

YOUR PENSION MATTERS
12/31/10
End of 1st Quarter FY 2010 - 2011

By: Chief Paul O'Connell
Board Chairperson, 2/23/11

"In the business world, the rear view mirror is always clearer than the windshield."
Warren Buffett

Board Trustee Ernie Lee – Just after Christmas of 2010 we received word that Board Trustee Ernie Lee passed away. It was indeed very sad news. Ernie, a City Commission appointee, was an energetic member of the Board. A retired businessman from New York City and former Navy Sailor (US Submarine Fleet serving during the Korean War), he brought to the table his business common sense and, perhaps more important, a great sense of humor. In the aftermath of Hurricane Wilma, which decimated our Pension Offices, Ernie made arrangements with the Pompano Elks Club for us to hold our Board meetings at their facility. For the next three years the Elks hosted our Board of Trustees meetings and gatherings. Ernie will be missed. Our condolences go out to his wife, Carol, and the entire Lee Family.

ALL EYES ON TALLAHASSEE – As we have reported in past newsletters, the war drums are beating in Tallahassee as the Legislature begins its debate on the dismantling of public employee pensions as we have come to know and understand them. Keep your attention focused on your respective Representative / State Senator and how they vote on those bills coming from the House or Senate Floor. We need to hold them accountable!

Final Order of Forfeiture – At our January meeting the Board of Trustees adopted the Final Order of Forfeiture regarding the Deputy Sam Sirico case. Deputy Sirico has appealed this Order to the 4th District Court of Appeals. As written to you in an earlier newsletter, this was a very difficult decision that weighed heavily on the Trustees. Should anyone wish to read the Order, simply call or stop by our pension office in the Bank of America Building on East Atlantic Blvd. The document is a public record.

Honeywell CEO, David Cote stated the following, "I am very supportive of both points made in the Treasury Secretary's letter. First, the U.S. is the world's reserve currency and it is extremely important that the people who loan us money can trust us. Maintaining that trust is essential and it will require the U.S. to raise its debt limit. Second, that putting our country on a fiscally responsible path is equally as important. The implications for not doing so are enormously negative for the economy. With the prospect of annual trillion dollar interest payments ten years from now, we cannot ignore Secretary Geithner's admonition regarding the creation of a fiscally responsible path. This will require the President and the Congress, Republicans and Democrats to work together for the good of the country, now and over the long term." **QUESTION:** Will the Washington politicians have the courage to rein-in the out of control spending? This will be one of the many topics of discussion at our **Annual Symposium to be held April 28 – 30** at the Deerfield Beach Embassy Suites. In addition to current events (impact of Middle East events), this forum will also feature reports from all of our money managers. Each investment manager will give a presentation of how they performed in 2010, how they are doing in 2011 and where they think the economy is headed. On Thursday, 4/28 our Bond investment managers will report to the Board. On Friday, 4/29 all of our Equity investment managers will give their

reports. Finally, on Saturday, 4/30 our alternative investment managers will summarize their respective performance. Of course, this schedule is subject to change depending on availability and time management issues (please consult our web page for the latest updates). This event is a great education for all of us as we continue to navigate the rough waters of the investment world. As are all of our Board meetings, this Symposium is open to the public. We encourage you to attend, so mark this on your calendar!

First Quarter Performance – As you review the performance numbers for the last quarter of the 2010 calendar year or the end of the first quarter for the Fund’s **FY 10-11**, I am sure you will see a “mixed bag.” The good news is that our Fund continues to climb out of the deep hole caused by the **Great Recession** of 2008 - 2009. The Fund’s performance for the last quarter and for the entire calendar year of 2010 has been nothing less than spectacular (+7.56% and 14.67%, respectively). The bad news is the funding deficit hole is both deep and wide, see returns for the past 3 and 5 years (+2.02 & + 4.51%). This is a challenge that is shared by many, if not all pension funds throughout the country. We read news articles from throughout the country of many public employee DB Plans falling to the wayside. Abandoning DB plans may be a short term solution to what some believe is a long term funding challenge. However, that kind of thinking is short sighted. DB plans provide the kind of financial security we need in our retirement years. DC plans simply shift the burden onto the shoulders of each individual to make sound retirement planning decisions and those financial decisions related to that planning. In effect, a DC plan will shift the risk of lifetime retirement adequacy to the retiree, who, if blessed with a long life, could well run out of money. It has been proven over and over again that a substantial majority of Americans simply do not have the ability to make these kinds of decisions. Prudent reliance on investment experts simply makes for prudent decision making. Please note that all returns quoted above are gross-of-fees returns.

