

# YOUR PENSION MATTERS

## 3/31/20

### End of 2<sup>nd</sup> Quarter – FY 2019 - 2020

by: Chief Paul O'Connell  
Board Chairperson  
5/22/20

*"It is better to be divided by truth than united in error. It is better to speak truth that hurts than heals, than falsehoods that comfort and then kills."*

**Adrian Rogers**

The above quote will help each of us "keep our eye on the ball" as we enter the most intense part of the 2020 election cycle. Fasten your seatbelts! The table has been set for this coming battle as Trump will face off against former V.P. Joe Biden (pending his formal nomination at the DNC Convention in Milwaukee this coming July).

As a reminder of past challenges let us remember that in the days ahead we will recognize that this year (2020) democracy will celebrate the **75<sup>th</sup> Anniversary of V-E Day and V-J Day**. Indeed, against all odds the USA entered the War late and turned the tide. Europe was turned into a wasteland and much of Asia was the same. Yet, the USA led the way out of the carnage and into the dawn of a new way of life. By no means was it a perfect road that was built; but it was successful in that evil was defeated and the world rebuilt itself from the ashes! We believe **Warren Buffet** was correct in his investment outlook statement given during an interview over the weekend of May 2 & 3, 2020; *"don't bet against the USA."* In other words, right now we are in crisis, but this too shall pass, and we will emerge stronger! Certainly what is different in the current health crisis from past crises is our health experts who are working around the clock for a COVID – 19 vaccine. That will be the "magic bullet" which will launch the world into a strong recovery.

**"March Madness"** about which we wrote in the 3/16/20 Special Edition of "Your Pension Matters" was a bloodbath as you will read in the investment report shown herein. However, both April and May saw a significant rebound as the markets captured much (but not all) of what was lost. For the record; *the first quarter of 2020 was the fastest onset of a bear market in our history*. It was no surprise as much of the nation went into "lockdown" in an effort to break the pandemic. Remember, 70% of our economy is generated by consumer spending and a huge part of that spending disappeared over night!

This crisis was (and is) very different from the *Great Recession of 2008-2009*. That recession was from **"the inside out"** while the current crisis is from **"the outside in."** What we mean by this is that the banking crisis and outright fraud were key catalysts in the Great Recession (*from the inside out*). The current crisis is from *the outside in* (from Asian origin and spreading to the rest of the world; hitting the USA the hardest). Indeed, the mayhem of March was horrific. But in April and in May we witnessed a market rebound; perhaps seeds for a rebound and hopes that the worst is behind us as America slowly opens up for business again. The big question.....will there be a Part Two to COVID-19 in late summer or early fall? We can only hope that: 1) people continue to practice social

distancing and 2) our medical people find the elusive and permanent fix to COVID-19.

We wrote about the “**oil price war**” between Saudi Arabia and Russia in that special edition and that war continues unabated as Saudi Arabia floods the market with an oversupply of oil (last reading: an oversupply of 25 million barrels a day!!). Guess who the victim became? American oil companies and shale oil drillers were the collateral damage of this war because the price of oil at \$20 – 25 / barrel means these companies are losing money for each barrel they produce. How long the smaller drillers can survive working in the red becomes a case by case ordeal as these companies search for liquidity through the credit markets. Unfortunately, little or no help from Washington has come to their rescue as the focus of the **relief bill (\$2 Trillion)** was focused more on the unemployed (which surged by over 20 million!!), the travel/entertainment sectors and medical relief.

Switching gears: **Credit Card Debt:** are you carrying too much credit card debit? There may be a **SMART** way out from under this expensive burden. George Dorian created this acronym as a method to escape the nightmare of this *most expensive form of debit*.

**WHAT IT MEANS TO BE SMART:** As originally laid out by Doran, the **SMART** acronym calls for goals to be specific, measurable, assignable, realistic and time-related. Here’s how to apply it to credit card debt:

**Specific:** Define exactly what you want to accomplish and how you will do it. You should set a different strategy for each of your credit cards. Identify the card with the highest interest rate and prioritize that as first on your list. Budget monthly to pay down the debt and stick to the plan!!

