

Chris McCullion, Treasurer, called the Joint Quarterly Meeting of the City of Orlando Pension Advisory Committee, Police and Firefighters' Pension Boards to order at 8:25 a.m. on March 3, 2011, in the overlook conference room, 9th floor, City Hall, Orlando, Florida. There was a quorum for the Pension Advisory Committee, Firefighters' and Police Pension Boards.

PAC Members Present:

Cheryl Cummings, Families Parks & Recreation (absent 10/4)
Gus Castro, Transportation (10/0)
Todd Berube, S.E.I.U. Representative (10/3)
Paulette Edwards, Housing Department (10/2)
Jay Carr, Police Department (10/0)
Rick Howard, Public Works (absent 10/7)
Liza Floyd Jacobs, Fire Department (absent 10/2)
David Rafanowicz, Executive Offices (10/2)
Michael Rhodes, Economic Development (10/4)
Ricky Suggs, L.I.U.N.A. Representative (absent 10/5)
Steve Brown, L.I.U.N.A Representative (5/0)
Rebecca W. Sutton, Chair (10/8)

Police Pension Board Trustees:

Jay Smith, Chairman
Randolph T. Thames, Vice-Chair
William Long, Secretary
Laurie Botts, Trustee
Tony Blanca, Trustee

Firefighters' Pension Board Trustees

Ronald Glass, Chairman
Shannon Raybon, Vice-Chair (absent)
Mike Droege, Secretary
Kevin Edmonds, Trustee
Mario A. Garcia, Trustee

Others Present

Christopher P. McCullion, Treasurer
Katrina Laudeman, Treasury Manager
Kevin Leonard, NEPC
Kevin Kondry, NEPC
Shelly Burlon, Pension Coordinator
Deborah Parrish, Accountant III
Brad Armstrong, Gabriel, Roeder, Smith & Co.

OVERVIEW OF QUARTER

Kevin Kondry of NEPC reviewed the market for the fourth quarter of 2010. After a slowdown during the second quarter, the U.S. economy showed moderate growth during the second half of 2010. The market showed a moderate gain during October, treaded water during November and had a strong December, for a total quarterly return of 10.8%. Consumer spending rose steadily and several important economic indicators showed clear improvement. All sectors in the S&P 500 had double-digit gains in 2010 except utilities and health care. The top performing sectors were consumer discretionary and industrials. In terms of individual companies, corporate drama was evident in the results. Netflix was the best performing stock in the S&P 500, while Blockbuster filed for bankruptcy protection. AIG was the fifth best performing stock, while the wisdom of rescuing the company continues to be debated. Priceline.com was also one of the top performers, with a price/sales ratio of only 6.7. In 1999 around the peak of the internet bubble, its price/sales ratio was 53. MetroPCS, one of the five worst performers in 2009, just missed being in the top 25 stocks in the S&P 500 for 2010. Mid and small cap stocks outperformed the large caps during 2010. The total return of the S&P MidCap 400 was 26.6%, just a shade behind the 26.9% return of the Russell 200. Small Cap growth significantly outperformed small cap value in 2010.

During the 4th quarter U.S. Fixed income showed signs of continued improvement in the economy and concerns about the inflationary implications of QE2 led to a sharp rise in yields. As of year end, the yield on the 10-year Treasury note was 3.29% compared to 2.51% at the end of the third quarter and 3.84% at the end of 2009. Clear obstacles remain. U.S. businesses benefited from exports to the emerging markets, but some of these countries must restrain growth to avoid an inflationary spiral. We have certainly not heard the last of the sovereign debt crisis. Moreover, when conditions seem to be improving, the stock market has a way of getting ahead of itself and inviting a pullback. Nevertheless, despite all the headwinds, the economic recovery appears to have true staying power.

MANAGER PERFORMANCE REVIEW

Kevin Leonard reviewed the General Employees' Plan which returned +6.8% in the fourth quarter, outperforming the TUCS Public Fund Median return of +6.0%. This placed the fund in the 22nd percentile for the quarter. All

active managers, namely Wellington, Wells Capital, Advisory Research and Northpointe Capital outperformed their proxies. The GE plan non-US equity manager returned +7.5% during the 4th quarter of 2010, outperforming the median fund of the TUCS International Equity Investment Pools Universe of +7.3%. Thornburg outperformed its proxy by 0.3%. The GMO Global Balanced Asset Allocation portfolio returned +4.1% during the 4th quarter 2010, underperforming the TUCS balanced portfolios median of +7.4%. The Real Estate investments outperformed the TUCS Total Real Estate Investment Pools Median for the 4th quarter 2010 (+6.5% vs. +4.5% for the median).

The Police & Firefighters' Plans returned 6.8% and 6.7% during the 4th quarter, respectively, vs. +6.0% for the TUCS Public Fund Median. The plans' ranked in the 24th and 27th percentiles, respectively.

