

YOUR PENSION MATTERS

3/31/11

End of 2nd Quarter – FY 2010 - 2011

by: Chief Paul O'Connell
Wilton Manors Police
Board Chairperson
6/20/11

“Do not be afraid to go out on a limb. That is where the fruit is!”
H. Jackson Browne

Same job; new environment: As you can see by the new title shown above, I have a new job. I now work for the Wilton Manors Police Department as its Chief of Police. I have a huge challenge ahead of me as I work to right a ship that has gone off course. The good news is that I can and will continue to serve on your Pension Board of Trustees as long as you will have me. My longevity on the Board is up to you. My dedication to the Board is up to me and I have not and will not wavier from my belief that this service is both meaningful and rewarding. I look forward to continuing this service to the Board of Trustees.

The **Fifth Annual Pension Educational Symposium** was held April 28 – April 30, 2011. This was, without a doubt, the most successful and well attended Symposium we have ever held. It was a great success based on the response we received from those in attendance and from the money managers who attended and presented to the Board. In fact, retired FF Don Washington and his wife, Gloria, came all the way from Georgia to attend each and every session over this three-day event. In addition, over a dozen other members (retired and active) attended various sessions throughout the event. We all learned a lot of new information. For example, our keynote speaker was Milton Ezrati, a Senior Economic Strategist for Lord Abbett (our large cap value manager). Mr. Ezrati has made hundreds of appearances on MSNBC and other financial network outlets throughout the US and Europe. He shared with us his views of the Middle East and the disaster in Japan and how those events may impact our investment strategy. It was an eye-opener!

Here are some other things we learned from our consultant and the other money managers in attendance:

First: remember what we wrote from last year’s symposium? *Almost like clockwork, the remainder of 2009 was an investor’s dream come true. The Fund saw some of its investment portfolio increase over 50% (just to name a few, Lord Abbett, our Large Cap Value +55% over the last 12 months, Sands Capital, our Large Cap Growth +69% over the last 12 months and RBC Global, our Mid Cap Value +62% over the 12 months). As a Fund, we grew from a 2009 low of \$134 million to just over \$173 million. In 2010 and into 2011, the Fund continues to climb out of the deep hole created by the Great Recession of 2008 – 2009. Looking forward, our managers indicated that growth will be sustained through the rest of the year, but the growth will be subdued. In other words, slow and steady we will climb out of the hole. As of March 31, 2011, the Fund stands at \$192 million as reported by our consultant. That puts us just about where we were before the recession. However, we cannot ignore the fact that the Fund is still “under funded” as we stand at approximately 70% “fully-funded.”*

No doubt you have heard some of the rhetoric in the media and from our politicians regarding public pension systems and the concept of “under funded” systems. Perhaps we should counter the fear mongers and their

words of panic with some true facts. Most of us have a mortgage on the house in which we live. In effect, that mortgage represents the exact same concept of “under funded.” In other words, if your mortgage is not paid off, it is “under funded.” The key for both home mortgages and pension systems (private or public) is to continue to make timely payments to the bank or into the system so that eventually and respectively, the note will be paid off so the pension system will remain solvent. Many pension systems throughout the country got into trouble because those required periodic payments stopped. That has not been the case in Florida because our Constitution mandates every public pension system reach “actuarial soundness” each year as determined by the actuary. Other public pension systems throughout the country did not have this mandate and that was why those systems faltered.

Welcome to David Hall our new Pension Board Trustee: The Pompano Beach City Commission appointed David Hall to our Board of Trustees. David is a long-time resident of Pompano Beach and a strong supporter of the public safety sector. He comes to us with years of experience in the world of finance as he is Vice-President of US Premium Finance

Condolences: Please join us in sending condolences to firefighter retiree Michael Valerga on the death of his wife. Mary Valerga lost her battle with cancer on April 11th.