FY 2009 – 2010 Audit Report – Our annual audit report was released to and adopted by the Board of Trustees at our January meeting. Here is a summary of that report which is available, in its entirety, at our Pension Office and on our website. For FY ending 9/30/10, the Fund showed a membership with **51 active police officers, 150 active firefighters and 347 benefit recipients**. During the FY the Fund grew by \$14.2 million and ended at \$181.2 million. The fund’s return, net of fees was 9.3% which exceeded its target rate of return of 8.3%. As of 9/30/08 our Funding Ratio was 76% funded and as of 9/30/09 (after the effects of the Great Recession) our Funding Ratio was 71.9% (showing a funding deficit of 24% and 28.2% respectively). Although the return for FYE 2010 was a move in the right direction, we still have work to do.

Note to the DROP members participating in the self-directed program: The Victory Special Value Fund is being replaced because it no longer meets our investment criteria. On February 22 the Board voted to substitute that fund with the Aston Optimum Mid Cap Core Equity Fund (trade symbol ABMIX). If you are invested in the Victory fund, your balance will be switched to the Aston fund automatically.

In our next newsletter we will write to you about the **5th Annual Symposium** and review the highlights of that event. It would be better if you attended and got the information first hand. However, we know and understand the pressures of every day living and “paying the bills.” If you can make it, you will **NOT** be disappointed! If you cannot make it, we will summarize the highlights in our next newsletter.

In the meantime, please stay safe and stay in touch!

IMPORTANT NOTICE

This issue of *Your Pension Matters* newsletter will be the last one that will be mailed to everyone automatically. We have generated an email distribution list and future issues will be emailed to everyone on that list. If you do not have email, please call the Pension Office at 954-782-4161 to request to be on the list to receive a hard copy.

Because this issue is also being sent via email, please check to make sure that you received it in your "inbox" rather than your "junk" mailbox. We suggest that you make sure that Glenda@pbpfrs.org and BHall@pbpfrs.org are on your "safe senders" list. If you have an email address but did not receive this newsletter via email, please call the Pension Office to report the problem and we will update our records. It's possible that we do not have a current email address on file for you.

This change is being made in an effort to go "green" by using less paper and to cut costs. However, we recognize that there are those of you who will still want to receive a hard copy and we will accommodate those requests.

SUMMARY OF RELEVANT FACTS
Pompano Beach Police & Firefighters' Retirement System
As of December 31, 2010

Distribution of Assets:		
Equity		
-Large Cap. Value	\$29,836,318	
-Large Cap. Growth	\$23,399,150	
-Large Cap. Core	\$18,603,168	
-Mid Cap. Value	\$10,324,717	
-Small/Mid Cap. Growth	\$10,077,591	
-International Value	\$9,353,690	
-International Growth	\$9,792,773	
Total Equity	\$111,387,408	
Fixed Income	\$44,998,172	
Real Estate (REIT)	\$4,383,064	
Private Real Estate	\$7,317,486	
Fund of Hedge Funds	\$16,870,868	
Private Equity	\$324,589	
Cash (Non-Managed Account)	\$1,067,433	
Total Portfolio	\$186,349,020	

Distribution by Percentages:	Policy	Current
Equity Breakdown		
-Large Cap. Value	15.00%	16.01%
-Large Cap. Growth	10.00%	12.56%
-Large Cap. Core	10.00%	9.98%
-Mid Cap. Value	5.00%	5.54%
-Small/Mid Cap. Growth	5.00%	5.41%
-International Value	5.00%	5.02%
-International Growth	5.00%	5.26%
Total Equity	55.00%	59.77%
Fixed Income	25.00%	24.15%
Real Estate (REIT)	2.50%	2.35%
Private Real Estate	5.00%	3.93%
Fund of Hedge Funds	10.00%	9.05%
Private Equity	2.50%	0.17%
Cash (Non-Managed Account)	0.00%	0.57%
Total Portfolio	100.00%	100.00%

UBP Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,476,666
Gain or (Loss)		\$169,252
Ironwood Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$5,097,790
Gain or (Loss)		\$198,148
Pine Grove Fund of Hedge Fund		
Fund of Hedge Fund	100.00%	\$6,296,412
Gain or (Loss)		\$177,365
INVESCO (REIT)		
REIT	100.00%	\$4,383,064
Fees		\$0
Gain or (Loss)		\$251,741
INVESCO (Private Real Estate)		
Private Real Estate	100.00%	\$4,317,486
Fees		\$0
Gain or (Loss)		\$148,124
MAIN ACCOUNT (NON-MANAGED)		
Cash	100.00%	\$1,067,433
Gain or (Loss)		\$204
OFFICE BUILDING		
Total Assets	100.00%	\$3,000,000
Fees		\$0
Gain or (Loss)		(\$8,301)
NB Crossroads (Private Equity)		
Total Assets	100.00%	\$324,589
Fees		\$0
Gain or (Loss)		(\$83,406)

