

# YOUR PENSION MATTERS

## 6/30/20

### End of 3<sup>rd</sup> Quarter – FY 2019 - 2020

by: Chief Paul O'Connell  
Board Chairperson  
08/25/20

*“If you cannot master your emotions, all the data in the world cannot save you from yourself.”—*  
**James O’Shaughnessy**

The above quote is exactly why your Pension Board of Trustees invests the way we do. Certainly, as the volatility of 2020 continues to negatively impact investment returns (and increase our heartburn), this “cold” investment approach will serve us well. Remember, our investment timeline is a long game; a marathon not a sprint; a 30+ year vision and strong diversification (over a dozen different managers) designed to capture the upward movements of the market while minimizing the adverse impact of the downward movements which are inevitable. With this in mind, how did our Fund do in the 3<sup>rd</sup> Quarter of our current FY (2<sup>nd</sup> Quarter of the calendar year June 30, 2020)?

The **Fund’s FY Third Quarter** which ended 6/30/20 is illustrated herein. The overall market continues its pattern of ups and downs. This includes a “*slow growth mode*” in the market as a whole, but certainly impacted by COVID-19. In fact, the first half of 2020 was “the best of times” (2<sup>nd</sup> Q) and “the worst of times” (1<sup>st</sup> Q). No doubt, there are headwinds that complicate the world economy. COVID-19 is chief among the headwinds we face. The ongoing tension with China (playing “*King Kong with Hong Kong*”) and how the western nations respond to those tactics adds to the uncertainty of the marketplace. And of course.....the 2020 elections (national, state and local) which will no doubt impact how we do business in 2021.

For the 2020 calendar year through August 11, the S&P 500 is up 4.38%; the Wilshire 5000, the broadest measure of our domestic market, is up 4.33%; and the EAFE index, the broad measure of international markets, is down - 5.78%.

For the *reporting period* (FY 3<sup>rd</sup> Quarter) the **Dow** was down -2.32%; the **NASDAQ** was up 26.72% and the **S&P 500** was up 5.71%. The Fund gained +13.99% during this quarter (just over \$29.9 million.); but has gained 3.77% over the past 12 months. There is no other way to describe our investment results other than to say; “steady but not exciting.” The Fund relies on our Consultant and our investment professionals to invest with prudence. In the meantime, our **DROP** rate of return for the 3<sup>rd</sup> Quarter ending June 30, 2020 has been set at +13.99% as certified by our Consultant.

The disconnect between mostly bad economic news (unemployment numbers are scary!) and an almost euphoric rise (during the 2<sup>nd</sup> Q) in market prices continues to confound. Despite the media’s broadcasts of mostly peaceful protests mixed with some looting on Main Street, Wall Street remained focused on glimmers of economic data suggesting we are taking a turn from the worst of times to “less worst of times.”

As you read through the attached quarterly reports for the Fund's FY 3<sup>rd</sup> quarter ending June 30<sup>th</sup>, keep in mind that it is not the daily reading of the market that counts, it is the long term results that do count. We continue to evaluate the advice we receive from our consultant; Graystone. As an example, the Board recently decided to exit the MLP market (master limited partnership in the energy mid-stream arena) and enter into the infrastructure investment arena. The Board hired the firm of **Cohen & Steers** to invest for us in what we believe will be a major focus of Congress in 2021.....rebuilding the US infrastructure and getting people back to work.

**James McGlynn** recently wrote (Marketwatch: 6/03/2020) about four (4) techniques to simplify your finances; here is a nutshell summary of his 4 tips:

**1. Consolidate fixed costs.** One way to simplify your finances is to put all **fixed** expenses on one credit card. True, not every bill can be put on a credit card. But I was able to charge a majority of my monthly bills to a single card, including electric and water utilities, phone, Netflix, internet, cable, electronic toll road pass, gym membership, auto insurance and home security.

Result: I have one bill monthly that's easy to pay, plus it allows me to track my fixed monthly expenses, so I can gauge how much income I need to cover those costs. Earning credit card rewards is a nice bonus. I leave my "essentials" credit card out of my wallet, so it only gets used for this one category of expenses. Meanwhile, I use a different credit card for discretionary expenses, where I also earn rewards.

