social Security account.

Our thanks to Ms. Singletary! In addition, each of us should consider placing a “freeze” on our credit report; but each of us is in a financial different situation. You certainly cannot do this if you are buying a home, applying for an auto loan or credit card. But, if you are in a stable situation, you may want to consider a credit freeze for an extended period of time.

In the meantime, your new Board of Trustees is seated and hard at work. Several Trustees attended the Florida Public Pension Trustee Association (FPPTA) School in Tampa as they worked to attain the designation of “Certified Public Pension Trustee” which is a grueling challenge to master the many facets of pension law and pension fund investment.

Finally, committee work is where the seeds of our accomplishments are planted. Committee work may seem tedious and mundane; but this work is critical to getting the job done. At our September Board meeting we appointed the following Trustees to the following Committees:

Investment Committee: **Sharra Aaronian**, Chair
Dan Christophers
David Hall
Peter McGinnis
Jorge Rossi

Professional Advisory Committee: **Richard Samolewicz**, Chair
Vincent Femia
David Hall
Jorge Rossi

Budget Committee: **David Hall**, Chair
Paul O'Connell
Peter McGinnis

Communications Committee **Jorge Rossi**, Chair
Sharra Aaronian
Robert Drago
Rich Samolewicz

The Board of Trustees selected Paul O'Connell as Chairperson and Richard Samolewicz as Vice-Chairperson for the Board of Trustees for the coming FY. Both Richard and I extend our thanks to the Board Trustees for their continued trust and confidence in us.

Mark your calendar.....the Annual Symposium is right around the corner....May 3, 4 & 5, 2018 and held at the Pompano Beach Marriott on A1A.

In the meantime and on behalf of the Pension Board of Trustees and our staff, I wish you a very happy and safe holiday season as we look forward to a New Year.

As always, please stay safe and stay in touch!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of September 30, 2017

Distribution of Assets:

Equity	
-Large Cap. Value	\$29,350,513
-Large Cap. Growth	\$31,022,243
-Mid Cap. Value	\$10,713,586
-Small/Mid Cap. Growth	\$12,315,020
-International Value	\$18,113,485
-International Growth	\$18,424,693
Total Equity	\$119,939,541
Fixed Income	\$48,950,116
Private Real Estate	\$18,746,722
Fund of Hedge Funds	\$21,283,135
Master Limited Partnerships	\$11,445,426
Private Equity	\$10,075,231
Cash (Non-Managed Account)	\$1,035,170
Total Portfolio	\$231,475,341

Distribution by Percentages:

	Policy	Current
Equity Breakdown		
-Large Cap. Value	12.50%	12.68%
-Large Cap. Growth	12.50%	13.40%
-Mid Cap. Value	5.00%	4.63%
-Small/Mid Cap. Growth	5.00%	5.32%
-International Value	7.50%	7.83%
-International Growth	7.50%	7.96%
Total Equity	50.00%	51.82%
Fixed Income	22.50%	21.15%
Private Real Estate	7.50%	8.10%
Fund of Hedge Funds	10.00%	9.19%
Master Limited Partnerships	5.00%	4.94%
Private Equity	5.00%	4.35%
Cash (Non-Managed Account)	0.00%	0.45%
Total Portfolio	100.00%	100.00%

Other Important Facts:

Total Portfolio	\$231,475,341
Total Gain or (Loss) - Gross of Fees	\$7,285,251

BLACKROCK

Total Assets	100.00%	\$29,350,513
Equity	95.52%	\$28,035,998
Cash	4.48%	\$1,314,515
Fees		(\$40,176)
Gain or (Loss)		\$1,291,272

SANDS CAPITAL MANAGEMENT

Total Assets	100.00%	\$31,022,243
Equity	98.76%	\$30,637,481
Cash	1.24%	\$384,762
Fees		(\$43,967)
Gain or (Loss)		\$2,107,692

RBC GLOBAL

Total Assets	100.00%	\$10,713,586
Equity	97.82%	\$10,480,315
Cash	2.18%	\$233,272
Fees		(\$9,345)
Gain or (Loss)		(\$70,376)

WELLS

Total Assets	100.00%	\$12,315,020
Equity	96.52%	\$11,886,477
Cash	3.48%	\$428,544
Fees		(\$26,743)
Gain or (Loss)		\$692,690

