

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 May 28, 2008, 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**

Rebecca W. Sutton, Chair  
Ben Gray, Transportation  
Les Conley, L.I.U.N.A. Representative  
Cheryl Cummings, Families, Parks & Recreation  
Paulette Edwards, Housing, Community Development  
David Sloan, Wastewater  
Liza Floyd Jacobs, Fire Department  
Pete Dempsey, SEIU Representative  
Susan Geller, S.E.I.U. Representative  
David Rafanowicz, General Administration  
Jon Dorman, Centroplex  
Ricky Suggs, L.I.U.N.A. Representative  
Michael Rhodes, Economic Development  
Jay Carr, Police Department

**PAC Members Absent**

Lauri Brooks, Executive Offices

**Police Pension Board Trustees Present**

Jay Smith, Chairman  
Vince Montgomery, Secretary  
Kevin Edmonds, Trustee  
Rebecca W. Sutton, Vice-Chair  
**Members Absent**  
Leon Singletary, Trustee

**Firefighters' Pension Board Trustees Present**

John Miller, Vice-Chair  
Rebecca W. Sutton, Trustee  
Mario Garcia, Trustee  
**Members Absent**  
Ronald Glass, Chair  
Mike Droege, Secretary

**Others Present**

Donnie R. Jones, Treasurer and Executive Director  
Fire & Police Pension Boards  
Katrina Laudeman, Deputy Executive Director  
Police & Fire Pension Boards  
Chris McCullion, Assistant Treasurer  
Grant Kalson, Kalson & Associates  
Rochelle Burlon, Pension Coordinator  
Jim Nevola, Bank of New York Mellon

## **OVERVIEW OF QUARTER-CUSTODIAN**

J. Nevola of Bank of New York Mellon, reported that the stock market volatility intensified in the first quarter of 2008. Despite some strong days, the S&P 500 returned -9.45% compared to -3.33% during the fourth quarter and 5.49% for 2007 as a whole. The Federal Funds rate was cut three times in the first quarter. Overall, the Federal Funds rate was reduced by 200 basis points, bringing the rate at the end of March 2008 to 2.25%

Returns in the fixed income markets varied considerably among sectors. The total return of the Lehman Brothers Aggregate Bond Index was 2.17%. Treasuries benefited from the flight to quality that resulted from the turmoil in the markets. The total return of Treasuries in the Lehman Brothers Treasury Index was 4.43%.

On a few occasions during the quarter, the fixed income market evidenced its concern about the inflation situation as yields rose. Despite sharp increases in many commodity prices this year, the consumer price index (CPI) has remained relatively well behaved.

Although equity investors must still cope with the consequences of high oil prices, a deeply troubled housing market and weakening consumer expenditures, it has become increasingly clear that the worst-case scenarios that have been tossed around in the markets are not likely to occur.

### **MANAGER PERFORMANCE REVIEW PENSION CONSULTANT**

G. Kalson of Kalson & Associates reported that two of the three City of Orlando Pension Plans slightly lagged their respective blended benchmarks, with the GE Plan performing in-line with its benchmark. The GE Pension Plan lost 5.5%, as did its benchmark. The Fire Pension Plan dropped 5.8% while the Police Pension Plan fell 6.3%. By comparison their benchmark fell 5.4%.

It was a rough quarter to be a domestic equity manager, as five of the six active managers underperformed in the first quarter. In fixed income, Payden & Rygel beat the Lehman Government/Credit Index and TCW beat the Lehman Mortgage-Backed index, adding 3.0% vs. 2.4%. Since inception in 1993, TCW has returned 7% per year and ranked in the top percentile. ICC Capital lagged their index once again.

### **APPROVAL OF MINUTES**

A MOTION TO APPROVE THE MINUTES OF MARCH 5 AND APRIL 10, 2008, was made by D. Rafanowicz and seconded by J. Carr; MOTION CARRIED UNANIMOUSLY.

### **CORE FIXED INCOME UPDATE**

K. Laudeman discussed that she is working on the details of the transition of the fixed income assets from ICC Capital to Jennison. There is a possibility of using a transition manager (State Street) but the cost benefit will need to be determined. She is working on the Jennison contract as well.

### **CONTRACT EXTENSION WITH THE BANK OF NEW YORK**

Donnie Jones advised that the Bank of New York Mellon's contract will expire on July 1, 2008. We are in the process of an RFP for a Master Custodian which Bank of New York is participating in. However, until the Selection Committee makes a decision we will need to extend the contract until October 1, 2008.

Page Threc  
May 28, 2008

PENSION ADVISORY COMMITTEE: A MOTION TO RECOMMEND TO CITY COUNCIL TO EXTEND THE CONTRACT WITH BANK OF NEW YORK MELLON UNTIL OCTOBER 1, 2008, was made by D. Rafanowicz and seconded by J. Carr; MOTION CARRIED UNANIMOUSLY.

The Board took a ten minute break.

**NORTHPOINTE CAPITAL**

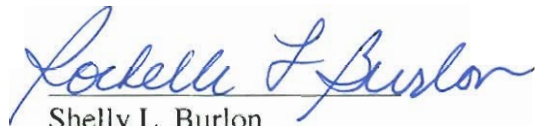
Sherwin Prior and Ken Hudson of Northpointe Capital, which is our small cap growth manager, reported on their stock selections and their performance since inception.

The meeting adjourned at 11:00 a.m.

Respectfully submitted,



Rebecca W. Sutton  
Chairperson



Shelly L. Burlon  
Pension Coordinator