

# WEST PALM BEACH POLICE

## PENSION NEWS



A West Palm Beach Police Pension Fund Publication

**Issue 4**

**Date of Issue:  
Fourth Quarter 2009**

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The Board of Trustees is pleased to announce that as of September 30th, the fund is in the **TOP 16** of the investment universe.

Source: Asset Strategy Consultants

### QUARTERLY PENSION FUND SUMMARY

Each quarter, this section of the newsletter will outline investment details for the most recent time period. Please consider that this is a long term investment program when reviewing quarterly returns.

On September 30, 2009 our fund had a total market value of \$165,389,104. For the quarter the fund experienced a stellar increase of \$16,635,080. That equates to a total quarterly fund return in excess of 11%. In the previous quarter that ended June 30, 2009, the fund return was 11.2% (or an investment return of \$14,712,540).

For the quarter the average allocation of our fund was 58.7% invested in stocks, 36.9% in bonds, 4.4% hedge funds and the balance in cash equiva-

lents.

Our ongoing target for investment in stocks remains at 65% of the total fund.



**Fiscal Year to Date**

As September 30, 2009, the total fund return for the fiscal year was 4.6%, while its benchmark return was 1.5%. The stock return was -2.4%, while the benchmark return was -4.3%. The bond return was 14.3%, while the benchmark return was 9.7%.

**Major Economic Indicators**

For the third quarter of 2009 the best performing sector among S&P 500

stocks was Financials which increased 25.14% and the worst sector was Telecommunications which increased 3.94%.

Among the major economic indicators, the Consumer Price Index (CPI-Urban) decreased 1.3% for the twelve months which ended in September. In the third quarter the seasonally adjusted annual CPI was 2.5%. The Producer Price Index (PPI) for finished goods declined 4.8% for twelve-month period ended in September.

The seasonally adjusted unemployment rate was 9.8% in September compared to 9.5% in June. Real Gross Domestic Product (GDP) decreased at an annual rate of 0.7% for the second quarter of 2009, compared with a decrease of 6.4% in the first quarter.

# The West Palm Beach Police Pension Fund Receives National Award



West Palm Beach Police Pension Board of Trustees

Pictured LR, Wilton White, Chris Fragakis, Ed Mitchell, Chris Roaf & Jack Frost



On behalf of the West Palm Beach Police Pension Fund, the Board of Trustees received its first PPCC Award.

The Public Pension Coordinating Council (PPCC) is a coalition of three associations that represent public pension funds who cover the vast majority of public employees in the US.

This is the seventh year the PPCC is offering the PPCC Standards Award Program to public retirement systems.

The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured. The retirement systems and the state and local governments that sponsor them are encouraged to meet these standards.

What a difference a year makes!

Congratulations Trustees



Public Pension Coordinating Council

**Public Pension Standards Award  
For Funding and Administration**

**2009**

Presented to

***West Palm Beach Police Pension Fund***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

Alan H. Winkle  
Program Administrator

## From the Board of Trustees

**Dear Pension Members:**

**New Bank Update:** As reported in the last publication, Fiduciary Trust (FTIS) took over the reins as our new fund custodian on August 1, 2009. In the last newsletter, the Board advised you that FTIS would be sending out retirement deposit confirmations each month. We have since learned that during the transition, FTIS set up quarterly deposit confirmations. That issue was addressed with FTIS and all retirees should now be receiving deposit confirmations each month. As a general rule, the confirmations arrive a couple days before the end of the month. The confirmation is in a somewhat non-descript envelope and is tri-sealed (for your protection). You must open the envelope on three sides to see the statement. Please watch for this statement. If you do not receive it, please let us know.



One other issue to remember is that retirees who received payments before August 1, 2009 will be issued two 10-99R's this year. One from Salem Trust for the months of January 2009 to July 2009. The other will come from FTIS for the months of August 2009 to December 2009. Please let us know if you have any other issues that require our attention.

**Happy Anniversary:** It is hard to believe that it has been a year since our administrator, Dave Williams has taken the helm. The Board hopes that you have had the opportunity to meet Dave and/or his administrative assistant, Maryann. If not, stop by the Office of Retirement, which is housed within the Palm Beach PBA and say hello! Dave and Maryann are eager to assist you and your needs.