ETF – Exchange Traded Funds – some of our members have asked, “What are they?” ETFs are mutual funds traded on a stock exchange throughout the trading day, just like a stock. Thus, the price of an ETF is subject to fluctuation throughout the trading day unlike a mutual fund whose price is set once a day; at the end of the trading day. ETFs have low annual expenses, but you usually must pay a commission to trade them. Most ETFs are index funds tracking either a broad or focused baskets of stocks, bonds or commodities. ETFs are best for low-cost investment in broad indexes or for riskier bets on a single country, region or commodity.

These types of investments have been popular lately because they charge lower fees than a mutual fund and offer a wider swath of the market. However, because they are part of the investment world, they also carry the financial risks of the investment world. This type of investment is a distant second to traditional mutual funds when it comes to amounts invested. There is currently \$10 trillion invested in mutual funds, compared to approximately \$1 trillion invested in ETFs.

As always, do your homework before jumping in! Both Vanguard and Fidelity offer a wide variety of ETF products. It is best to consult with your respective financial advisor before investing your money in this type of investment vehicle; or for that matter, any type of investment.

Your Retirement System does not invest in ETFs because we believe we have the proper balance of stocks and bonds; 65% v. 35% respectively. In addition, the managers whom we have hired actively select stocks and bonds that are targeted to outperform passive index funds when adjusted for risk. These same fund managers are required to sign onto our investment policy statements and are held accountable to the Board for their investment actions. We have also diversified our holdings to include real estate (both REIT and core), hedge funds (listed under a bond investment because of its low volatility) and private equity investments. Again, diversification is the key to a balanced portfolio and helps us weather the storms that lie ahead of us.

Please enjoy your summer!!

In the meantime, stay safe and stay in touch!

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2011

Distribution of Assets:		
Equity		
-Large Cap. Value	\$30,485,875	
-Large Cap. Growth	\$23,863,327	
-Large Cap. Core	\$19,504,565	
-Mid Cap. Value	\$10,975,737	
-Small/Mid Cap. Growth	\$11,026,693	
-International Value	\$9,451,051	
-International Growth	\$10,244,803	
Total Equity	\$115,552,051	
Fixed Income	\$45,247,145	
Real Estate (REIT)	\$4,656,451	
Private Real Estate	\$7,461,639	
Fund of Hedge Funds	\$17,223,012	
Private Equity	\$763,826	
Cash (Non-Managed Account)	\$1,687,871	
Total Portfolio	\$192,591,995	

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	15.83%
-Large Cap. Growth	10.00%	12.39%
-Large Cap. Core	10.00%	10.13%
-Mid Cap. Value	5.00%	5.70%
-Small/Mid Cap. Growth	5.00%	5.73%
-International Value	5.00%	4.91%
-International Growth	5.00%	5.32%
Total Equity	55.00%	60.00%
Fixed Income	25.00%	23.49%
Real Estate (REIT)	2.50%	2.42%
Private Real Estate	5.00%	3.87%
Fund of Hedge Funds	10.00%	8.94%
Private Equity	2.50%	0.40%
Cash (Non-Managed Account)	0.00%	0.88%
Total Portfolio	100.00%	100.00%

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,536,726
Gain or (Loss)		\$60,627
Ironwood Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,296,263
Gain or (Loss)		\$189,297
Pine Grove Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$6,390,023
Gain or (Loss)		\$93,611
INVESCO (REIT)		
REIT	100.00%	\$4,656,451
Fees		(\$8,420)
Gain or (Loss)		\$281,806
INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$4,461,639
Fees		(\$11,790)
Gain or (Loss)		\$155,943
MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$1,687,871
Gain or (Loss)		\$200
OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Fees		\$0
Gain or (Loss)		(\$14,933)
NB Crossroads (Private Equity)		
Total Assets	100.00%	\$763,826
Fees		\$0
Gain or (Loss)		\$193,236

