

YOUR PENSION MATTERS

Pompano Beach Police & Firefighters' Retirement System

Fiscal Year 2005

Fourth Quarter Ended September 30, 2005

by: Paul O'Connell
Board Chairperson

On behalf of the entire Pension Board of Trustees, let me take this opportunity to wish all of you a happy and healthy holiday season and a very happy and prosperous New Year!

When I last corresponded with you, I informed you of the situation with our Pension Office and the damage caused to the building and our office as a result of Wilma. Here is the update:

Our search for a new office is on hold until it is determined that the old office is salvageable. In the meantime, our temporary office is located at 627 East Atlantic Blvd. (2 doors down from Pat's Place) and our telephone number remains the same.

No new date for the special administrative hearing as been set as of the date of this letter. Remember, this hearing is being held to determine if the Pension Board will grant the 1% variable COLA to retired police officers for the 2005-2006 fiscal year. When the date and location is determined, we will contact you in a timely manner so you can plan on attending this important hearing.

You will recall in our initial newsletter, I wrote to you about ongoing litigation involving your Pension Board and I made a commitment to explain, case by case, the many lawsuits in which your Pension Board is involved; one as a defendant (we are being sued by the City of Pompano Beach) and several as a plaintiff. In light of recent developments both local (the postponement of the administrative hearing & the damage to our office building, discussed above) and national (the retirement of Alan Greenspan – see below), I would like to place that summary “on hold” for our next newsletter.

The Retirement of an Icon: Effective January 31, 2006, Federal Reserve Chairman, Alan Greenspan will retire. His 18 year reign (the 2nd longest term in the Federal Reserve System's 92 year history) as Fed-Chairman was nothing short of remarkable. Here is why: **5.55; 3 and 2**

During his term as Fed-Chairman unemployment averaged **5.55%**. This is an astounding figure in light of unemployment numbers from 1900 – 1984 averaged 6.85% (let us not forget the Depression and its impact on our Country and the deep recession in 1973-75).

During his term as Fed-Chairman inflation averaged **3%**. The 18 years preceding his tenure inflation averaged 6.5%. Remember, the #1 enemy of any retirement system and its members is inflation because it slowly but surely eats away at the value of our retirement check. Mr. Greenspan's commitment to keeping inflation in check has helped all of us enjoy our retirement years with a little bit more peace of mind and financial stability.

During his term as Fed-Chairman there were only **2** mild recessions. By comparison between 1945 and 1982 (a time span of 37 years) the economy was in recession 22.4 % of the time. In the 276 months since the 1982 recession ended, it has been in recession 14 months or 5.1% of the time. (Sources: U.S. News & World Report; Newsweek and Business Week.)

Alan Greenspan's leadership and vision has provided this country with economic stability and a platform from which all of us could prosper. As retirees or future retirees, we owe Mr. Greenspan a debt of gratitude and many thanks.

His replacement, Ben Bernanke, comes to the table with the highest of credentials (his confirmation by the U.S. Senate will be a "slam-dunk"). In fact, I would venture to state that this appointment will go down as one of President Bush's best, if not the best, appointment in his 2 terms as President. Both the bond and equity markets responded with enthusiasm and the markets appear to have accepted this appointment without losing a beat (our 4th quarter investment returns are looking good – so far).

Performance: Enclosed you will find the latest performance report submitted by our Fund Consultant Charlie Mulfinger (Smith Barney), dated September 30, 2005. As you can see, overall the Fund did pretty well in the 3rd quarter of 2005 (end of the Board's FY 2005) with a total return +3.34% (or just over \$5 million) for the quarter. The purpose of Mr. Mulfinger's report is to review with the Board, on a quarterly basis, the investment performance of each our money managers. The report illustrates how well or how poorly they performed during certain time frames (quarterly, YTD, etc.) relative to certain benchmarks. This report and supporting supplemental material, guides your Pension Board's decision-making as to when and how to shift our investment strategy. In addition, it may tell us if and when there is a need to sever a relationship with a particular money manager. Clearly, investment performance is one of the greatest challenges facing your Pension Board as it attempts to get the greatest return with the smallest of risks.