**Reminder.....Election of Earnings Notice:** For those of you that have filed a change in elections earnings, for your drop and/or share account, you will see that change in the next statement for the period ending December 31, 2009.

**Audit Update:** The fieldwork for our annual independent audit began on November 30, 2009. Representatives from Davidson, Jamieson & Cristini, P.L. are completing the independent annual financial statements for the fund, as well as the DROP and Share Accounts.

**DROP/Share Open Window Period:** Retirees who are receiving DROP/Share distributions may elect to change the amount received during the month of February 2010. The effective date for the change is April 1, 2010. If you do not wish to make a change, you do not have to take any action.

**Office Closure:** The Office of Retirement will be closed December 14th to 18th to permit our staff to attend a pension school. If assistance is required simply call the office 561.471.0802. Messages will be checked throughout the week.

**Announcements:** The Board of Trustees want to make certain you are kept up-to date. As it is impractical to do a mail-out for every announcement, a page has been created on our web site just for up to date information. As time permits, check out [www.wpbppf.com](http://www.wpbppf.com) and click on the announcement page.

**Investments:** Did you know complete investment results information is available on-line? [Please visit wpbppf.com.](http://www.wpbppf.com)

**Welcome Aboard:** The Board welcomes John McCann from Thistle Asset Consulting. John is our new investment consultant. A detailed article will be forthcoming in a future publication.



## Long Term Fund Summary

Since March 31, 2007, the total fund had an average rate of return of -0.7%, which outperformed our benchmark



which returned -2.9% during that same time period.

For the last three years the total fund had an average rate of return of 1.8%, which also outperformed the overall combined stock and bond benchmark return of -0.2%.

Since March 31, 2007, stocks averaged -0.1% and bonds averaged 8.4%, while their benchmarks averaged -6.5% and 6.5%.

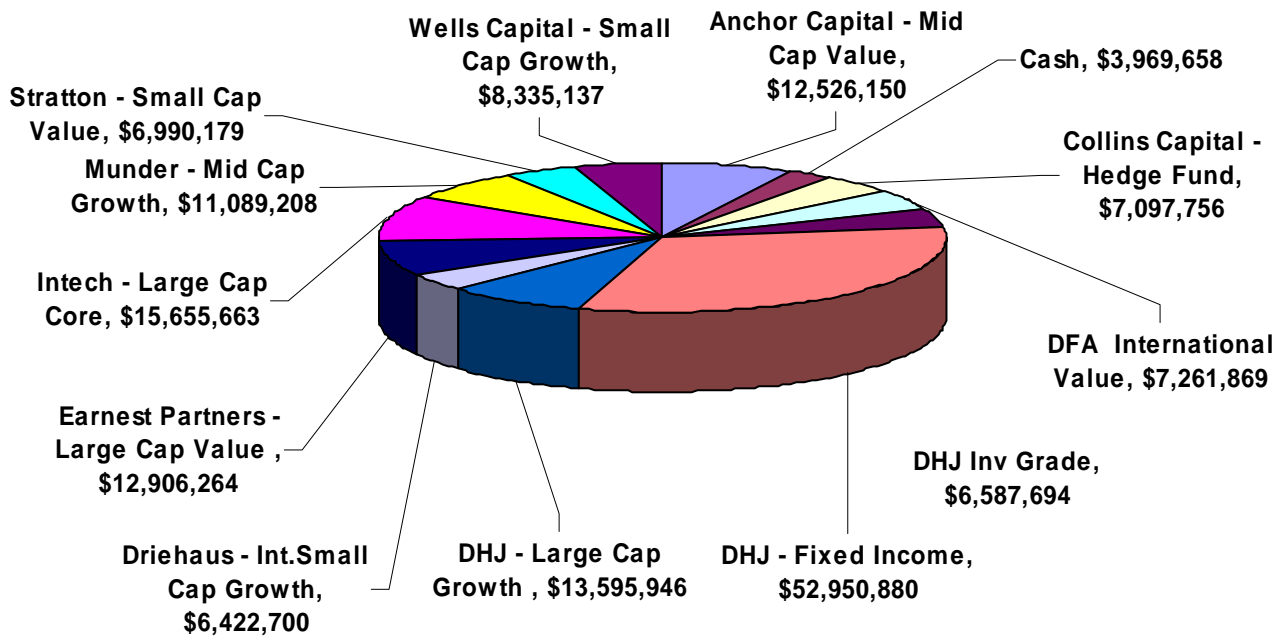
For the last five years stocks had an average return of 4.6%, while bonds averaged 6.0%. These returns also outperformed the benchmarks which returned 3.8% and 5.0% respectively.