Other Important Facts:		
Total Portfolio		\$186,349,020
Total Gain or (Loss) - Gross of Fees		\$12,934,876

LORD ABBETT		
Total Assets	100.00%	\$29,836,318
Equity	98.23%	\$29,307,568
Cash	1.77%	\$528,751
Fees		(\$39,500)
Gain or (Loss)		\$3,486,651

SANDS CAPITAL MANAGEMENT		
Total Assets	100.00%	\$23,399,150
Equity	99.50%	\$23,281,970
Cash	0.50%	\$117,180
Fees		(\$31,781)
Gain or (Loss)		\$3,255,325

CORNERSTONE		
Total Assets	100.00%	\$18,603,168
Equity	97.10%	\$18,063,298
Cash	2.90%	\$539,870
Fees		(\$27,429)
Gain or (Loss)		\$1,538,020

RBC GLOBAL		
Total Assets	100.00%	\$10,324,717
Equity	96.23%	\$9,935,104
Cash	3.77%	\$389,613
Fees		(\$15,766)
Gain or (Loss)		\$1,461,363

WELLS		
Total Assets	100.00%	\$10,077,591
Equity	95.57%	\$9,631,439
Cash	4.43%	\$446,152
Fees		(\$18,367)
Gain or (Loss)		\$1,414,272

INVESCO (International Value)		
Total Assets	100.00%	\$9,353,690
Equity	98.47%	\$9,210,536
Cash	1.53%	\$143,154
Fees		(\$14,302)
Gain or (Loss)		\$574,729

RENAISSANCE (International Growth)		
Total Assets	100.00%	\$9,792,773
Equity	99.11%	\$9,705,966
Cash	0.89%	\$86,807
Fees		(\$14,573)
Gain or (Loss)		\$902,240

STANDISH MELLON		
Total Assets	100.00%	\$21,429,585
Fixed	99.40%	\$21,301,779
Cash	0.60%	\$127,807
Fees		(\$16,185)
Gain or (Loss)		(\$274,069)

MUNDER CAPITAL MANAGEMENT		
Total Assets	100.00%	\$21,188,662
Fixed	78.37%	\$16,605,696
Cash	21.63%	\$4,582,966
Fees		(\$14,363)
Gain or (Loss)		(\$249,826)

MUNDER - OTHER ASSETS		
Total Assets	100.00%	\$2,379,925
Fixed	87.70%	\$2,087,233
Cash	12.30%	\$292,692
Fees		\$0
Gain or (Loss)		(\$26,956)

BREAKDOWN OF RETURNS
Pompano Beach Police & Firefighters' Retirement System
As of December 31, 2010