**Measureable:** Track your progress. You could do so with pen and paper, a spreadsheet, an app or whatever works for you. Google may be a great place to start as you search for budget tools.

**Assignable:** Make clear where responsibility lies at each step. This is especially relevant if you’re paying down debt with a partner. (Some modern versions of SMART replace “assignable” with “achievable,” meaning the goal should be **realistic**.)

**Realistic:** Set goals that are achievable with the resources available. You can dream big, but the smaller steps that lead up to that dream should be within reach. At this stage, stop using credit cards while paying down debt to get results. (Some versions replace “realistic” with “relevant,” meaning the goal is worth pursuing.)

**Time-related:** Set a deadline. The timeline should be based on what you can do, not just your desires. Again, self-discipline is critical!

**NEXT..... Federal Income Taxes: OK....your tax return has been filed, what is the verdict on the true sharing of the cost of government?** You will recall in a past newsletter (March 2019) to you that we reviewed Federal Income Tax and who shares the greatest burden. Below is that information from **tax year 2016:**

- The **top 1% of taxpayers** paid 37.3% of all federal income taxes in 2016. A top 1% taxpayer was one who earned at least \$480,804 (AGI) in 2016.

- The **highest 5%**, each of whom had an AGI of \$197,651 or higher in 2016, paid 58.2% of the total income tax collected in 2016.
- The **top 10%** of filers (AGI of \$139,713 or higher) bore 69.5% of the tax burden.
- The **bottom 50%** of all filers paid 3% of the total federal income tax bill.

**For tax year 2017** (the latest available) here is the breakdown:

- The **top 1% of taxpayers** paid 38.47% of all federal income taxes in 2017. A top 1% taxpayer was one who earned at least \$515, 371 (AGI) in 2017.
- The **highest 5%**, each of whom had an AGI of \$208,053 or higher in 2017, paid 59.14% of the total income tax collected in 2017.
- The **top 10%** of filers (AGI of \$145,135 or higher) bore 70.08% of the tax burden.
- The **bottom 50%** of all filers paid 3.11% of the total federal income tax bill.

Next year when the IRS reports the 2018 results, we will discover the true impact of the new tax law passed in 2017 which took effect in tax year 2018. Stand by.....

**Alzheimer's' disease** continues to ravage our elderly population and the problem is getting worse as approximately 10,000 additional "baby boomers" enter retirement every day! Currently, Alzheimer's disease is the sixth leading cause of death in the country. Studies continue looking for a more exact cause and a more exact treatment and/or cure. We know that certain factors contribute to a person getting this dreadful disease: **genetic, lifestyle and environmental factors** play important roles. We cannot do anything about our genes; they are what they are. However, lifestyle and environmental factors can be addressed. Perhaps one of the best studies done to date has shown that the very best protection against this disease may come in the form of **prevention**. Thus, within each of us lie important tools which can be summarized as **S.H.I.E.L.D.** The acronym stands for the following:

**Sleep:** at minimum each of us should get 7-8 hours of sleep **every night**. Sleep is when the brain recharges itself and washes away the "amyloid plaque and tangles" which have been linked to Alzheimer's. Without the proper amount of sleep these items can attach to nerve endings (over 100 Billion in the brain!). Over time the nerve endings are damaged or die because of these amyloid plaques / tangles; thus Alzheimer's sets in.

**Handle / manage stress:** Experts agree that reducing stress benefits the entire body, especially the brain. Dr. Deepak Chopra, who co-authored Super Genes with Dr. Rudolph Tanzi, recommends adopting a short and regular meditation practice to help relieve stress. Start meditating now with this quick exercise that takes less than one minute: Keep your eyes open but soft, without focusing on anything. Inhale for four seconds, pause, and then exhale.

**Interact / socialize:** studies show that those people who live in isolation (either by choice or lack of family support) are much more likely to develop Alzheimer's. Interaction stimulates brain activity! Studies suggest that loneliness can lead to additional stress and may be a risk factor for Alzheimer's disease. Prioritize social engagement and stay in touch with family members and friends. If you're physically separated from loved ones call and speak to them on a recurring basis and seek out a social support network to stay healthy.