TOP 10 STOCKS

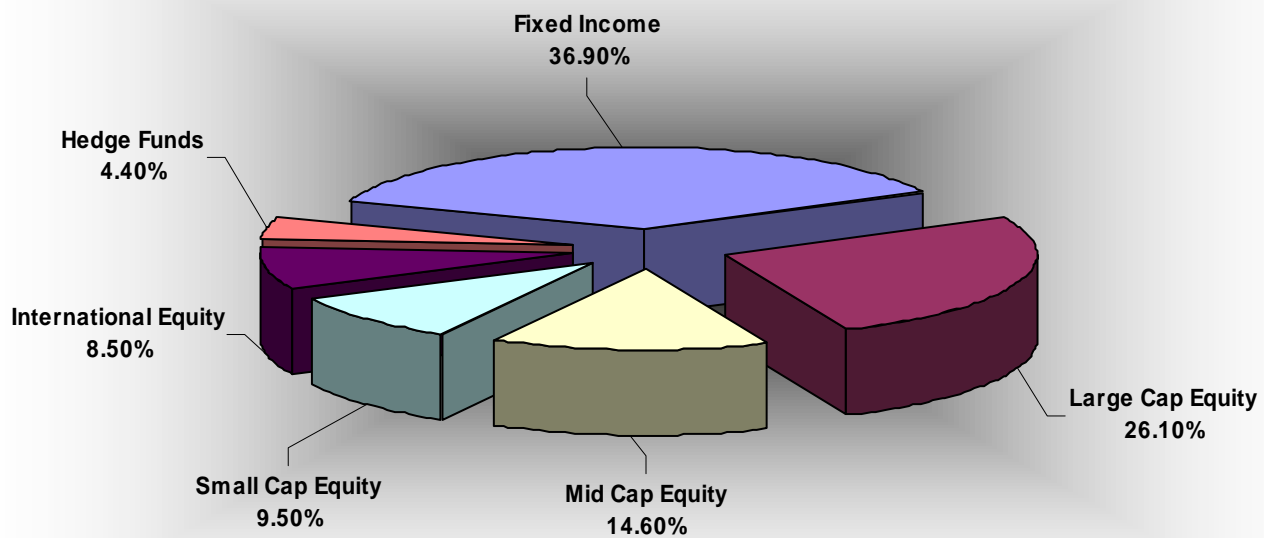
<b>Intech</b> <i>Large Cap Core</i>	<b>Earnest Partners</b> <i>Large Cap Value</i>	<b>Anchor Capital</b> <i>Mid Cap Value</i>	<b>Wells Capital</b> <i>Small Cap Growth</i>
EXXON MOBIL CORP	FREEPORT-MCMORAN	ANNALY CAPITAL	GSI COMMERCE
AT&T INC	OCCIDENTAL PETROLEUM	IVANHOE MINES	SYKES ENTERPRISES
JOHNSON & JOHNSON	IBM	SPDR GOLD TRUST	CBEYOND INC.
PROCTER & GAMBLE	INTEL	CABLEVISION SYS	GLOBAL CASH ACCESS
CHEVRON CORP	EXPRESS SCRIPTS	MILLICOM INT'L	GARTNER GROUP INC.
IBM	WELLS FARGO	AFFILIATED CMPTR	PMC-SIERRA INC.
GENERAL ELECTRIC	GENERAL DYNAMICS	SUN COMMUNITIES	NATIONAL CINEMEDIA
WAL-MART STORES	APACHE	HCP	SHUTTERFLY
VERIZON COMM.	FLEXTRONICS INTL.	ALLSTATE	TOWER GROUP INC.
MCDONALD'S CORP.	TRAVELERS	CHIMERA INVEST.	SOLERA HOLDINGS