**2. Simplify investment accounts.** For the past few years, I've had multiple brokerage accounts, so I can compare their research and ease of use. But the elimination of stock trading commissions has triggered a consolidation among brokerage firms, leaving us with a handful of stronger financial entities that aren't dependent on commissions. That's prompted me to move my holdings to one firm. By consolidating, I even received a discount when I recently **refinanced** my mortgage through that firm—and it means I can monitor the mortgage and my investments through a single website.

**3. Organize financial emails.** I set up a separate email account to receive all financial correspondence, including monthly utility bills, credit card bills, loans statements, health savings account reports, bank statements and investment account information. My new email address also has the advantage of being spam-free—so far.

Like the idea of a separate email address for financial information? You might give the password to your spouse or children in case you're incapacitated or die suddenly. I've heard too many times that a deceased relative had unknown financial accounts, as well as bills that kept getting paid automatically, because the children had no idea about the deceased's finances.

**4. Track the mail.** I still like to get copies of my various bills through the mail. But if I don't feel like walking to the mailbox—or if I want to know if an important piece of mail has arrived—I check my "informed delivery" account at **USPS.com**. The post office takes a photograph of every letter and package for law enforcement purposes. Result: I can preview if a bill has arrived, rather than waste a trip to the mailbox. The service is free.

Now a transition to **two health issues** on the front burner:

**First**, here is a “semi-deep dive” into a **COVID – 19** article written by Dr. Sanjay Gupta and Andrea Kane (*CNN, August, 2020*) (this is a nutshell version; please refer to the entire article for a more complete understanding).

One big mystery: why do some people get very sick and even die from their illness, while other similar people show no symptoms and may not realize they’ve been infected at all? We know some of the big factors that put people at higher risk of having a severe, even fatal, course of disease: being 60+ YOA, kidney or lung disease and cancer.

Then there is **Immunology**; the human immune system, which is tasked with keeping you healthy in the face of bacterial, viral, fungal, parasitic and other invaders. This system has two main components: the *innate immune system* and the *adaptive immune system*.

The **Innate Immune System** is the very first line of defense. Parts of it include physical barriers like your skin and mucosal membranes, which physically stop invaders from getting in. It also includes certain cells, proteins and chemicals that do things like create inflammation and destroy invading cells.

The **Adaptive Immune System** is targeted against a specific and previously recognized invader. This takes a bit longer to “kick into gear.” This system includes a type of white blood cell (B cell) which patrols the body looking for bad guys. B cells each have a unique antibody that sits on its surface and can bind to a unique antigen (the technical name for a foreign invader) and stop it from entering a host cell. When it finds and binds to a bad guy, the B cell gets activated: it copies itself and churns out antibodies, eventually creating a meg-army of neutralizers for that particular invader. That is where antibodies created by the immune systems of people who’ve had COVID – 19 come from. Unfortunately, a few recent studies have found that antibodies to this particular coronavirus can fade away quickly. This development is worrisome since we are relying on vaccines to trigger an antibody response to help protect us, and we want that protection to last a long time. That will be one of many challenges we will face in the development of a vaccine. As Dr. Casadevall (Johns Hopkins’ University) stated:

*“The biggest problem is that everyone wants a simple answer. What nobody wants to hear is that it is unpredictable, because so many variables play together in ways that you cannot put together: a person’s history, nutrition, how they got infected, underlying or pre-existing conditions or how much of the virus they got. All of these variables combine in ways that are unpredictable.”*

**Second: Skin Cancer:** it is by far the most common cancer in the country. In 1999, there were over 42,000 reported new cases. In 2020 there were an estimated 100,000 new reported cases! (Mayo Clinic; June 2020) This disease is especially deadly for older Americans where rates have been increasing at much faster rates.

There are three (3) types of skin cancer:

- *Basal cell carcinoma*: it is the most common and which affects mainly sun-exposed areas but is highly curable when caught early.
- *Squamous cell carcinoma*: a small percentage of which can be very aggressive, especially in people

who have weakened immune systems.

- *Melanoma*: while not as prevalent as the above two, it is by far the most deadly. This type can be in both sun-exposed and skin that has not been exposed to the sun.