**Exercise:** brain stimulation (see above) is only part of the formula. Stimulation of the body through exercise is also an important part of the puzzle. Plus, exercising in a group "kills two birds with one

stone"! Get off the couch and get on a treadmill!

**Learn:** yes, an old dog can learn new tricks! Go back to school and study a new language or old history. Learn to play a musical instrument or jump into a pool and learn how to swim. Learning something new will help stimulate the brain!

**Diet:** yes, obesity can have many detrimental effects on the body (diabetes) and the brain (cognitive deterioration). A diet rich in fruit, vegetables and nuts is good. You have heard this before....avoid red meat!

For more information you can turn to the **Alzheimer's Association!**

**So now the "meat and potatoes" of our FY second quarter: in 2019 we** saw 39 new highs in the S&P 500; this was followed by 13 record highs in the S&P 500 in January and February, 2020. Then the bottom fell out as the pandemic hit the USA. As of March 31<sup>st</sup>, the Fund as a whole suffered a loss of **-12.99%**

**For the calendar year through March 31<sup>st</sup>** the S&P 500 was down **-19.6%**; the DJIA was **-22.7%** and the EAFE index, the broad measure of international markets, was **-22.93 %**. As a reminder, our Fund is diversified over **16 different managers**, which was why the Fund losses were less than shown in the marketplace as a whole. Since the end of the calendar 1<sup>st</sup> quarter the markets showed a rebound of sorts. As of COB May 20, 2020 the following are the YTD numbers which show a slight recovery: the S&P was **-7.4%**; the Wilshire 5000 (the broadest measure of the domestic market) was **-7.8%** and the EAFE (a measure of the international market) was **-16.9%**

As you know, our Annual Symposium was postponed to a date yet to be set. We will certainly inform you when we solidify our plans for this event.

**Finally**, if your son or daughter is graduating from High School, congratulations! If he or she will be attending Broward College please consider applying for a scholarship. Contact the Pension Board staff for more information. Remember, this scholarship program is sponsored by our Legal Team, **Sugarman & Suskind** and is available (regardless of age) to the spouses, children and grandchildren of our members; retired or active.

**To All: Enjoy your summer as best as you can. We are in a "new normal" now!!**

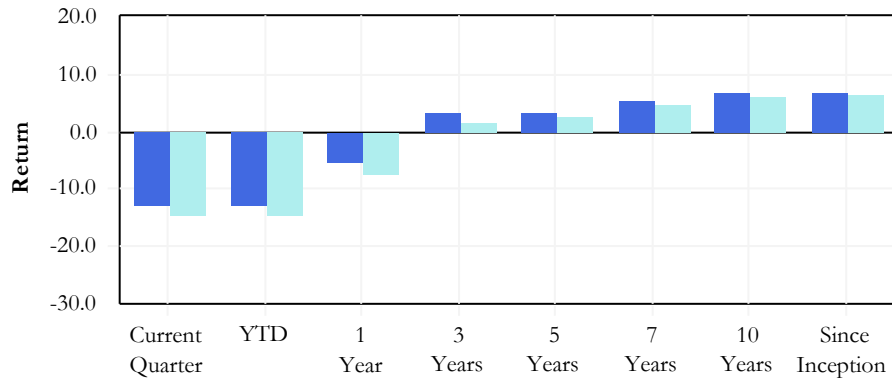
**As always..... stay safe, stay separated and stay in touch!!**