# Track the Fund

## Plan Asset Allocation as of September 30, 2009



## Plan Asset Allocation as of September 30, 2009



# Retiree Corner



*Congratulations to our latest DROP Members*

<i>John Kelly</i>	<i>10-01-2009</i>
<i>Maria Olsen</i>	<i>10-01-2009</i>
<i>Chris Fragakis</i>	<i>10-31-2009</i>
<i>Martin Tierney</i>	<i>10-31-2009</i>

*Congratulations to our latest Retired Members*



<i>Anthony Lutz</i>	<i>10-01-2009</i>
<i>Gary Noel</i>	<i>10-16-2009</i>

# Welcome New Members

Join the Board of Trustees and welcome our latest pension members.

<b>Robert Ayala</b>	<b>09-20-2009</b>
<b>Rafael Licea</b>	<b>09-20-2009</b>

We wish you all a rewarding and successful career.



On the next page, there is an article written by representatives of Davis Hamilton. Within the article, there is a reference to Beta. What does that mean? We hope this helps!

Beta is calculated using regression analysis, and you can think of beta as the tendency of a security's returns to respond to swings in the market. A beta of 1 indicates that the security's price will move with the market. A beta of less than 1 means that the security will be less volatile than the market. A beta of greater than 1 indicates that the security's price will be more volatile than the market. For example, if a stock's beta is 1.2, it's theoretically 20% more volatile than the market.

Many utilities stocks have a beta of less than 1. Conversely, most high-tech Nasdaq-based stocks have a beta of greater than 1, offering the possibility of a higher rate of return, but also posing more risk.

## Davis Hamilton Jackson

### DHJ Market Recap.....

Financial markets are on a path to recovery. Coordinated global monetary and fiscal stimulus programs calmed fears, reinforced balance sheets, and boosted economic activity. Corporate earnings have bottomed and forecasts call for year-on-year profit comparisons to increase in the December period. As a result, stocks recorded an impressive 58% rally from the March 9<sup>th</sup> lows through the end of September, including seven consecutive months of positive gains. For the quarter ending September 30, the S&P 500 Index returned 15.6%.



Investors favored higher beta areas during the quarter. This was evident across capitalization ranges, with the small cap Russell 2000 Index rising 19.3% versus a 14.4% gain for the mega-cap Russell Top 200 Index. Reflecting strength in Financial stocks, value styles performed better than growth. The Russell 1000 Value Index increased 18.2%, while the Russell 1000 Growth Index rose 14.0%.

Corporate managements are adapting to the new environment incredibly well, adjusting cost structures, reducing inventories, delaying capital plans and guiding investors to modest recovery expectations. Where necessary, balance sheets are being improved through refinancings. With a very favorable interest rate environment, equity market valuations are reasonable and stock price increases should match forward earnings growth.

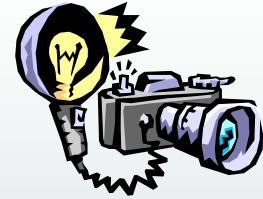
Stock market leadership during the recovery has been in companies hit hardest in the downturn. From here, companies able to generate revenue growth and meet earnings projections without much help from the economy are likely to look increasingly attractive. Large cap, high quality companies seem particularly well-positioned, with strong balance sheets and access to developing markets around the globe.

### Note To The Reader:

**Davis Hamilton Jackson is our Large Cap Growth Equity Manager as well as our Fixed Income Manager!**



### Stock Highlight



#### Harsco Corporation (Ticker = HSC)

Sector: Industrial

Industry: Industrial Machinery

Market Capitalization: \$ 2.8 Billion

Harsco Corporation provides industrial services and engineered products. The Company offers industrial mill services, gas control, and containment products, scaffolding services, and railway maintenance. HSC will benefit from the significant amount of global stimulus earmarked for new infrastructure development projects. Their focus on cost savings during the downturn will translate to strong leverage as the top line improves. Global environmental regulatory tightening should lead to steel mills outsourcing services driving further revenue growth. Furthermore, cross-selling opportunities amongst Harsco's segments have not fully come to fruition which will become a priority going forward. They should be able to capitalize on the recent downturn by increasing market penetration from the smaller competitors where balance sheets are less stable.

Average Cost in WPB Police Portfolio: \$28.04 per share, currently trading at \$33.72.