Pine Grove Fund of Hedge Fund

Fund of Hedge Fund	100.00%	\$10,132,887
Gain or (Loss)		\$98,834

Center Coast Master Limited Partnerships

Fund of Hedge Fund	100.00%	\$11,445,426
Gain or (Loss)		(\$136,658)

NB CROSSROADS (PRIVATE EQUITY) #1

Total Assets	100.00%	\$3,489,326
Gain or (Loss)		\$0

LAZARD (International Value)

Total Assets	100.00%	\$18,113,485
Equity	97.17%	\$17,600,274
Cash	2.83%	\$513,211
Fees		(\$22,887)
Gain or (Loss)		\$1,095,094

RENAISSANCE (International Growth)

Total Assets	100.00%	\$18,424,693
Equity	97.08%	\$17,886,493
Cash	2.92%	\$538,200
Fees		(\$28,929)
Gain or (Loss)		\$1,060,347

STANDISH MELLON

Total Assets	100.00%	\$24,356,581
Fixed	97.50%	\$23,747,155
Cash	2.50%	\$609,426
Fees		(\$18,100)
Gain or (Loss)		\$224,598

INCORE/VICTORY (FORMERLY MUNDER)

Total Assets	100.00%	\$24,593,536
Fixed	99.45%	\$24,457,271
Cash	0.55%	\$136,265
Fees		(\$12,143)
Gain or (Loss)		\$232,958

INVESCO (Private Real Estate)

Private Real Estate	100.00%	\$15,746,722
Fees		(\$43,652)
Gain or (Loss)		\$273,313

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%	\$11,150,248
Gain or (Loss)		\$314,317

MAIN ACCOUNT (NON-MANAGED)

Cash	100.00%	\$1,035,170
Gain or (Loss)		\$1,924

NB CROSSROADS (PRIVATE EQUITY) #2

Fund of Hedge Fund	100.00%	\$2,171,725
Gain or (Loss)		\$0

BLACKSTONE (PRIVATE EQUITY)

Total Assets	100.00%	\$2,656,248
Gain or (Loss)		\$67,372

GOLDMAN SACHS (PRIVATE EQUITY)

Total Assets	100.00%	\$1,757,932
Gain or (Loss)		\$0

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

TRADITIONAL INVESTMENTS

BLACKROCK		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
	Quarter	4.44	4.30	3.11	3.81	4.48
	1 year	20.61	19.93	15.12	15.96	18.61
	3 year	9.94	9.31	8.53	8.82	10.82
	Since 1/31/2013	11.59	10.95	12.32	NA	14.17
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
<i>Large Cap. Growth</i>						
	Quarter	6.87	6.72	5.90	5.18	
	1 year	21.39	20.69	21.94	20.05	
	3 year	9.63	8.99	12.70	11.10	
	5 year	14.67	13.99	15.26	14.44	
	Since 5/31/2003	12.41	11.77	9.79	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
<i>Mid Cap. Value</i>						
	Quarter	(0.74)	(0.83)	2.14	3.72	
	1 year	8.69	8.31	13.37	18.00	
	3 year	6.83	6.19	9.19	9.76	
	5 year	13.51	12.89	14.33	14.26	
	Since 1/31/2009	16.18	15.50	17.68	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
<i>Small/Mid Cap. Growth</i>						
	Quarter	5.65	5.41	5.78	5.78	
	1 year	25.03	23.93	20.07	21.75	
	3 year	11.91	10.91	11.26	11.89	
	5 year	14.40	13.38	14.45	14.52	
	Since 1/31/2009	19.44	18.41	18.28	NA	
LAZARD				MSCI AC Wld x US		
<i>International Value</i>						
	Quarter	6.18	6.04	6.16		
	1 year	16.26	15.69	19.61		
	3 year	5.36	4.82	4.70		
	Since 1/31/2013	5.94	5.43	5.28		
RENAISSANCE				MSCI AC Wld x US		
<i>International Growth</i>						
	Quarter	5.81	5.64	6.16		
	1 year	19.33	18.57	19.61		
	3 year	5.39	4.69	4.70		
	5 year	10.08	9.37	6.97		
	Since 1/31/2009	11.49	10.79	10.09		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.86	0.78	0.85	0.72	0.60
	1 year	(0.09)	(0.38)	0.07	0.25	0.23
	3 year	2.52	2.19	2.71	2.25	2.13
	5 year	2.10	1.77	2.06	1.75	1.61
	Since 4/30/2003	4.24	3.90	4.13	3.78	3.57
INCORE/VICTORY (Munder)				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
<i>Fixed Income</i>						
	Quarter	0.91	0.86	0.85	0.72	0.60
	1 year	0.65	0.45	0.07	0.25	0.23
	3 year	2.83	2.67	2.71	2.25	2.13
	5 year	2.38	2.25	2.06	1.75	1.61
	Since 9/30/2002	4.55	4.32	4.23	3.87	3.70