Many of our investment decisions are guided by the Pension Board's published "investment guidelines" which act as the backbone of our investment philosophy (a copy of the guidelines can be obtained from our pension office). Remember, our investment strategy is a long term strategy (20 years and beyond) which seeks to invest for maximum returns with minimum risks over a 20+ year time-span. Currently, our guidelines call for an investment split of 65% in equities and 35% in bonds. In future newsletters we will review in depth (but in layman's terms) bonds and equities, how we are invested and why.

In our next newsletter we will review pending litigation and summarize these ongoing cases. Until then, stay safe and stay in touch!

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

LORD ABBETT/BOSTON *		Your Returns		Russ 1000 Value	Money Mgrs.	S&P 500
Large Cap. Value		Gross	Net			
Quarter		3.45	3.30	3.88	3.97	3.61
Since 10/31/2004		8.49	8.04	14.77	NA	10.55
Lord Abbett/Boston - 1 year		10.89	10.43	16.68	15.81	12.24
Lord Abbett/Boston - Since 9/30/2002		16.89		20.48	19.38	16.72
Lord Abbett/Boston - 3 year		16.89		20.48	19.38	16.72
Lord Abbett/Boston - 5 year		2.72		5.76	5.22	(1.49)
Lord Abbett/Boston - Since 6/30/1995		10.18		12.13	11.92	10.06

SANDS CAPITAL		Your Returns		Russ 1000 Growth	Money Mgrs.
Large Cap. Growth		Gross	Net		
Quarter		6.07	5.93	4.01	4.82
1 year		16.34	15.68	11.60	14.74
Since 5/31/2003		18.29	17.69	10.57	NA

FREEDOM CAPITAL *		Your Returns		Dynamic Index**	S&P 500
Large Cap. Asset Allocator		Gross	Net		
Quarter		3.68	3.60	3.78	3.61
1 year		10.47	10.14	10.66	12.24
Since 9/30/2002		14.56	14.22	15.04	16.72
Since 3/31/2002		2.01		2.40	3.79

INVESCO		Your Returns		MSCI EAFE Net
International		Gross	Net	
Quarter		9.93	9.75	10.38
1 year		24.45	23.66	25.79
Since 1/31/2004		17.03	16.36	16.69

ALLEGIANCE CAPITAL		Your Returns		LB Int. Aggregate	LB Aggregate	LB Int. Gov/Credit
Fixed Income		Gross	Net			
Quarter		(0.51)	(0.57)	(0.39)	(0.68)	(0.52)
1 year		2.82	2.57	2.23	2.80	1.48
Since 5/31/2003		2.45	2.21	2.49	2.62	1.73

STANDISH MELLON		Your Returns		LB Aggregate	LB Int. Aggregate	LB Int. Gov/Credit
Fixed Income		Gross	Net			
Quarter		(0.48)	(0.55)	(0.68)	(0.39)	(0.52)
1 year		3.29	2.99	2.80	2.23	1.48
Since 9/30/2002		3.98		3.96	3.52	3.36

MUNDER CAPITAL		Your Returns		LB Aggregate	LB Int. Aggregate	LB Int. Gov/Credit
Fixed Income		Gross	Net			
Quarter		(0.52)	(0.58)	(0.68)	(0.39)	(0.52)
1 year		3.37	3.11	2.80	2.23	1.48
Since 9/30/2002		3.89	3.58	3.96	3.52	3.36

TOTAL FUND *		Your Returns		Total Fund Index
		Gross	Net	
Quarter		3.34	3.22	2.86
1 year		10.58	10.14	10.89
Since 9/30/2002		12.57	12.12	12.71
3 year		12.57	12.12	12.71
5 year				
Since 6/30/1995				

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