

YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

Fiscal Year 2005
Third Quarter Ended June 30, 2005

By: Paul O'Connell
Board Chairperson

First, I would like to take this opportunity to congratulate retired Battalion Chief Dan Rosenquist on completing 12 years as a Pension Board Trustee as he leaves the Board and Pompano Beach for the mountains of N.C. He served the last six years as the Pension Board Chairperson. He led our Board into new territory as the Board endeavored to recover some of the losses from the market bubble by suing those Corporations which "cooked the books" and duped investors. In future newsletters to you, I will summarize these lawsuits and give you progress reports as these suits litigate through the Federal Courts.

Second, I would like to thank the present Board of Trustees for selecting me as the new Chairperson. My goal is to honor the Board's trust in me through open communication both with the Board and the members of the Pension, both retired and active. This enhanced communication will come in two forms: 1) a quarterly newsletter like the one you are now reading and 2) the creation of a Pension Board Website.

Each quarterly newsletter will contain information relative to the activities of the Board, investment results, litigation updates or material relevant to us all as we either plan for or live in retirement. The website is a creation in the making. If you have ideas or comments you wish to share with the Board as we develop this website, please e-mail us at ldalton@pbpfrs.org and we will review your material (examples: links; board minutes; investment results, etc.)

In the August edition of **Consumer Reports Money Advisor** there was an interesting article entitled: *The 13 Biggest Retirement Mistakes*. The article was based on a Putnam Investments study which surveyed recent retirees. I would like to share some (but not all) of those findings with you.

- Underestimating your needs: It seems too many of us underestimate how much we will spend in retirement and how long we will live. Thus, too often towards our latter years, we run out of money. There are many ways to avoid this dilemma such as downsizing, debt reduction and working part-time to maintain a steady income flow. If you find yourself approaching this stage in your life it may be time to speak with a certified financial planner.
- Overestimating your returns: The roaring 90s and double digit returns are in the past. As you calculate your future investment returns be sure your estimate is as conservative as your investment style. As we enter or live in full retirement, our investment strategy should become more conservative, thus our expectations of investment return should also be conservative.

- Withdrawing too much too fast: We should all strive to live on interest while preserving principle. Too often, retirees spend down their principle hitting the “investment bottom” while still alive (i.e. they run out of money). Maintaining a lifestyle that preserves investment principle is critically important to preventing the devastation of running out of money.
- Not coordinating with a spouse: We often see this at the Pension Board when the surviving spouse comes to the pension office expressing frustration with not knowing any of the financial details of the pension and/or other investments upon which the couple relied for income flow. Communication between spouses is critically important. Share both the investment knowledge and the strategy with your spouse and your children. The best surprise is no surprise.
- Investing too conservatively or too aggressively: In real estate the key is location and in financial investing the key is diversification (do not put all your eggs in one basket). Gain investment knowledge by attending classes or reading the hundreds of books dedicated to this subject. If you do not have the time or the inclination to do your own homework, no problem. Hire an expert after you do the homework of checking out the person you intend to hire. Either way, there is homework and remember, tread carefully when trusting others with your money!
- Forgetting to rebalance: At minimum, once each year you should rebalance to craft a properly diversified portfolio.
- Retiring with too much debt: Eliminate all credit card debt (and keep it that way month to month), pay down your mortgage and live a lifestyle that allows you to enjoy your retirement without having to worry about running out of money too soon.

Article to article, book to book, the most consistent advice I have read is to “**do your homework**” whether you are a self-reliant investor or one that relies on an expert. If you do rely on an expert, be sure this person has your interests ahead of his own self-interests. Too often, less than scrupulous financial advisors are the only winners in the investment game.

Enclosed is a copy of the Breakdown of Returns as of June 30, 2005, showing the performance results of our Pension Trust Fund. In future newsletters we will dissect and discuss this quarterly report in layman’s terms. Our goal is to keep you informed. The good news is our performance over the past 3 years has averaged 12.44% per year. Remember, our goal is to invest with a **LONG** term strategy as the Board is obligated to “invest with a balance.”

Our next newsletter will focus on the status of litigation in which the Pension Board is an involved party. Did you know the City of Pompano Beach is suing your Pension Board? Did you know your Pension Board is suing Krispy Kreme, Citigroup, Laboratory Corporation, Newmort Mining Corporation and Safeway? We will summarize these cases next time. Until then, stay safe and stay in touch!

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of June 30, 2005

LORD ABBETT/BOSTON *		Your Returns		Russ 1000 Value	Money Mgrs.	S&P 500
<i>Large Cap. Value</i>		Gross	Net			
	Quarter	(0.58)	(0.73)	1.67	1.70	1.36
	Since 10/31/2004	4.87	4.58	10.49	NA	6.70
	Lord Abbett/Boston - 1 year	5.76	5.35	14.05	11.46	6.30
	Lord Abbett/Boston - Since 9/30/2002	17.11		20.85	19.81	16.85
	Lord Abbett/Boston - 3 year	6.52		10.99	10.50	8.28
	Lord Abbett/Boston - 5 year	3.12		6.55	5.82	(2.38)
	Lord Abbett/Boston - Since 6/30/1995	10.07		12.03	11.85	9.94

SANDS CAPITAL		Your Returns		Russ 1000 Growth	Money Mgrs.
<i>Large Cap. Growth</i>		Gross	Net		
	Quarter	8.06	7.90	2.47	2.62
	1 year	5.44	4.83	1.70	4.45
	Since 5/31/2003	17.34	16.74	9.82	NA

FREEDOM CAPITAL *		Your Returns		Dynamic Index**	S&P 500
<i>Large Cap. Asset Allocator</i>		Gross	Net		
	Quarter	0.12	0.05	0.14	1.36
	1 year	1.45	1.14	1.53	6.30
	Since 9/30/2002	14.47	14.13	14.95	16.85
	Since 3/31/2002	1.04		1.42	2.96

INVESCO		Your Returns		MSCI EAFE Net
<i>International</i>		Gross	Net	
	Quarter	(0.70)	(0.86)	(1.01)
	1 year	12.84	12.12	13.65
	Since 1/31/2004	12.55	11.91	11.84

ALLEGIANCE CAPITAL		Your Returns		LB Int. Aggregate	LB Aggregate	LB Int. Gov/Credit
<i>Fixed Income</i>		Gross	Net			
	Quarter	2.60	2.54	2.42	3.01	2.48
	1 year	5.70	5.44	5.40	6.81	4.77
	Since 5/31/2003	2.99	2.76	2.98	3.27	2.20

STANDISH MELLON		Your Returns		LB Aggregate	LB Int. Aggregate	LB Int. Gov/Credit
<i>Fixed Income</i>		Gross	Net			
	Quarter	2.99	2.92	3.01	2.42	2.48
	1 year	7.17	6.79	6.81	5.40	4.77
	Since 9/30/2002	4.51		4.58	3.99	3.87

MUNDER CAPITAL		Your Returns		LB Aggregate	LB Int. Aggregate	LB Int. Gov/Credit
<i>Fixed Income</i>		Gross	Net			
	Quarter	2.98	2.92	3.01	2.42	2.48
	1 year	6.97	6.70	6.81	5.40	4.77
	Since 9/30/2002	4.45	4.13	4.58	3.99	3.87

TOTAL FUND *		Your Returns		Total Fund Index
		Gross	Net	
	Quarter	2.54	2.43	(1.30)
	1 year	5.90	5.47	5.28
	Since 9/30/2002	12.44	11.99	13.53
	3 year	7.59		
	5 year	1.88		
	Since 6/30/1995	7.87		

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