Other Important Facts:		
Total Portfolio		\$192,591,995
Total Gain or (Loss) - Gross of Fees		\$7,173,101
LORD ABBETT		
Total Assets	100.00%	\$30,485,875
Equity	97.08%	\$29,594,972
Cash	2.92%	\$890,903
Fees		(\$43,752)
Gain or (Loss)		\$1,549,491
SANDS CAPITAL MANAGEMENT		
Total Assets	100.00%	\$23,863,327
Equity	99.27%	\$23,690,235
Cash	0.73%	\$173,091
Fees		(\$35,081)
Gain or (Loss)		\$1,064,176
CORNERSTONE		
Total Assets	100.00%	\$19,504,565
Equity	98.30%	\$19,172,017
Cash	1.70%	\$332,547
Fees		(\$29,676)
Gain or (Loss)		\$901,396
RBC GLOBAL		
Total Assets	100.00%	\$10,975,737
Equity	98.38%	\$10,797,552
Cash	1.62%	\$178,185
Fees		(\$17,619)
Gain or (Loss)		\$800,991
WELLS		
Total Assets	100.00%	\$11,026,693
Equity	97.67%	\$10,769,658
Cash	2.33%	\$257,035
Fees		(\$21,416)
Gain or (Loss)		\$1,099,103
INVESCO (International Value)		
Total Assets	100.00%	\$9,451,051
Equity	96.41%	\$9,111,497
Cash	3.59%	\$339,555
Fees		(\$15,208)
Gain or (Loss)		\$97,851
RENAISSANCE (International Growth)		
Total Assets	100.00%	\$10,244,803
Equity	98.91%	\$10,132,977
Cash	1.09%	\$111,826
Fees		(\$16,036)
Gain or (Loss)		\$452,554
STANDISH MELLON		
Total Assets	100.00%	\$21,555,929
Fixed	98.53%	\$21,238,669
Cash	1.47%	\$317,260
Fees		(\$16,220)
Gain or (Loss)		\$125,113
MUNDER CAPITAL MANAGEMENT		
Total Assets	100.00%	\$21,289,761
Fixed	73.63%	\$15,676,456
Cash	26.37%	\$5,613,304
Fees		(\$14,379)
Gain or (Loss)		\$101,109
MUNDER - OTHER ASSETS		
Total Assets	100.00%	\$2,401,455
Fixed	82.91%	\$1,991,134
Cash	17.09%	\$410,321
Fees		\$0
Gain or (Loss)		\$21,530