Some skin protection tips from the Mayo Clinic:

- Avoid mid-day sun (10am – 4pm)
- Wear sunscreen of at least 30 SPF or higher year-round
- Wear protective clothing if you work in the sun (our farmers & motor officers)
- Avoid tanning beds
- Self-check your skin regularly
- **Visit a dermatologist should you see a change; however slight.**

**Finally, The future of higher education:** Covid-19 has changed the way we live, work and play. It will also change the way our children will receive a college education! Traditional universities are feeling the financial crunch imposed by Covid-19. First there was the closing of most universities in the middle of this past winter semester and the instant transition to “virtual leaning.” Then there will be the uncertainty of if, when or how the fall semester will be conducted. Enrollment has dropped by 10%+ which, coupled with pending cuts in state budgets, spell big trouble for our universities. It is estimated that over 200 smaller universities / schools will be forced to close or merge (Kiplinger, May 29, 2020). No doubt the landscape for higher learning has and will change. The big winner in this changing landscape will be those schools which offer more on-line courses with flexible class schedules.

**ALWAYS REMEMBER.....**Last month (July 29, 2020) marked the **30<sup>th</sup> Anniversary** of the murder of **K-9 Officer Scott Winters** (EOW July 29, 1990). Scott was the first Pompano Beach Police Officer killed in the line of duty. For those of us working at that time, the memory has not faded. Again, our thanks to the City for its help in rededicating **Scott Winters Park!** This month marks the **13<sup>th</sup> Anniversary** of **Sgt. Chris Reyka’s** death (EOW 8/10/07). In January 2021 we will mark the **9<sup>th</sup> Anniversary** of **Billy Elliot’s** death (EOW 1/06/12). We will remember these three men because:

**“A Hero Remembered Never Dies!”**

**Our Annual Symposium.....**is cancelled. Simply put, we are not out of the woods yet regarding Covid-19. Your Board of Trustees will not put at risk our money managers (who must travel to Pompano), our staff or you; the potential attendees. Virtual symposium will be explored as an alternative in 2021 if we find ourselves in the same crisis (let’s hope and pray for a vaccine!) however, such an alternative will not have the same impact. Those in attendance at past Symposiums found that the value of face to face interchange of ideas and insight was simply too important. In the meantime, our consultant (Graystone) will, as always, continue to monitor the performance of our managers.

**New Custodian:** The Board of Trustees has hired Salem Trust Company to replace Comerica Bank. The transition will occur toward the end of 2020. More information will be forthcoming from the Pension Office in the weeks ahead as we work through the details of the transition.

## **Board Elections:**

**Fire:**           **Trustee Vincent Femia :** congratulations to Captain Vincent Femia as he was re-elected by acclamation to a three-year term (2023) as no one applied to run for this term in office.

**Police:**       **Trustee Dan Christophers:** congratulations to Captain Christopher as he was re-elected by acclamation to another three-year term (2023).

Both **Trustee FF Captain Vincent Femia & Trustee BSO Captain Dan Christophers** express their respective gratitude to the membership for their trust in the work they will do going forward. This is a labor of focused dedication to ensure a safe and secure Pension Fund for the entire membership!

**Congratulations** to **Richard Samolewicz** as he was re-appointed by the Pompano Beach City Commission to another three-year term on your Board of Trustees!!

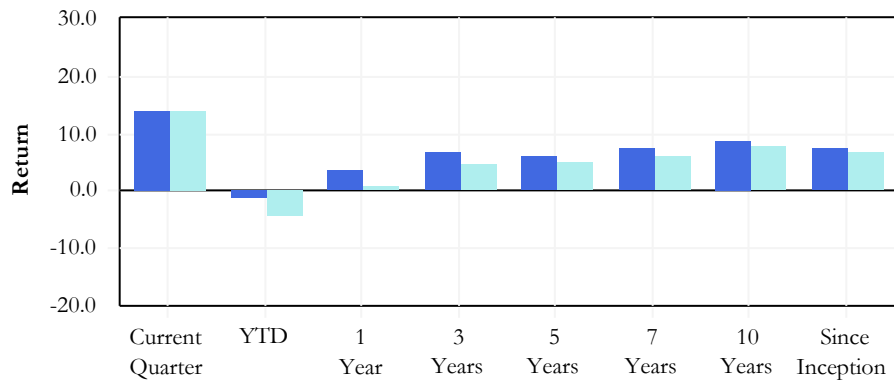
**Next issue: our fiscal year-end report and some ideas on how to find the right certified financial advisor for you! Until then; stay safe, stay separated and stay in touch!**

