

# YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

Third Quarter Ended June 30, 2006

by: Lt. Paul O'Connell  
Board Chairperson

*"All that we can know about those we have loved and lost is that they would wish us to remember them with a more intensified realization of their reality. What is essential does not die but clarifies. The highest tribute to the dead is not grief but gratitude." Thornton Wilder*

Please join us at Pompano Beach K-9 Officer Scott Winters Park, Saturday, July 29<sup>th</sup> at 11 a.m. to remember Scott, the life he led and the sacrifice he made.

**Litigation update:** On May 22<sup>nd</sup> the City's Motion for Summary Judgment was heard by Judge Eade. This was a 3-hour session during which the City argued that the Judge should rule, as a matter of law, in City's favor on the issues in controversy (i.e. the 2004 & 2005 1% variable COLA should be rescinded and BSO's 8.6% employee contribution should not count as pensionable wages). The Judge could rule that, as a matter of law (which means there are no material facts in controversy and the law alone dictates a finding), that the City wins its Motion for Summary Judgment or the Pension Board wins its Motion for Summary Judgment (heard in February). Or the Judge could rule that there are material facts still in controversy, deny both Motions for Summary Judgment and a full trial would then be heard. As of the date of this writing, no ruling has been handed down. We will keep you informed (by way of both this newsletter and the website) as the facts develop.

**1% Variable COLA - HEARING POSTPONED:** The Tuesday, July 25<sup>th</sup> COLA hearing by the Pension Board of Trustees has been postponed. You will recall that the issue debated was to grant or deny the 2005 – 2006 1% variable COLA to retired police officers. Instead, all the parties to this litigation will engage in a settlement meeting set for August 29<sup>th</sup>. We will update you on any and all developments through the Board's website (see below) and the respective union websites.

We have good news – our web site is up and running – [www.pbpfrs.org](http://www.pbpfrs.org) . Many thanks go to the Communications Committee (Pat Fletcher, Sharra Aaronian and Jeff Valerga) for their hard work in putting together this project. Should you have any ideas for additions or changes, please feel free to contact us. **Remember**, this is an evolving project that can and will change based on **your** ideas, suggestions and needs.

Rather than continuing our conversation on the financial makeup of our Fund, I am compelled to address two issues at the forefront in the news and in our lives:

1. **Health Care** – as we enter our retirement years, this will become our albatross! Here are some sobering facts: a) As our population ages, there will be an increased demand for health care services (2020 projection: people over the age of 55 will increase from current 54 million to over 95 million). b) With that increase in demand, comes an increase in costs on top of the already double digit cost increases we have experienced:

**47% increase since 2000!!** c) Medicare will be there but will it or can it afford to be the same? Probably not because the Federal Government simply cannot pay for it while, at the same time, facing a growing deficit. In addition, there will fewer workers contributing to Medicare as our workforce continues to shrink or worse, continues its current trend of being outsourced. What do we do? These ideas might sound familiar but they are worth repeating:

- **Save** now and save until it hurts! It is estimated that a 65 year old couple retiring today will spend \$200,000 to cover medical costs in the average retirement!
- Continue to work longer than you had planned. These days it is not the paycheck, it is the benefits (i.e. health insurance coverage) that seem to be so valuable.
- Regular exercise and a healthy diet will lessen your demand on health care services.

2. **Gasoline** – no doubt you are feeling the effects as you dig deeper into your pockets to fill up the gas tank. But it goes beyond that and impacts almost everything we do or consume because America is too dependant on foreign oil. This should come as no surprise to any of us. It is basic economics: Supply is down and demand is up = an increase in price.

**Demand** is up: remember the oil shock of 1973? Immediately thereafter, Americans started to change their habits (smaller cars, less driving and more mass transit). As a result, energy use per dollar of GDP was cut by 30% and oil collapsed to \$10/bal. Then we got amnesia and started driving the big SUVs, mass transit usage dropped and we were “back to the future.” Add to this the impact of China and India and their respective consumption of oil. As it now stands the world consumes oil at more than two times the rate of discovery of new supply. This is a formula for continuing price increases and all the adverse effects that will surely come with it.

**Supply** is down: our country's oil production has **DECREASED** 32% in the last 25 years. At the same time, those countries which do produce oil have become more volatile: Middle East (Iraq & Iran), Nigeria and Venezuela to name a few. In recent weeks the news has gotten worse as the conflict in the Middle East approaches a full scale war. Thus, the speculators have driven the price of oil above the \$77/bal. mark and the future is uncertain.

What do we do? Right now – start to conserve by driving less and driving smart (yes, smaller, more fuel efficient cars and “**slow down**” driving at **65mph** rather than **75mph** can reduce your gas mileage by as much as 10%). Some other ideas: keep your car's tire pressure on target, if the pressure is too low, you make the car work harder. Do not use your car trunk a storage area, that extra weight again makes your car work harder. In the future, stay current on the developing energy alternatives like ethanol or hydrogen and be ready to adjust your lifestyle to take advantage of these developing technologies.