# Pompano Beach Police & Firefighters' Retirement System

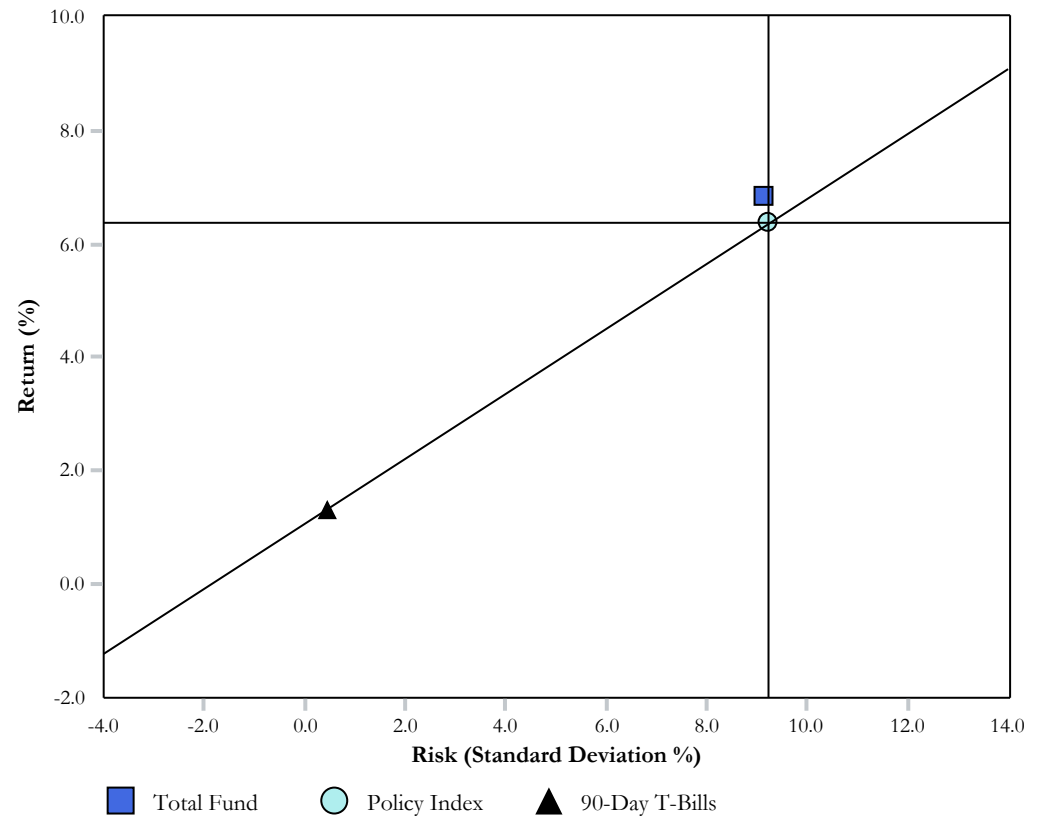
## Total Fund - Executive Summary

as of March 31, 2020

### Manager Performance Chart



### Manager Risk & Return



### Manager Annualized Performance

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 10/01/2002
Total Fund	-12.99	-9.03	-5.43	3.30	3.48	5.58	6.74	6.82
Policy Index	-14.88	-10.66	-7.52	1.54	2.51	4.65	5.99	6.36
Differences	1.89	1.63	2.09	1.76	0.97	0.93	0.75	0.46

### Historic Asset Growth

	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Inception 10/01/2002
Total Fund								
Beginning Market Value	255,030	242,836	241,525	224,581	232,203	203,841	158,671	17,915
Net Contributions	-4,796	-3,321	-10,920	-27,967	-49,337	-64,569	-66,548	24,761
Fees/Expenses	-252	-491	-978	-2,973	-5,119	-7,307	-9,986	-13,755
Income	1,104	2,421	5,107	14,339	22,378	29,949	39,454	58,202
Gain/Loss	-33,853	-24,212	-17,500	9,254	17,109	55,320	95,643	130,110
Ending Market Value	217,234	217,234	217,234	217,234	217,234	217,234	217,234	217,234

### Modern Portfolio Statistics

	Return	Standard Deviation	Beta	Maximum Drawdown	Up Market Capture	Down Market Capture	Alpha	Sharpe Ratio	R-Squared	Inception Date
Total Fund	6.82	9.14	0.97	-35.21	99.93	95.11	0.60	0.63	0.97	10/01/2002
Policy Index	6.36	9.23	1.00	-35.28	100.00	100.00	0.00	0.57	1.00	10/01/2002