# Pompano Beach Police & Firefighters' Retirement System

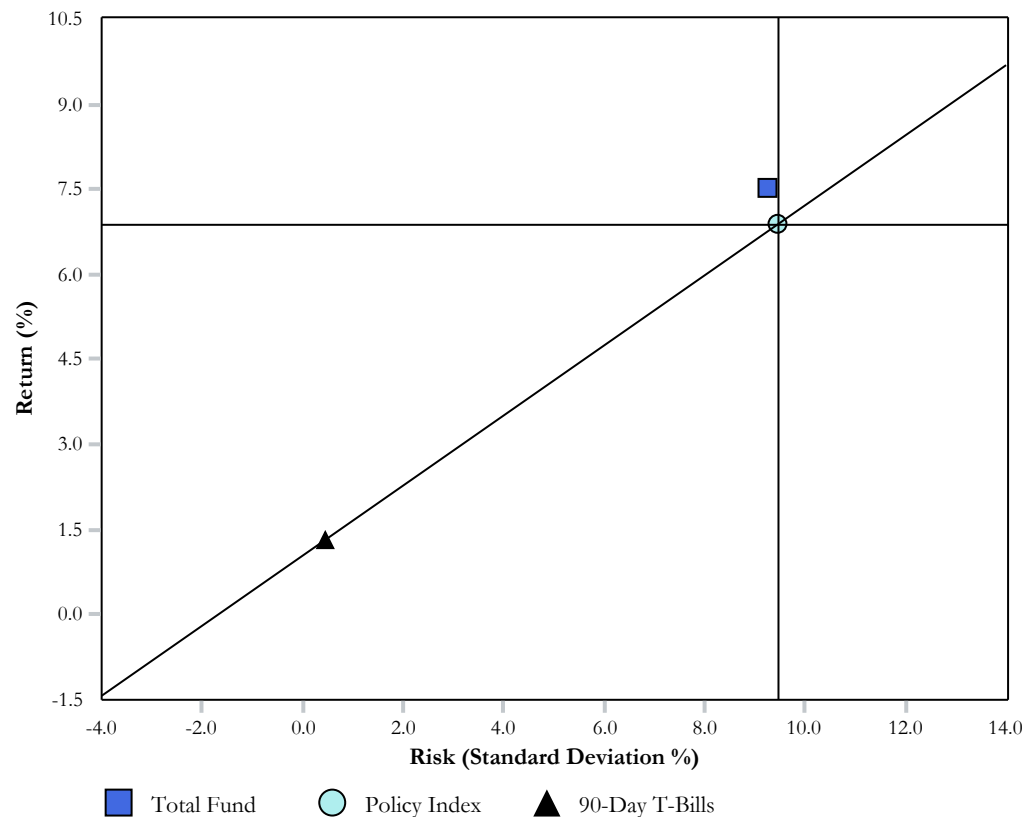
## Total Fund - Executive Summary

as of June 30, 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	13.99	3.35	3.77	6.74	6.11	7.39	8.78	7.49
Policy Index	14.06	0.51	0.81	4.69	4.90	6.18	7.75	6.89
Differences	-0.07	2.84	2.96	2.05	1.21	1.21	1.03	0.60

### 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	216,518	242,836	244,919	227,180	228,763	203,031	147,474	17,915
Net Contributions	-6,769	-10,090	-12,906	-31,005	-52,366	-68,799	-71,030	17,992
Fees/Expenses	-49	-533	-775	-2,755	-4,918	-7,215	-9,826	-13,797
Income	1,051	3,472	4,724	14,251	22,318	30,034	39,748	59,253
Gain/Loss	28,868	3,935	3,658	31,949	45,822	82,569	133,254	158,257
Ending Market Value	239,620	239,620	239,620	239,620	239,620	239,620	239,620	239,620

### Modern Portfolio Statistics

	Return	Standard Deviation	Beta	Maximum Drawdown	Up Market Capture	Down Market Capture	Alpha	Sharpe Ratio	R-Squared	Inception Date
Total Fund	7.49	9.28	0.96	-35.21	100.20	94.22	0.83	0.69	0.96	10/01/2002
Policy Index	6.89	9.48	1.00	-35.28	100.00	100.00	0.00	0.61	1.00	10/01/2002