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of March 31, 2011

TRADITIONAL INVESTMENTS

LORD ABBETT		Your Returns		Russ 1000 Value	PSN Money Mgrs.	S&P 500
Large Cap. Value		Gross	Net			
	Quarter	5.20	5.20	6.46	6.34	5.92
	1 year	14.58	14.06	15.16	15.07	15.65
	3 year	1.83	1.26	0.61	2.59	2.35
	5 year	2.41	1.83	1.37	2.94	2.62
	Since 10/31/2004	4.40	3.83	4.39	NA	4.65
	<i>Lord Abbett/Boston - Since 9/30/2002</i>	8.11		8.55	8.95	8.01
	<i>Lord Abbett/Boston - Since 6/30/1995</i>	7.84		8.69	9.25	7.74
SANDS CAPITAL				Russ 1000 Growth	PSN Money Mgrs.	
Large Cap. Growth						
	Quarter	4.55	4.55	6.02	6.20	
	1 year	28.35	27.79	18.25	18.13	
	3 year	12.76	12.16	5.19	4.43	
	5 year	6.83	6.26	4.34	4.19	
	Since 5/31/2003	10.44	9.85	6.68	NA	
CORNERSTONE				S&P 500	PSN Money Mgrs.	
Large Cap. Core						
	Quarter	4.85	4.85	5.92	6.16	
	1 year	11.98	11.50	15.65	15.62	
	Since 1/31/2009	23.32	22.69	27.16	NA	
RBC GLOBAL				Russ Mid Value	PSN Money Mgrs.	
Mid Cap. Value						
	Quarter	7.77	7.60	7.44	6.32	
	1 year	25.66	24.82	22.29	17.97	
	Since 1/31/2009	35.07	34.25	37.89	NA	
WELLS				Russ 2500 Growth	PSN Money Mgrs.	
Small/Mid Cap. Growth						
	Quarter	10.93	10.93	9.83	9.38	
	1 year	39.09	38.18	30.07	30.11	
	Since 1/31/2009	44.58	43.61	41.85	NA	
INVESCO				MSCI EAFE Net		
International Value						
	Quarter	1.05	1.05	3.37		
	1 year	5.05	4.53	10.43		
	3 year	(1.33)	(1.96)	(3.02)		
	5 year	1.57	0.95	1.30		
	Since 1/31/2004	6.50	5.86	6.51		
RENAISSANCE				MSCI AC Wld x US		
International Growth						
	Quarter	4.62	4.62	3.40		
	1 year	15.22	14.66	13.15		
	Since 1/31/2009	28.04	27.43	30.61		
STANDISH MELLON				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
Fixed Income						
	Quarter	0.58	0.58	0.42	0.48	0.34
	1 year	5.97	5.73	5.12	4.76	4.63
	3 year	5.64	5.35	5.30	5.17	4.49
	5 year	5.99	5.70	6.02	5.96	5.69
	Since 4/30/2003	4.84	4.51	4.79	4.68	4.36
MUNDER CAPITAL				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
Fixed Income						
	Quarter	0.48	0.48	0.42	0.48	0.34
	1 year	4.98	4.77	5.12	4.76	4.63
	3 year	5.96	5.71	5.30	5.17	4.49
	5 year	6.50	6.26	6.02	5.96	5.69
	Since 9/30/2002	5.20	4.94	4.92	4.77	4.53

ALTERNATIVE INVESTMENTS

INVESCO					
REIT		Gross	Net	NAREIT	
	Quarter	6.43	6.24	7.49	
	1 year	22.16	21.48	25.00	
	3 year	3.72	3.07	2.63	
	Since 6/30/2006	3.22	2.52	2.13	
INVESCO					
Private Real Estate				NCREIF/BC AGG	NCREIF ODCE
	Quarter	3.62	3.34	0.42	4.01
	1 year	19.27	18.38	12.74	20.13
	3 year	(9.29)	(9.51)	(4.55)	(8.95)
	Since 7/31/2006	(2.70)	(2.85)	2.21	NA
OFFICE BUILDING					
Private Real Estate				BC Aggregate	90-Day T-Bill
	Quarter	(0.50)	(0.50)	0.42	0.03
	1 year	6.03	6.03	5.12	0.14
	3 year	(10.67)	(10.67)	5.30	0.38
	Since 3/31/2007	(7.04)	(7.04)	5.88	1.16
UBP					
Fund of Hedge Funds				HFRI FOF Cons	
	Quarter	1.11	1.11	1.38	
	1 year	5.17	5.17	4.73	
	Since 4/30/2008	(1.29)	(1.29)	(1.46)	
Ironwood					
Fund of Hedge Funds				HFRI FOF Cons	
	Quarter	3.71	3.71	1.38	
	1 year	10.42	10.42	4.73	
	Since 7/31/2008	(1.41)	(1.41)	(1.32)	
Pine Grove					
Fund of Hedge Funds				HFRI FOF Cons	
	Quarter	1.49	1.49	1.38	
	1 year	5.93	5.93	4.73	
	Since 9/30/2008	6.18	6.18	1.34	
Neuberger Berman					
Private Equity					
	Quarter	38.97	38.97		
	Since 3/31/2010	(30.79)	(30.79)		
TOTAL FUND				Policy Index	Composite Index
	Quarter	3.86	3.73	3.82	4.10
	1 year	14.20	13.64	12.84	13.18
	3 year	5.42	4.93	3.98	4.81
	5 year	4.75	4.28	4.39	4.95
	Since 9/30/2002	7.74	7.28	7.71	8.03
	Since 6/30/1995	7.03			

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.