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# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation & Time Weighted Performance

as of March 31, 2020

	Allocation		Performance(%)								
	Market Value (\$)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>217,233,523</b>	<b>100.00</b>	<b>-12.99</b>	<b>-9.03</b>	<b>-5.43</b>	<b>3.30</b>	<b>3.48</b>	<b>5.58</b>	<b>6.74</b>	<b>6.82</b>	<b>10/01/2002</b>
Policy Index			-14.88	-10.66	-7.52	1.54	2.51	4.65	5.99	6.36	
<b>Domestic Equity</b>											
BlackRock - Large Cap Value	24,277,339	11.18	-25.16	-19.26	-13.35	0.64	4.03	6.09	N/A	6.56	02/01/2013
Russell 1000 VL			-26.73	-21.30	-17.17	-2.18	1.90	5.56	N/A	6.21	
Sands Capital - Large Cap Growth	14,489,909	6.67	-8.90	0.87	-0.34	14.87	10.74	13.70	15.34	12.32	06/01/2003
Russell 1000 Gr			-14.10	-4.98	0.91	11.32	10.36	12.93	12.97	9.69	
Sawgrass Asset Management	13,978,344	6.43	-14.79	-7.64	-1.38	N/A	N/A	N/A	N/A	5.24	02/01/2019
Russell 1000 Gr			-14.10	-4.98	0.91	N/A	N/A	N/A	N/A	6.41	
Nuance - Mid Cap Value	10,625,269	4.89	-19.27	-13.00	-4.70	N/A	N/A	N/A	N/A	1.89	07/01/2018
Russell Midcap Value			-31.71	-27.37	-24.13	N/A	N/A	N/A	N/A	-14.32	
Wells - SMID Growth	10,466,490	4.82	-17.48	-11.70	-5.93	8.91	7.63	10.48	12.97	16.32	02/01/2009
Russell 2500 GR			-23.22	-15.10	-14.40	3.35	3.64	8.09	10.10	13.93	
<b>International Equity</b>											
Lazard - International Value	14,313,086	6.59	-25.00	-19.44	-17.52	-2.66	-0.81	1.18	N/A	0.98	02/01/2013
MSCI AC World ex US Net			-23.35	-16.52	-15.57	-1.96	-0.64	1.06	N/A	0.91	
Renaissance - International Growth	13,798,217	6.35	-27.63	-21.58	-21.52	-6.48	-3.39	1.10	2.29	5.72	02/01/2009
MSCI AC World ex US Net			-23.35	-16.52	-15.57	-1.96	-0.64	1.06	2.05	6.07	
<b>Fixed Income</b>											
Standish Mellon - Fixed Income	29,257,299	13.47	2.19	2.37	7.74	4.58	3.14	3.07	4.02	4.29	05/01/2003
Barclays Aggregate			3.15	3.33	8.93	4.82	3.36	3.19	3.88	4.23	
Incore/Victory	29,319,775	13.50	2.29	2.50	7.90	4.73	3.31	3.25	4.06	4.56	10/01/2002
Barclays Aggregate			3.15	3.33	8.93	4.82	3.36	3.19	3.88	4.31	

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# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation & Time Weighted Performance

as of March 31, 2020

	Allocation		Performance(%)								
	Market Value (\$)	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Alternatives</b>											
Invesco - Private Real Estate	18,552,032	8.54	1.66	3.96	7.12	7.77	9.29	10.43	11.81	6.55	08/01/2006
NCREIF Property Idx			0.71	2.27	5.28	6.41	7.65	8.86	10.17	7.21	
Ironwood - FOHF	12,009,351	5.53	-3.60	-1.13	1.54	3.65	2.95	4.71	5.35	3.35	08/01/2008
HFRI FOF Conservative			-4.88	-3.33	-1.96	1.03	0.93	2.06	2.10	1.09	
Pine Grove - FOHF	3,301,938	1.52	-18.34	-17.30	-16.07	-3.61	-1.95	-0.15	0.99	1.68	10/01/2008
HFRI FOF Conservative			-4.88	-3.33	-1.96	1.03	0.93	2.06	2.10	1.71	
Center Coast Capital - Master Limited Partnerships	5,028,411	2.31	-55.02	-55.95	-56.58	-26.04	-18.79	N/A	N/A	-18.31	02/01/2015
Alerian MLP Index			-57.19	-58.93	-60.95	-28.91	-20.66	N/A	N/A	-20.41	
Neuberger Berman - Private Equity #1	3,577,347	1.65	0.00	3.13	5.02	8.91	9.44	11.38	4.90	4.90	04/01/2010
MSCI ACWI/90-Day-T-Bill (Dec)			0.39	9.49	13.77	10.65	8.56	9.37	9.06	9.06	
Neuberger Berman - Private Equity #2	3,053,388	1.41	0.00	4.89	14.91	13.90	11.26	N/A	N/A	9.06	08/01/2014
MSCI ACWI/90-Day-T-Bill (Dec)			0.39	9.49	13.77	10.65	8.56	N/A	N/A	7.88	
Blackstone - Private Equity	1,001,808	0.46	-21.51	-16.61	-18.81	2.11	4.63	N/A	N/A	6.09	12/01/2013
S&P 500			-19.60	-12.31	-6.98	5.10	6.73	N/A	N/A	8.01	
Goldman Sachs - Private Equity	687,548	0.32	0.00	2.71	-0.28	2.79	5.17	N/A	N/A	5.13	01/01/2014
MSCI ACWI / 90-Day T-Bill (Dec)			0.39	9.49	13.77	10.65	8.56	N/A	N/A	7.99	
<b>Cash &amp; Equivalents</b>											
Non-Managed Account	9,495,973	4.37	0.25	0.62	1.62	1.74	1.09	1.58	1.16	1.39	10/01/2002
90-Day T-Bills			0.39	0.85	2.04	1.74	1.12	0.81	0.60	1.31	