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation & Time Weighted Performance

as of June 30, 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>239,619,870</b>	<b>100.00</b>	<b>13.99</b>	<b>3.35</b>	<b>3.77</b>	<b>6.74</b>	<b>6.11</b>	<b>7.39</b>	<b>8.78</b>	<b>7.49</b>	<b>10/01/2002</b>
Policy Index			14.06	0.51	0.81	4.69	4.90	6.18	7.75	6.89	
<b>Domestic Equity</b>											
BlackRock - Large Cap Value	27,818,547	11.61	14.59	-7.48	-5.40	4.19	7.03	8.03	N/A	8.30	02/01/2013
Russell 1000 VL			14.29	-10.05	-8.84	1.82	4.64	7.11	N/A	7.92	
Sands Capital - Large Cap Growth	20,109,115	8.39	38.78	39.99	32.90	25.13	18.17	18.86	20.34	14.30	06/01/2003
Russell 1000 Gr			27.84	21.47	23.28	18.99	15.89	16.62	17.23	11.12	
Sawgrass Asset Management	17,142,794	7.15	22.64	13.26	15.59	N/A	N/A	N/A	N/A	20.45	02/01/2019
Russell 1000 Gr			27.84	21.47	23.28	N/A	N/A	N/A	N/A	25.22	
Nuance - Mid Cap Value	11,927,754	4.98	12.23	-2.34	0.92	N/A	N/A	N/A	N/A	7.71	07/01/2018
Russell Midcap Value			19.95	-12.88	-11.81	N/A	N/A	N/A	N/A	-4.37	
Wells - SMID Growth	14,243,822	5.94	36.09	20.17	15.32	18.60	13.70	14.64	17.17	19.11	02/01/2009
Russell 2500 GR			32.87	12.80	9.21	12.10	9.57	12.06	14.45	16.47	
<b>International Equity</b>											
Lazard - International Value	16,524,668	6.90	15.46	-6.99	-8.84	0.13	1.64	3.63	N/A	2.92	02/01/2013
MSCI AC World ex US Net			16.12	-3.06	-4.80	1.14	2.26	3.71	N/A	2.93	
Renaissance - International Growth	16,319,515	6.81	18.28	-7.24	-8.95	-3.19	-0.39	3.39	5.39	7.15	02/01/2009
MSCI AC World ex US Net			16.12	-3.06	-4.80	1.14	2.26	3.71	4.97	7.32	
<b>Fixed Income</b>											
Standish Mellon - Fixed Income	30,452,412	12.71	3.99	6.51	8.87	5.46	4.33	4.04	4.04	4.47	05/01/2003
Barclays Aggregate			2.90	6.33	8.74	5.32	4.30	3.96	3.82	4.34	
Incore/Victory	30,495,775	12.73	4.01	6.61	9.05	5.53	4.47	4.14	4.18	4.72	10/01/2002
Barclays Aggregate			2.90	6.33	8.74	5.32	4.30	3.96	3.82	4.42	

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation & Time Weighted Performance