**Dick Loebig, CFA****Vice President, Portfolio Management Group**

**Dick Loebig, CFA**, is Vice President, Portfolio Management Group at INTECH. Dick joined the firm in May 2006, and is responsible for providing investment expertise to current and prospective INTECH clients and consultants.

Prior to joining INTECH in May 2006, Mr. Loebig was with Western Asset Management and INVESCO in senior client service roles. He began his career in the institutional investment management business in 1986, and has held various positions including trader, portfolio manager and client service executive, primarily in the fixed income arena.

Mr. Loebig holds a B.A. in Business Administration from Furman University, and an M.B.A. from Bellarmine University. Mr. Loebig has earned the right to use the Chartered Financial Analyst designation and has 23 years of investment industry experience.





## Who is INTECH?

INTECH Investment Management LLC (INTECH), headquartered at CityPlace Tower right here in West Palm Beach, manages approximately \$15.6 million in large-cap U.S. equities for the West Palm Beach Police Pension Fund (as of September 30, 2009). In addition to its global headquarters in West Palm Beach, INTECH has a research facility in Princeton, New Jersey, and an international division headquartered in London, England.

INTECH's investment process is based on a mathematical foundation known as Stochastic Portfolio Theory and seeks to build diversified portfolios that offer the potential to generate long-term returns in excess of a target benchmark, while reducing the risk of significant underperformance relative to the benchmark. INTECH has been utilizing this same methodology in managing money since 1987.

## INTECH's Investment Philosophy and Process

INTECH believes it can add value using natural stock price volatility through a mathematically based, risk-managed process. The firm does not pick individual stocks based on metrics such as growth rates or earnings; nor does it attempt to predict whether the prices of stocks will go higher or lower. Rather, INTECH uses natural stock price volatility and correlation characteristics to attempt to generate an excess return above a target benchmark. Essentially, INTECH adjusts the cap weights of an index portfolio to potentially more efficient combinations through a specific mathematical optimization and disciplined rebalancing routine.

The West Palm Beach Police Pension Fund is invested in INTECH's Large Cap Core strategy, which is benchmarked to the S&P 500 Index. This means that INTECH applies its proprietary mathematical investment process to the 500 stocks that comprise the S&P 500 Index. For the Large Cap Core strategy, the investment process begins with the S&P 500 Index, often cited as a proxy for "the market." INTECH then conducts a screen that eliminates stocks that make up less than one basis point of the index, with the remaining universe of securities subject to the mathematical investment with the following risk parameters:

- Lesser of 2.5% or 10x maximum differential from benchmark index weight on individual security positions (portfolio weights may slightly exceed the maximum differential over time due to market action)
- Constrain beta to be equal to or less than beta of benchmark index
- Constrain the portfolio's weighted average market cap to approximate that of the benchmark index
- Maximize information ratio

Risk controls that are embedded in the investment process attempt to mitigate periods of underperformance relative to the benchmark in both magnitude and duration. Once the target weights are determined and the portfolio is constructed, it is then rebalanced to those target proportions and re-optimized on a regular basis. The portfolio is continually evaluated to ensure that diversification and return characteristics are consistent with the investment objectives and underlying mathematical theorem.

INTECH is focused on providing a unique, innovative, and scientifically based approach to portfolio management by applying mathematics to portfolio construction. INTECH's founder, Chief Investment Officer, and Chairman of the Investment Committee, E. Robert Fernholz, Ph.D., originated and developed the portfolio theory employing stochastic calculus. His seminal paper, "Stochastic Portfolio Theory and Stock Market Equilibrium," published in



the 1982 *Journal of Finance*, became the basis for INTECH's mathematical investment approach and the foundation of its portfolio-construction process.

### **Ongoing Research**

INTECH conducts ongoing evaluation and analysis of the mathematical principles governing its investment process. The firm's research teams in Princeton and West Palm Beach continue to research and implement new and unique ways of applying mathematical and scientific methods to investment management. The responsibilities of the research teams also include continual review of the engineering of INTECH's investment process in an attempt to implement enhancements that will improve long-term performance.