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# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation & Net Dollar Weighted Performance (IRR)

as of March 31, 2020

	%	Current Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
<b>Total Fund</b>	<b>100.00</b>	<b>-13.04</b>	<b>-9.22</b>	<b>-5.68</b>	<b>3.17</b>	<b>3.12</b>	<b>5.42</b>	<b>6.69</b>	<b>6.67</b>	<b>09/30/2002</b>
<b>Domestic Equity</b>										
BlackRock - Large Cap Value	11.18	-25.25	-19.35	-13.00	1.17	4.23	6.91	N/A	7.62	01/31/2013
Sands Capital - Large Cap Growth	6.67	-8.97	0.83	-0.55	17.75	10.36	14.19	16.15	10.45	05/31/2003
Sawgrass Asset Management	6.44	-14.95	-7.83	-1.29	N/A	N/A	N/A	N/A	5.90	01/31/2019
Nuance - Mid Cap Value	4.89	-19.37	-13.07	-4.25	N/A	N/A	N/A	N/A	2.36	06/30/2018
Wells - SMID Growth	4.82	-17.65	-11.87	-5.41	10.08	7.14	10.77	13.56	18.92	01/31/2009
<b>International Equity</b>										
Lazard - International Value	6.59	-25.10	-19.44	-17.40	-2.55	-1.12	0.41	N/A	0.27	01/31/2013
Renaissance - International Growth	6.35	-27.75	-21.65	-21.66	-6.67	-3.94	-0.12	1.16	3.02	01/31/2009
<b>Fixed Income</b>										
Standish Mellon - Fixed Income	13.47	2.10	2.25	7.47	4.28	2.85	2.76	3.72	3.98	04/30/2003
Incore/Victory	13.50	2.21	2.40	7.66	4.48	3.12	3.13	3.90	4.34	09/30/2002
<b>Alternatives</b>										
Invesco - Private Real Estate	8.54	1.40	3.43	5.99	6.59	8.09	9.23	10.06	7.16	07/31/2006
Ironwood - FOHF	5.53	-3.60	-1.13	1.54	3.65	2.95	4.34	4.91	3.36	07/31/2008
Pine Grove - FOHF	1.52	-9.52	-6.31	-4.21	0.87	0.76	1.51	2.06	2.53	09/30/2008
Center Coast Capital - Master Limited Partnerships	2.32	-55.11	-56.13	-56.84	-26.59	-19.23	N/A	N/A	-18.85	01/31/2015
Neuberger Berman - Private Equity #1	1.65	0.00	3.13	5.00	9.34	9.56	11.79	10.22	10.22	03/31/2010
Neuberger Berman - Private Equity #2	1.41	0.00	4.91	14.85	13.86	12.23	N/A	N/A	11.43	07/31/2014
Blackstone - Private Equity	0.46	-22.33	-17.59	-18.74	5.42	6.11	N/A	N/A	6.15	11/30/2013
Goldman Sachs - Private Equity	0.32	0.00	2.71	-0.42	4.41	6.56	N/A	N/A	7.20	12/31/2013
<b>Cash &amp; Equivalent</b>										
Non-Managed Account	4.37	0.25	0.46	1.13	1.20	0.05	-0.29	-1.26	-0.58	09/30/2002