as of June 30, 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	17,693,873	7.38	-4.39	-0.60	1.37	5.51	7.20	9.01	10.92	6.08	08/01/2006
NCREIF Property Idx			-0.99	1.26	2.69	5.44	6.77	8.26	9.71	7.00	
BlackRock - Global L/S Credit	2,048,351	0.85	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.05	06/01/2020
HFRX Fixed Income - Credit Index			N/A	N/A	N/A	N/A	N/A	N/A	N/A	2.06	
Blackstone - Multi-Strategy	2,105,509	0.88	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.07	06/01/2020
HFRX Global Hedge Fund			N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.75	
Ironwood - FOHF	12,787,333	5.34	6.48	5.28	5.81	5.67	4.11	5.37	6.10	3.82	08/01/2008
HFRI FOF Conservative			5.49	-0.51	-0.56	1.88	1.45	2.36	2.55	1.31	
Pine Grove - FOHF	1,432,630	0.60	3.92	-14.07	-13.91	-2.92	-1.14	0.13	1.50	1.97	10/01/2008
HFRI FOF Conservative			5.49	-0.51	-0.56	1.88	1.45	2.36	2.55	1.92	
Center Coast Capital - Master Limited Partnerships	7,191,251	3.00	43.01	-37.01	-37.93	-14.75	-12.03	N/A	N/A	-11.92	02/01/2015
Alerian MLP Index			50.18	-38.33	-41.43	-16.79	-12.85	N/A	N/A	-13.30	
Neuberger Berman - Private Equity #1	3,193,449	1.33	0.00	-7.93	-8.15	3.04	6.98	9.15	3.71	3.62	04/01/2010
MSCI ACWI/90-Day-T-Bill (Mar)			0.14	-16.40	-17.91	-3.74	-0.72	1.53	3.43	2.01	
Neuberger Berman - Private Equity #2	2,732,799	1.14	0.00	-3.50	0.49	9.56	9.42	N/A	N/A	7.14	08/01/2014
MSCI ACWI/90-Day-T-Bill (Mar)			0.14	-16.40	-17.91	-3.74	-0.72	N/A	N/A	-1.35	
Blackstone - Private Equity	1,059,286	0.44	8.04	-10.40	-9.06	3.57	5.27	N/A	N/A	7.02	12/01/2013
S&P 500			20.54	5.71	7.51	10.73	10.73	N/A	N/A	10.80	
Goldman Sachs - Private Equity	585,447	0.24	0.00	-12.57	-19.95	-3.86	0.67	N/A	N/A	2.36	01/01/2014
MSCI ACWI / 90-Day T-Bill (Mar)			0.14	-16.40	-17.91	-3.74	-0.72	N/A	N/A	-0.55	
<b>Cash &amp; Equivalent</b>											
Non-Managed Account	3,755,539	1.57	0.01	0.63	1.14	1.70	1.09	1.58	1.16	1.37	10/01/2002
90-Day T-Bills			0.14	0.99	1.55	1.72	1.15	0.83	0.61	1.30	

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.



# Pompano Beach Police & Firefighters' Retirement System

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

as of June 30, 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>14.04</b>	<b>2.87</b>	<b>3.16</b>	<b>6.34</b>	<b>5.52</b>	<b>6.99</b>	<b>8.58</b>	<b>7.24</b>	<b>09/30/2002</b>
<b>Domestic Equity</b>										
BlackRock - Large Cap Value	11.61	14.59	-7.57	-5.47	4.38	7.00	8.46	N/A	8.86	01/31/2013
Sands Capital - Large Cap Growth	8.39	38.78	39.49	31.81	22.15	14.27	16.58	20.29	10.85	05/31/2003
Sawgrass Asset Management	7.15	22.64	13.02	15.07	N/A	N/A	N/A	N/A	20.46	01/31/2019
Nuance - Mid Cap Value	4.98	12.23	-2.44	0.84	N/A	N/A	N/A	N/A	7.72	06/30/2018
Wells - SMID Growth	5.94	36.09	19.71	14.28	18.08	11.61	13.29	16.97	20.20	01/31/2009
<b>International Equity</b>										
Lazard - International Value	6.90	15.46	-7.10	-9.03	0.10	1.43	2.86	N/A	2.33	01/31/2013
Renaissance - International Growth	6.81	18.28	-7.43	-9.24	-3.23	-0.62	2.40	4.22	4.81	01/31/2009
<b>Fixed Income</b>										
Standish Mellon - Fixed Income	12.71	3.99	6.42	8.69	5.22	4.09	3.73	3.74	4.17	04/30/2003
Incore/Victory	12.73	4.01	6.55	8.91	5.33	4.31	4.02	4.02	4.50	09/30/2002
<b>Alternatives</b>										
Invesco - Private Real Estate	7.38	-4.63	-1.35	0.35	4.37	6.03	7.82	9.18	6.56	07/31/2006
BlackRock - Global L/S Credit	0.86	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.05	05/31/2020
Blackstone - Multi-Strategy	0.88	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3.07	05/31/2020
Ironwood - FOHF	5.34	6.48	5.28	5.79	5.67	4.11	5.08	5.69	3.93	07/31/2008
Pine Grove - FOHF	0.60	3.39	-7.05	-5.95	0.59	1.01	1.45	2.28	2.59	09/30/2008
Center Coast Capital - Master Limited Partnerships	3.00	43.01	-37.19	-38.13	-15.21	-12.10	N/A	N/A	-12.03	01/31/2015
Neuberger Berman - Private Equity #1	1.33	0.00	-7.93	-8.12	3.65	7.93	10.20	8.99	8.97	03/31/2010
Neuberger Berman - Private Equity #2	1.14	0.00	-3.35	0.79	9.67	9.80	N/A	N/A	8.94	07/31/2014
Blackstone - Private Equity	0.44	7.57	-11.58	-10.06	5.83	6.02	N/A	N/A	6.56	11/30/2013
Goldman Sachs - Private Equity	0.24	0.00	-11.89	-19.68	-0.56	4.07	N/A	N/A	5.92	12/31/2013
<b>Cash &amp; Equivalents</b>										
Non-Managed Account	1.57	0.01	0.42	0.65	0.95	0.05	-0.26	-1.02	-0.54	09/30/2002