### **INTECH: An Overview**

INTECH has a history of utilizing a mathematical approach and each of its product offerings are logical extensions of an investment style that has been providing value to investors for more than 22 years. The firm offers institutional investors enhanced index, core, value, growth and long/short strategies within the U.S. large-cap market segment, as well as global and international equity strategies. INTECH believes it can add value by constructing portfolios that have the potential to outperform a target benchmark at a similar level of risk over the long term.

INTECH has 82 employees as of September 30, 2009, and INTECH manages approximately \$47.3 billion for institutional investors around the globe.



# Retiree Memberships

## New Membership Approved

The General Membership of the FPPTA has voted to approve a retiree membership class.

The role of this membership class will be:

1. To create a political base to protect your pension benefits
2. To protect the pension rights of active employees and soon-to-be retirees
3. To educate members on financial investments and legislative issues that impact your pensions
4. To provide association discounts on benefits and social functions

## What Do We Need to Do?

1. **JOIN** this statewide organization. Your membership dues are **ONLY \$9.99** per year. This covers you and your spouse or significant other for one year from the date you join.
2. Create a Board of Directors
3. If you have a local retirees association, link that organization to the FPPTA website at [www.fppta.org/retirees](http://www.fppta.org/retirees)

## What Do You Get For Your Membership?

- Free Retirement & Financial Planning
- Free \$5000 Accidental Death & Dismemberment Policy
- Free subscription to "the Voice" magazine & other FPPTA retirement publications
- Social Activities
- \$100 discount on FPPTA registration fees
- Inclusion in all FPPTA mailings & functions
- The opportunity to attend FPPTA sponsored retirement educational sessions at FPPTA



[www.fppta.org](http://www.fppta.org)

For More Information, or if you have questions,  
CONTACT:

Ray Edmondson, Chief Executive Officer, FPPTA  
Toll-free at 800-842-4064 Extension 102  
or by E-Mail - [Ray@fppta.org](mailto:Ray@fppta.org)





## THE BOARD OF TRUSTEES

**Ed Mitchell, Chairperson**

**Jonathan Frost, Secretary**

**Chris Fragakis, Trustee**

**Chris Roaf, Trustee**

**Wilton White, Trustee**

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E-mail Comments and suggestions to:

Email: [info@wpbppf.com](mailto:info@wpbppf.com)

## Name Change?



Members who have changed their name due to marriage, divorce, etc. must complete a "Change of Name" form which is located at [wpbppf.com](http://wpbppf.com). If you do not have on-line access, contact the Office of Retirement directly for the form. That form must be provided to the Plan Administrator & be accompanied by the supporting legal document(s) in order to make any changes.

## Disclaimer

The information contained herein is provided for informational purposes only. The foregoing information/summary/prices/quotes/statistics have been obtained from sources we believe to be reliable, but cannot guarantee its accuracy or completeness. Neither the information nor any opinion expressed constitutes investment, tax and/or legal advice from the Board of Trustees and/or any and all entities thereof. Please consult your professional investment, tax and/or legal advisor for such guidance.

## In Closing....

### Revised Insurance & VEBA Rates

The following are the new rates for the PPO Medical Coverage effective January 1, 2010. If you receive a VEBA benefit to offset your insurance payment, that too is outlined as follows:

	<u>New Rate</u>	<u>VEBA</u>	<u>Balance Due</u>
Retiree	\$507.11	\$501.92	\$5.19
Retiree & One	\$1,049.15	\$501.92	\$547.23
Retiree & Family	\$1,519.68	\$501.92	\$1,017.76

If this applies to you, the applicable adjustment highlighted above will be applied on January 1, 2010. Should you have any questions regarding your VEBA benefit, please contact Mr. Ernest George at the Palm Beach County PBA at 561.689.3745

## Lets Talk DROP Loans...

- You must be separated from service to be considered for a DROP loan. Active members are not eligible for a DROP loan.
- A loan can be taken up to \$50,000.00 based on regulations. A minimum of amount for a loan is \$1,000.00.
- Amount of the loan is deducted from the member's DROP account and repaid monthly from the member's retirement payment.
- Loans issued for a maximum term of (5) five years.
- Interest rate based on prime rate at the time of the loan.
- One loan per year & one loan at a time.
- Failure to make scheduled loan payments may result in serious adverse tax consequences.
- Contact the Plan Administrator should you have any questions.