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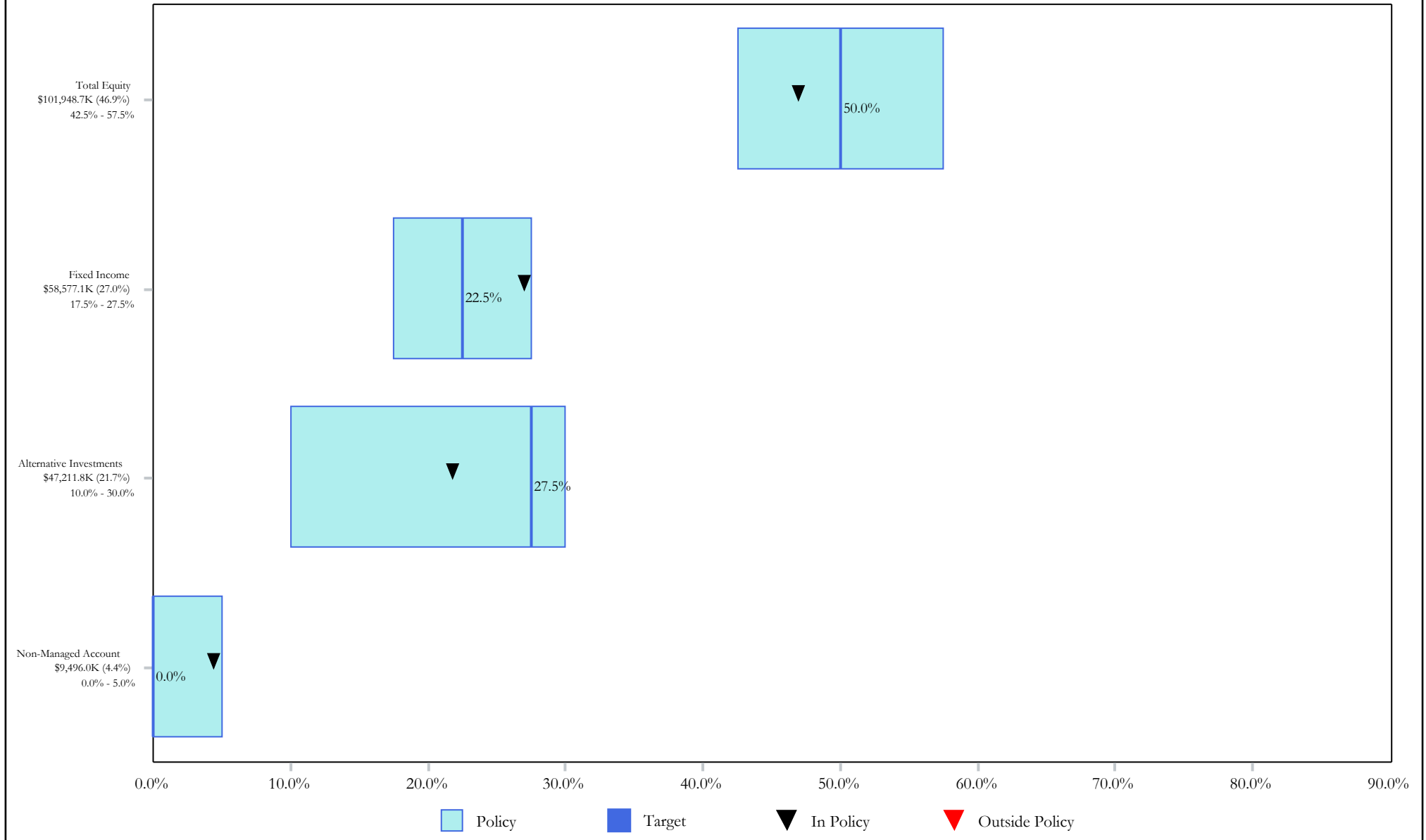


# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation Compliance

as of March 31, 2020

### Executive Summary



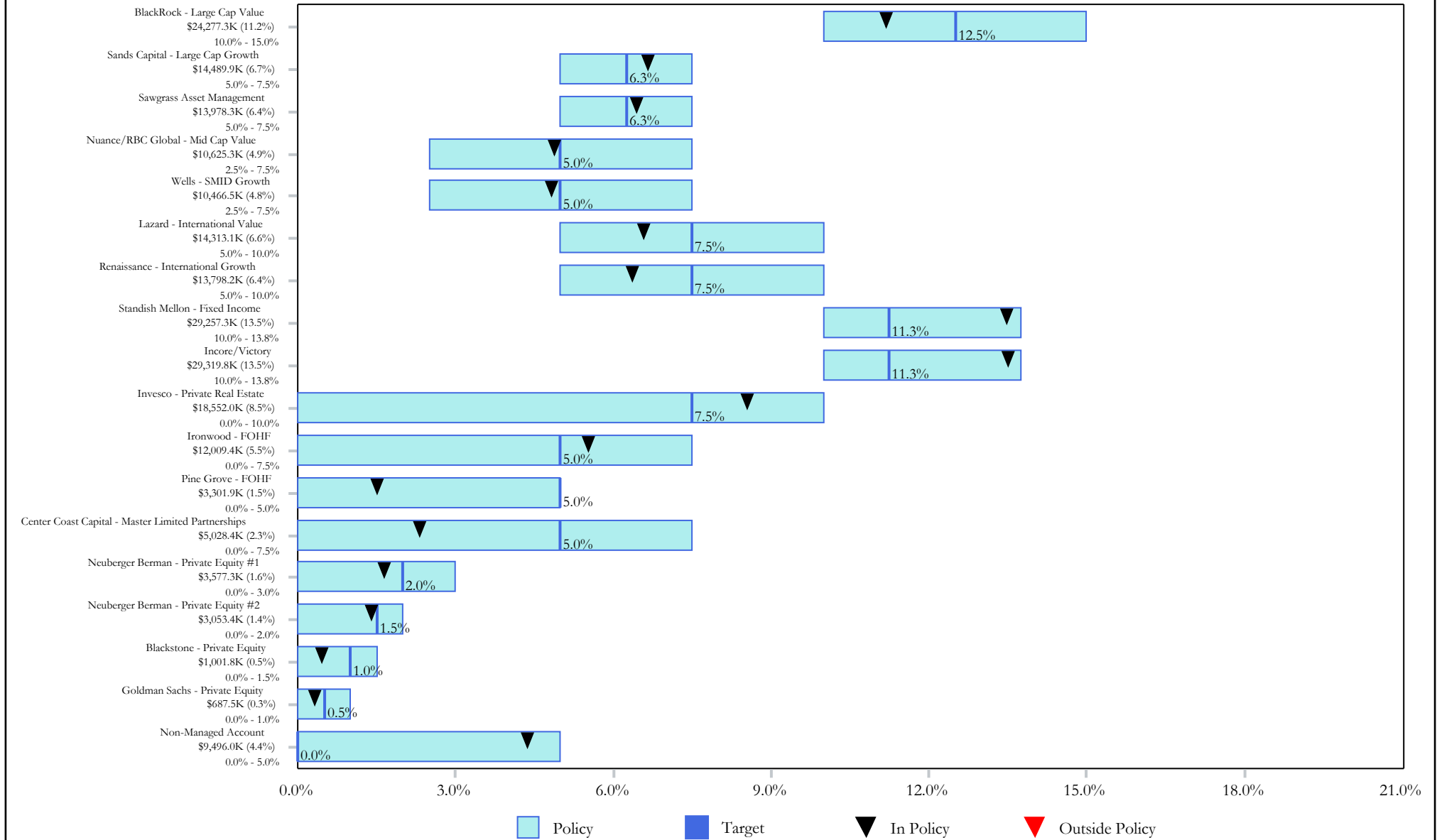
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