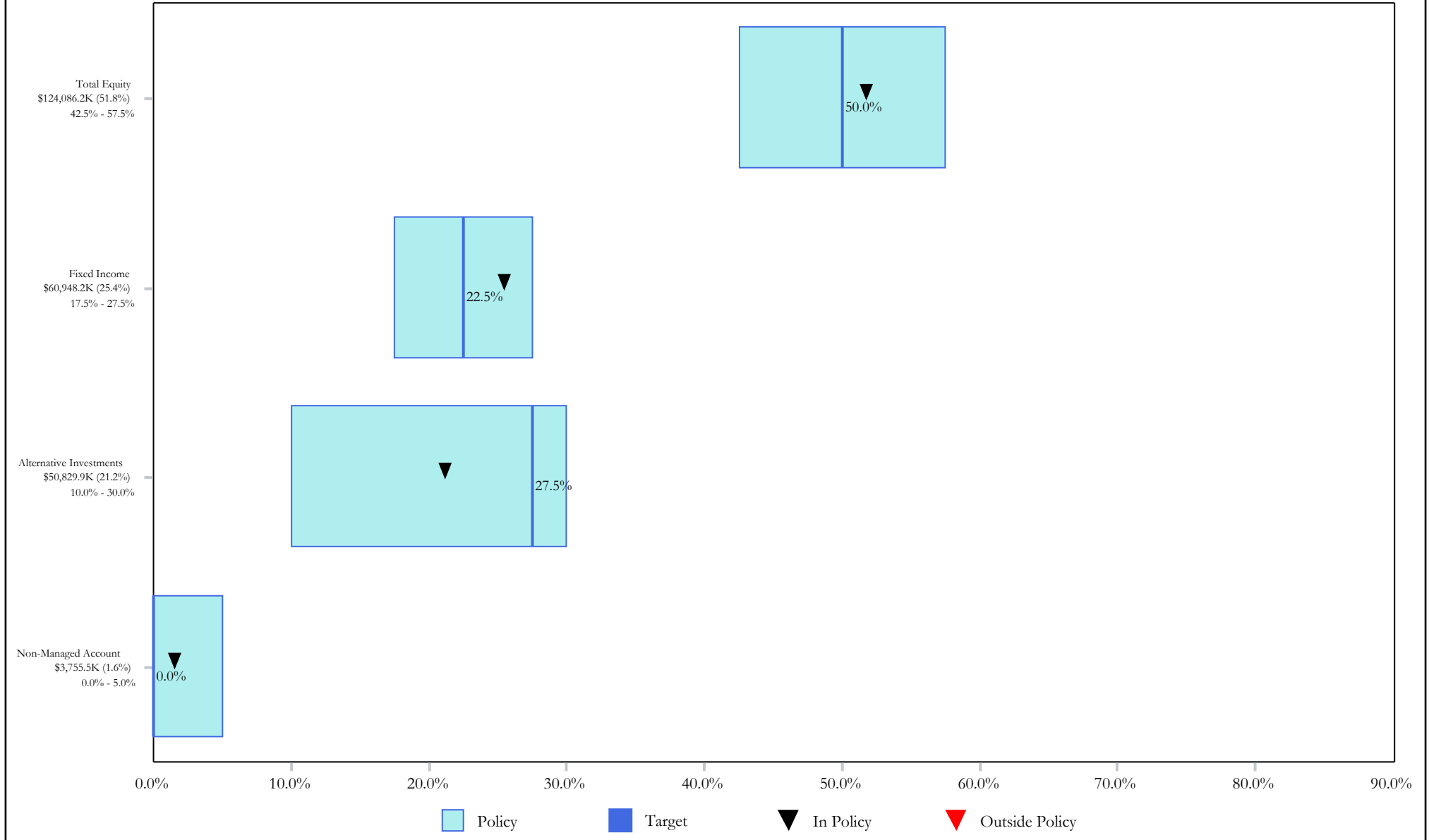
The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation Compliance

