

Chairperson Rebecca W. Sutton called the Joint Quarterly Performance and Evaluation Meeting of the City of Orlando Pension Advisory Committee, Police and Firefighters' Pension Boards to order at 8:20 a.m. on December 5, 2007, in the Agenda Conference Room, 2<sup>nd</sup> floor, City Hall, Orlando, Florida. There was a quorum for the Pension Advisory Committee, Firefighters' and Police Pension Boards.

**PAC Members Present**

R. Sutton, Chairman  
L. Brooks, Executive Offices  
L. J. Conley, L.I.U.N.A. Representative  
C. Cummings, Families, Parks & Recreation  
P. Edwards, Housing, Community Development  
L. Floyd Jacobs, Fire Dept.  
P. Dempsey, SEIU Representative  
S. Geller, S.E.I.U. Representative  
D. Rafanowicz, General Administration  
R. Suggs, L.I.U.N.A. Representative  
M. Rhodes, Economic Development  
D. Sloan, Wastewater  
B. Gray, Transportation

**PAC Members Absent**

Vacant Police Department  
J. Doman, Orlando Venues

**Police Pension Board Trustees Present**

J. Smith, Chairman  
R. Sutton, Vice-Chair  
V. Montgomery, Secretary

**Members Absent**

L. Singletary, Trustee  
K. Edmonds, Trustee

**Firefighters' Pension Board Trustees Present**

R. Glass, Chairman  
J. Miller, Vice- Chair  
R. Sutton, Trustee  
M. Droege, Secretary

**Members Absent**

M. Garcia, Trustee

**Others Present**

D.R. Jones, Treasurer and Executive Director  
Fire & Police Pension Boards  
K. Laudeman, Deputy Executive Director  
Police & Fire Pension Boards  
J. Nevola, Bank of New York Mellon  
G. Kalson, Kalson & Associates  
R. Burlon, Pension Coordinator  
C. McCullion, Assistant Treasurer

1. **OVERVIEW OF THE QUARTER-CUSTODIAN** **Jim Nevola**  
**Bank of New York Mellon**

The stock market was extraordinarily volatile during the third quarter, with several big up and down days. The resulting 2.03% total return of the S&P 500 barely reflects the drama that was evident during the quarter. The problems with sub-prime lending escalated, and the slump in the housing market intensified. Growing concerns about a potential liquidity crisis contributed to sharp declines in the stock market. A bigger-than-anticipated cut in the federal funds rate, however, calmed the market's nerves and sparked a rally. Though at several points this year the market seemed quite jittery, the year-to-date return of the S&P 500 at the end of the third quarter was a respectable 9.13%.

While economic data reflected the weakness in the housing, the fixed income market was focused on the illiquidity in certain sectors, particularly asset-backed securities. The yield on the 10 year U.S. Treasury note fell from 5.02% to 4.59% at the end of the third quarter.

Stock markets in developed countries reflected the turmoil in the U.S. market. The total return of EAFE in local currency terms during the third quarter was -2.52%. The substantial depreciation of the U.S. dollar resulted in a 2.18% total return for EAFE in U.S. dollar terms.

However, all of the bouncing around in the developed equity markets had scant effect on the emerging markets, which continued to soar. The MSCI Barra Emerging Markets Index had a total return of 14.41% in U.S. dollar terms during the third quarter.

2. **MANAGER PERFORMANCE REVIEW- PENSION CONSULTANT**

Grant Kalson, Kalson & Associates, reported that the General Employees' Plan returned +2.4% in the third quarter, slightly outperforming the TUCS Public Fund Median return of 2.2%. This placed the fund in the 39<sup>th</sup> percentile for the quarter. The Firefighters' Plan tacked on 2.3% vs. 2.2% for the benchmark and the Police Plan added 2.1%.

Three of the four active domestic equity managers outperformed. Wells Capital (GE & Fire) and Payden & Rygel (Police) both beat the Russell 1000 Growth Index. Wells returned 6.5% and Payden & Rygel added 6.7%. By comparison, the index added 4.2%. In the large cap value space, Wellington (GE & Fire) beat the Russell 1000 Value Index yet again, adding 2.0% while the index lost 0.2%. Advisory Research underperformed the Russell Mid Cap Value Index by 0.6% returning -4.2% vs. -3.6%.

On the international equity front, Wellington International (Police & Fire) out-performed their benchmark adding 8.6% vs. 3.0%. Alliance Bernstein, international value manager, gained 2.0% while the index gained 2.4%.

Fixed income managers both lagged the Lehman Government/Credit A-or Better Index. The Real Estate Investment Trust manager gained 4.2% while the index rose 2.6%.

The PAC and the trustees of the Police and Fire Pension Plans asked to have Advisory Research on a conference call as soon as possible to discuss their downward spiral.

3. **MINUTES**

**A MOTION TO APPROVE THE MINUTES OF NOVEMBER 14, 2007** was made by M. Rhodes and seconded by C. Cummings; **MOTION CARRIED UNANIMOUSLY.**

4. **NORTHPOINTE CONTRACT**

D. Jones advised that the contract should be finalized this week.

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5. **TCW**

D. Jones advised that the plans will not reinvest any new money and slowly liquidate this portfolio into a core fixed income account.

Meeting adjourned at 10:30 a.m.

Respectfully submitted,

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Rebecca W. Sutton  
Chairperson

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Rochelle L. Burlon  
Pension Coordinator