SMID GROWTH EQUITY MANAGER SEARCHES

Kevin Leonard reviewed NEPS's investment manager research process which identifies a Focused Placement List of preferred investment managers representing the strategies that they expect will provide superior investment performance over time. Nine managers were recommended and reviewed. Discussion ensued.

POLICE PENSION BOARD

A MOTION TO INTERVIEW COPPER ROCK, PINACLE ASSOCIATES, TURNER INVESTMENT PARTNERS AND WILLIAM BLAIR & COMPANY was made by J. Smith and seconded by R. Thames; **MOTION CARRIED UNANIMOUSLY.**

PENSION ADVISORY COMMITTEE

A MOTION TO INTERVIEW COPPER ROCK, PINACLE ASSOCIATES, TURNER INVESTMENT PARTNERS AND WILLIAM BLAIR & COMPANY was made by C. Cummings and seconded by P. Edwards; **MOTION CARRIED UNANIMOUSLY.**

FIREFIGHTERS' PENSION BOARD

A MOTION TO INTERVIEW COPPER ROCK, PINACLE ASSOCIATES, TURNER INVESTMENT PARTNERS AND WILLIAM BLAIR & COMPANY was made by K. Edmonds and seconded by M. Droege; **MOTION CARRIED UNANIMOUSLY.**

SMID CAP VALUE EQUITY MANAGER SEARCHES

K. Leonard reviewed the eleven managers they are recommending for our SMID cap value. Discussion ensued.

PENSION ADVISORY COMMITTEE

A MOTION TO INTERVIEW LORD ABBETT & CO, SYSTEMATIC FINANCIAL MANAGEMENT; AND THE BOSTON COMPANY was made by P. Edwards and seconded by C. Cummings; **MOTION CARRIED UNANIMOUSLY.**

FIREFIGHTERS' PENSION FUND

A MOTION TO INTERVIEW INTEGRITY ASSET MANAGEMENT, LORD ABBETT & CO, SYSTEMATIC FINANCIAL MANAGEMENT AND WELLINGTON MANAGEMENT was made by M. Droege and seconded by K. Edmonds; **MOTION CARRIED UNANIMOUSLY.**

POLICE PENSION BOARD

A MOTION TO INTERVIEW THE BOSTON COMPANY, LORD ABBETT & CO, STYSTEMATIC FINANCIAL MANAGEMENT AND WELLINGTON MANAGEMENT was made by J. Smith and seconded by T. Blanca; **MOTION CARRIED UNANIMOUSLY.**

The meeting adjourned for the Police and Firefighters' Pension Boards at 11:00 a.m.

OCTOBER 1, 2010 ACTUARIAL VALUATION REPORT PRESENTATION

Brad Armstrong of Gabriel Roeder Smith & Company, presented the October 1, 2010 Actuarial Valuation to the Pension Advisory Committee.

The activities of the Pension Fund and its members generated an experience loss of \$8.43 million on an aggregate basis during the plan year ended September 30, 2010. The market value rate of return, net of investment expenses on assets was 10.2% versus an 8.0% long-term assumption. The funding value rate of return on assets used to determine the contribution requirements and funded ratio for this valuation was 3.0% versus 8.0% expected. The aggregate experience loss resulted in a higher dollar contribution. The actuarial value of assets is \$173,699, 838. The city contributed \$9,305,926 for the 2010-2011 fiscal years. At the end of the fiscal year there was \$161,310,955 in net assets held in trust for pension benefits. Discussion ensued regarding the Plan's assumed rate of investment return. It was noted that NEPC and staff will continue to watch the Plan's investment returns and may bring this up for discussion at a later date as NEPC's investment expectations change in response to the new economic environment.

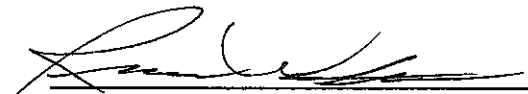
A MOTION TO ACCEPT THE OCTOBER 1, 2010 ACTUARIAL VALUATION REPORT AS PRESENTED AND TO FORWARD THE REPORT TO CITY COUNCIL FOR ACCEPTANCE was made by D. Rafanowicz and seconded by M. Rhodes; **MOTION CARRIED UNANIMOUSLY.**

APPROVAL OF MINUTES OF DECEMBER 2, 2010

A MOTION TO APPROVE THE MINUTES OF DECEMBER 2, 2010 was made by D. Rafanowicz and seconded by C. Cummings; **MOTION CARRIED UNANIMOUSLY.**

Meeting adjourned at 11:15 a.m.

Respectfully submitted,



Rebecca W. Sutton
Chairman



Rochelle (Shelly) L. Burlon
Pension Coordinator