as of June 30, 2020

### Executive Summary



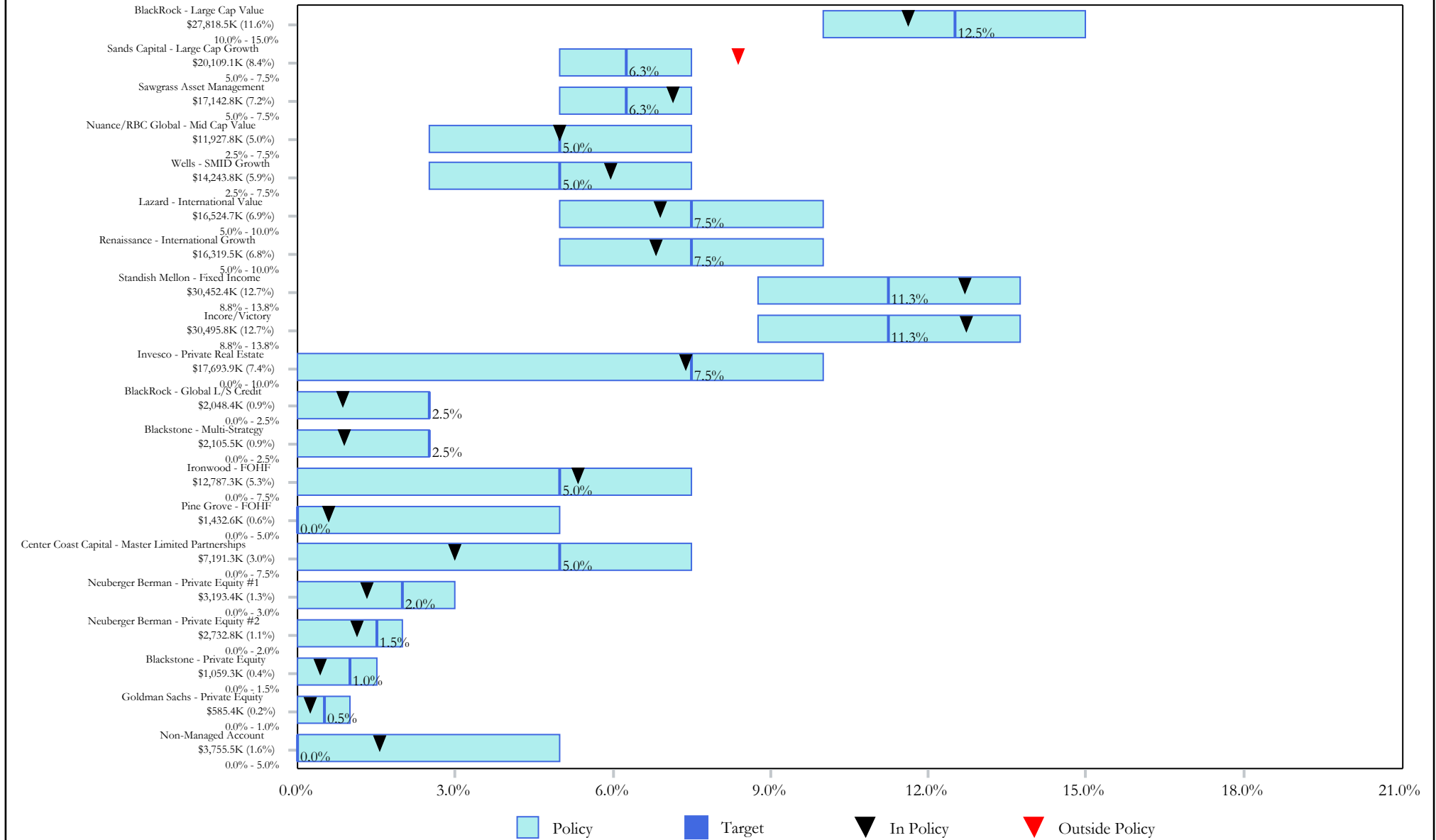
The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

# Pompano Beach Police & Firefighters' Retirement System

## Asset Allocation Compliance

as of June 30, 2020

### Executive Summary



The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.