ALTERNATIVE INVESTMENTS

INVESCO						
<i>Private Real Estate</i>		Gross	Net	NCREIF	NCREIF ODCE	BC Aggregate
	Quarter	1.48	1.20	1.70	1.87	0.85
	1 year	8.34	7.13	6.90	7.66	0.07
	3 year	11.24	10.02	9.83	10.85	2.71
	5 year	11.77	10.55	10.35	11.59	2.06
	Since 7/31/2006	6.24	5.11	7.42	6.41	4.51
OFFICE BUILDING						
<i>Private Real Estate</i>				90-Day T-Bill	BC Aggregate	
	Quarter	1.07	1.07	0.25	0.85	
	1 year	4.34	4.34	0.64	0.07	
	3 year	25.40	25.40	0.29	2.71	
	5 year	7.36	7.36	0.19	2.06	
	Since 3/31/2007	0.32	0.25	0.63	4.29	
Ironwood						
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	BC Aggregate	
	Quarter	2.90	2.90	1.29	0.85	
	1 year	7.53	7.53	4.56	0.07	
	3 year	3.63	3.63	1.79	2.71	
	5 year	6.42	6.42	3.50	2.06	
	Since 7/31/2008	3.44	3.44	1.23	4.21	
Pine Grove						
<i>Fund of Hedge Funds</i>				HFRI FOF Cons	BC Aggregate	
	Quarter	0.98	0.98	1.29	0.85	
	1 year	6.75	6.75	4.56	0.07	
	3 year	0.89	0.89	1.79	2.71	
	5 year	3.51	3.51	3.50	2.06	
	Since 9/30/2008	3.71	3.71	2.03	4.34	
Center Coast						
<i>Master Limited Partnerships</i>				Alerian MLP	BC Aggregate	
	Quarter	(1.18)	(1.30)	(3.05)	0.85	
	1 year	1.14	0.64	(3.70)	0.07	
	Since 1/31/2015	(7.94)	(8.33)	(9.06)	1.58	
Neuberger Berman						
<i>Private Equity #1</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	BC Aggregate	
	Quarter	0.00	0.00	0.25	0.85	
	1 year	15.20	15.33	10.61	0.07	
	3 year	11.21	11.02	8.27	2.71	
	5 year	12.64	12.72	12.65	2.06	
	Since 3/31/2010	3.73	10.62	12.10	3.56	
Neuberger Berman						
<i>Private Equity #2</i>		Time-Wtd	Dollar-Wtd	Dynamic S&P 500	BC Aggregate	
	Quarter	0.00	0.00	0.25	0.85	
	1 year	11.12	10.89	10.61	0.07	
	3 year	4.57	6.77	8.27	2.71	
	Since 7/31/2014	4.32	6.65	8.68	2.70	
Blackstone						
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	BC Aggregate	
	Quarter	2.58	2.23	4.48	0.85	
	1 year	10.20	8.61	18.61	0.07	
	3 year	8.14	6.58	10.82	2.71	
	Since 11/30/2013	10.04	7.15	11.37	3.04	
Goldman Sachs						
<i>Private Equity</i>		Time-Wtd	Dollar-Wtd	S&P 500	BC Aggregate	
	Quarter	0.00	0.00	0.25	0.85	
	1 year	9.50	9.60	10.61	0.07	
	3 year	7.51	7.56	8.27	2.71	
	Since 12/31/2013	7.45	9.06	8.86	3.26	

TOTAL FUND				Policy Index
<i>Time-Weighted Return (TWR)</i>				
Quarter	3.11	2.99	2.71	
1 year	11.43	10.91	10.24	
3 year	6.10	5.58	5.93	
5 year	8.59	8.05	8.28	
Since 9/30/2002	7.74	7.24	7.56	
Since 6/30/1995	7.21			

TOTAL FUND				Actuarial Rate	CPI +3
<i>Dollar-Weighted Net Return (IRR)</i>					
Quarter		3.00	1.82	1.80	
1 year		10.90	7.50	5.10	
3 year		5.40	7.50	4.21	
5 year		8.03	7.50	4.30	

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.