In our next newsletter we will get back on track and review our equity money managers, who they are and how they have performed. Until then, stay safe and stay in touch!

**BREAKDOWN OF RETURNS**  
**Pompano Beach Police & Firefighters' Retirement System**  
**As of June 30, 2006**

<b>LORD ABBETT/BOSTON *</b>		<b>Your Returns</b>		<b>Russ 1000 Value</b>	<b>Money Mgrs.</b>	<b>S&amp;P 500</b>
<i>Large Cap. Value</i>		<b>Gross</b>	<b>Net</b>			
Quarter		(0.42)	(0.56)	0.59	NA	(1.44)
1 year		11.11	10.48	12.08	NA	8.62
Since 10/31/2004		9.61	9.06	13.68	NA	9.26
Lord Abbett/Boston - 3 year		11.80	11.26	15.69	NA	11.21
Lord Abbett/Boston - Since 9/30/2002		15.48		18.46	NA	14.60
Lord Abbett/Boston - 5 year		2.41		6.90	NA	2.49
Lord Abbett/Boston - Since 6/30/1995		10.17		12.04	NA	9.82

<b>SANDS CAPITAL</b>				<b>Russ 1000 Growth</b>	<b>Money Mgrs.</b>
<i>Large Cap. Growth</i>					
Quarter		(7.48)	(7.61)	(3.90)	NA
1 year		3.70	3.12	6.12	NA
3 year		12.31	11.70	8.36	NA
Since 5/31/2003		12.73	12.14	8.60	NA

<b>FREEDOM CAPITAL *</b>				<b>S&amp;P 500</b>	<b>Dynamic Index**</b>
<i>Large Cap. Asset Allocator</i>					
Quarter		(3.00)	(3.07)	(1.44)	(3.04)
1 year		5.13	4.82	8.62	5.06
3 year		7.53	7.21	11.21	7.84
Since 9/30/2002		11.90	11.57	14.60	12.35
Since 3/31/2002		1.99		4.26	2.27

<b>INVESCO</b>				<b>MSCI EAFE Net</b>
<i>International</i>				
Quarter		1.74	1.58	0.70
1 year		25.04	24.24	26.56
Since 1/31/2004		17.56	16.86	17.71

<b>ALLEGIANCE CAPITAL</b>				<b>LB Int. Aggregate</b>	<b>LB Aggregate</b>	<b>LB Int. Gov/Credit</b>
<i>Fixed Income</i>						
Quarter		0.01	(0.06)	0.13	(0.08)	0.21
1 year		(0.35)	(0.60)	0.03	(0.81)	(0.19)
3 year		1.93	1.68	2.07	2.05	1.48
Since 5/31/2003		1.90	1.66	2.02	1.93	1.42

<b>STANDISH MELLON</b>				<b>LB Aggregate</b>	<b>LB Int. Aggregate</b>	<b>LB Int. Gov/Credit</b>
<i>Fixed Income</i>						
Quarter		(0.13)	(0.21)	(0.08)	0.13	0.21
1 year		(0.58)	(0.88)	(0.81)	0.03	(0.19)
3 year		2.25	1.84	2.05	2.07	1.48
Since 9/30/2002		2.61		3.12	2.92	2.77

<b>MUNDER CAPITAL</b>				<b>LB Aggregate</b>	<b>LB Int. Aggregate</b>	<b>LB Int. Gov/Credit</b>
<i>Fixed Income</i>						
Quarter		0.19	0.19	(0.08)	0.13	0.21
1 year		(0.18)	(0.30)	(0.81)	0.03	(0.19)
3 year		2.57	2.36	2.05	2.07	1.48
Since 9/30/2002		3.19	2.93	3.12	2.92	2.77

<b>TOTAL FUND *</b>				<b>Total Fund Index</b>
Quarter		(1.97)	(2.07)	(0.86)
1 year		6.12	5.66	6.94
3 year		8.59	8.14	9.07
Since 9/30/2002		10.72	10.27	11.49
5 year		3.65		
Since 6/30/1995		7.71		

Total Fund Index comprised of 25% Russell 1000 Value/ 25% Russell 1000 Growth/ 15% Dynamic Index/ 23% LB Aggregate/ 12% LB Int. Aggregate for periods prior to January 31, 2004 and 22.5% Russell 1000 Value/ 22.5% Russell 1000 Growth/ 12% Dynamic Index/ 8% MSCI EAFE Net/ 23% LB Aggregate/ 12% LB Int. Aggregate for periods after January 31, 2004.

\* 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. Smith Barney Consulting Group 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 Smith Barney Consulting Group.

\*\* Dynamic Index represents blended performance of S&P 500 BARRA Value for periods prior to July 31, 2003 and S&P 500 BARRA Growth for periods after July 31, 2003