TRADITIONAL INVESTMENTS

LORD ABBETT		Your Returns				
<i>Large Cap. Value</i>		Gross	Net	Russ 1000 Value	PSN Money Mgrs.	S&P 500
	Quarter	13.15	12.98	10.54	10.23	10.76
	1 year	19.20	18.49	15.51	14.36	15.06
	3 year	(2.98)	(3.58)	(4.42)	(2.32)	(2.86)
	5 year	2.49	1.89	1.27	2.79	2.29
	Since 10/31/2004	3.72	3.12	3.52	NA	3.87
	<i>Lord Abbett/Boston - Since 9/30/2002</i>	7.70		8.00	8.47	7.51
	<i>Lord Abbett/Boston - Since 6/30/1995</i>	7.62		8.40	9.06	7.47
SANDS CAPITAL						
<i>Large Cap. Growth</i>				Russ 1000 Growth	PSN Money Mgrs.	
	Quarter	15.53	15.36	11.84	11.72	
	1 year	27.10	26.35	16.72	16.20	
	3 year	5.04	4.43	(0.47)	(1.08)	
	5 year	5.60	5.00	3.76	3.94	
	Since 5/31/2003	10.15	9.54	6.09	NA	
CORNERSTONE						
<i>Large Cap. Core</i>				S&P 500	PSN Money Mgrs.	
	Quarter	9.01	8.84	10.76	10.75	
	1 year	13.12	12.42	15.06	14.80	
	Since 1/31/2009	23.65	22.94	27.33	NA	
RBC GLOBAL						
<i>Mid Cap. Value</i>				Russ Mid Value	PSN Money Mgrs.	
	Quarter	15.85	15.66	12.24	11.33	
	1 year	26.72	25.86	24.76	20.09	
	Since 1/31/2009	35.09	34.28	38.51	NA	
WELLS						
<i>Small/Mid Cap. Growth</i>				Russ 2500 Growth	PSN Money Mgrs.	
	Quarter	16.32	16.09	16.00	17.03	
	1 year	36.09	34.90	28.87	28.40	
	Since 1/31/2009	43.70	42.62	41.38	NA	
INVESCO						
<i>International Value</i>				MSCI EAFE Net		
	Quarter	6.55	6.38	6.62		
	1 year	5.32	4.68	7.74		
	3 year	(5.24)	(5.90)	(7.02)		
	5 year	2.95	2.29	2.46		
	Since 1/31/2004	6.59	5.92	6.24		
RENAISSANCE						
<i>International Growth</i>				MSCI AC Wld x US		
	Quarter	10.15	9.97	7.20		
	1 year	9.64	8.97	11.16		
	Since 1/31/2009	29.16	28.46	32.90		
STANDISH MELLON						
<i>Fixed Income</i>				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
	Quarter	(1.26)	(1.34)	(1.30)	(0.75)	(1.44)
	1 year	7.16	6.86	6.54	6.15	5.89
	3 year	6.17	5.86	5.90	5.82	5.41
	5 year	5.74	5.43	5.80	5.81	5.53
	Since 4/30/2003	4.92	4.58	4.90	4.77	4.46
MUNDER CAPITAL						
<i>Fixed Income</i>				BC Aggregate	BC Int. Aggregate	BC Int. Gov/Credit
	Quarter	(1.17)	(1.23)	(1.30)	(0.75)	(1.44)
	1 year	6.35	6.07	6.54	6.15	5.89
	3 year	6.62	6.35	5.90	5.82	5.41
	5 year	6.31	6.07	5.80	5.81	5.53
	Since 9/30/2002	5.30	5.03	5.02	4.86	4.63

ALTERNATIVE INVESTMENTS

INVESCO					
REIT					
		Gross	Net	NAREIT	
	Quarter	6.09	6.09	7.43	
	1 year	24.18	23.48	27.93	
	3 year	2.54	1.91	0.65	
	Since 6/30/2006	1.98	1.29	0.62	
INVESCO					
Private Real Estate					
				NCREIF Property	NCREIF ODCE
	Quarter	3.55	3.55	4.62	4.99
	1 year	14.40	13.85	13.12	16.36
	3 year	(9.97)	(10.11)	(4.18)	(9.73)
	Since 7/31/2006	(3.62)	(3.73)	2.24	NA
OFFICE BUILDING					
Private Real Estate					
				BC Aggregate	90-Day T-Bill
	Quarter	(0.28)	(0.28)	(1.30)	0.03
	1 year	(1.82)	(1.83)	6.54	0.14
	3 year	(10.19)	(10.41)	5.90	0.51
	Since 3/31/2007	(7.36)	(7.55)	6.17	1.23
UBP					
Fund of Hedge Funds					
				HFRI FOF Cons	
	Quarter	3.19	3.19	2.58	
	1 year	5.81	5.81	5.05	
	Since 4/30/2008	(1.81)	(1.81)	(2.10)	
Ironwood					
Fund of Hedge Funds					
				HFRI FOF Cons	
	Quarter	4.04	4.04	2.58	
	1 year	8.95	8.95	5.05	
	Since 7/31/2008	(3.09)	(3.09)	(2.02)	
Pine Grove					
Fund of Hedge Funds					
				HFRI FOF Cons	
	Quarter	2.90	2.90	2.58	
	1 year	6.91	6.91	5.05	
	Since 9/30/2008	6.19	6.19	0.87	
Neuberger Berman					
Private Equity					
	Quarter	(32.50)	(32.50)		
	Since 3/31/2010	(50.20)	(50.20)		
TOTAL FUND					
				Policy Index	Composite Index
	Quarter	7.42	7.31	6.27	6.53
	1 year	14.36	13.80	13.20	13.29
	3 year	1.80	1.33	0.89	1.72
	5 year	4.36	3.90	4.24	4.80
	Since 9/30/2002	7.49	7.03	7.46	7.76
	Since 6/30/1995	6.89			

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.