



CITY OF ORLANDO POLICE PENSION BOARD NEWSLETTER

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NOVEMBER 2007

MESSAGE FROM THE CHAIRMAN



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Dear Members:

It has been several busy months since our last newsletter. There are currently nine disability pension applications that are pending a hearing by the board. In addition to the hearing, the board has been extremely busy with searches and interviews of perspective money managers.

As times change in the financial market it becomes necessary to replace managers who no longer meet or exceed the benchmark established for them. This has happened with several of our money managers

As trustees it is our responsibility to review managers and make changes when our consultant advises those changes are in the best interest of the plan.

In addition to the two managers who have recently been replaced, our consultant is also in the process of finalizing an asset allocation study to determine possible changes in our allocations. This review will give a forecast on possible

future allocations in our portfolio.

The pension board and the FOP Labor Committee will be conducting another survey in reference to FSS 185 minimum benefits. These are the benefits I discussed during the 2005/2006 Block Training. Please take the time to read the information provided on the survey and if you do not understand the benefits, please contact me for clarification. You will be asked to rank your choices in the survey. Your rankings will serve as a vote towards the implementation of these minimum benefits.

I would also like to encourage each one of you to attend at least one of our pension hearings. The hearing generates discussion on benefits within our plan and attending will give you a better understanding of our plan.

Please feel free to contact me or any other trustee if you have any questions concerning our plan.

In your service,

Jay L. Smith, Chairman



FINANCIAL SUMMARY OF THE PENSION FUND

At the quarterly Pension Investment and Evaluation Meeting on September 5, 2007, Kalson & Associates, Pension Consultant, stated that all three City Pension Plans beat their blended benchmarks in the second quarter of 2007. The Police Pension Plan tacked on 2.8%, while their benchmark gained 2.6%. Within the domestic equity arena, three of the five active managers outperformed their indices. Duff & Phelps, the real estate investment trust manager, unfortunately, came back down to earth as did the REIT market as a whole. The Manager lost 10.7% while the index dropped 9.0%.

Bernie Schoenfeld, Leading Economist from Bank of New York (our Master Custodian), reported that the stock market rally that began late in the first quarter carried forcefully into April and May but then abated somewhat in June. Oil prices remain high and have crimped spending by consumers. Housing remains flat and subprime lending keeps getting worse. The economy is actually performing relatively well, as employment continues to grow and industrial output continues to expand. The S&P 500 had a total return of 6.28% for the quarter ending June 30, 2007. To put that into perspective, the total return of the S&P 500 for all of 2004 was 4.92%. International stock markets also performed well during the second quarter.

Bond prices saw a decline. The yield on the 10-year Treasury note rose sharply during May and early June and retreated slightly by quarter-end. The total return of the Lehman Brothers Aggregate Bond Index was -0.52% during the second quarter and 6.12% for the 12 months ending June 30.

Real Estate Investment Trusts (REITS) finally retrenched after an extraordinary run. However, the index had an annualized total return of 21.15% during the last 3 years and 18.62% during the last 5 years.

NEW INVESTMENT MANAGER FOR LARGE CAP VALUE AND SMALL CAP GROWTH STOCKS

Due to performance, the Police Pension Board had to terminate our large cap value manager, Osprey.

After short-listing candidates and conducting interviews, we have hired Barrow, Hanley, MeWinney & Strauss, as our large cap value manager. Their offices are out of Dallas, Texas.

We also have replaced our small cap growth manager and after short-listing candidates and conducting interviews, we have hired Northpointe Capital, LLC. of Troy, Michigan. Their investment philosophy is to obtain quality growth companies with strong fundamentals through in-depth research.

WHAT INVESTMENT MANAGERS ARE IN THE PENSION PLAN PORTFOLIO?

Investment Managers-Bonds

- ICC Capital*
- Payden & Rygel*
- Trust Company of the West (Mortgage Backed Securities)*

Investment Managers -Stocks

- Advisory Research (mid-cap value)*
- Northpointe Capital (small cap growth)*
- Wellington Management Company (international growth)*
- Payden & Rygel (large cap growth)*
- Rhumblin Advisers (index)*
- Alliance Bernstein (international equity)*
- Duff & Phelps (real estate investment trusts)*





RECENT RETIREMENTS FROM MAY THROUGH OCTOBER 2007

Scott Hall, May 1, 2007

Kenneth McPherson, June 1, 2007

David Morrill, July 1, 2007

Demetrius Ford, September 1, 2007

Jay D. Mack, September 1, 2007

Luana Folse, October 1, 2007

Robert Hanson, October 1, 2007

Donna Mikulski, October 1, 2007

TIME TO SAVE FOR RETIREMENT

With salary increases in place, now is a great time to increase your 457 Deferred Comp Account. Forms are available on the Pension website or contact Sandy

Trivison at 407-246-2832.

PENSION INVESTING AND RETIREMENT FINANCIAL PLANNING EDUCATIONAL SEMINARS

On Tuesday, November 6 and Wednesday, November 7, 2007, our new Financial Planning Manager with ICMA-RC, James Weight, CFP, will present the following Financial Planning Seminars:

1. **SOCIAL SECURITY PLANNING FOR
PUBLIC SECTOR EMPLOYEES**

This seminar provides a brief history of social security and covers the basic rules/formulas that govern eligibility for benefits. In addition, we will explore the Windfall Elimination Provision and Government Pension Offset-exclusions for some public sector employees who will receive a pension from "work not covered" by Social Security.

2. **PLANNING FOR RETIREE HEALTHCARE**

Healthcare is the most commonly underestimated item in one's retirement plan budget. As we get older and are living longer, it is expected that our health care costs will increase. Understanding Medicare benefits and limitations, long term care choices and prospect for future cost increases will help us plan for this critical retirement planning issue.

Attendance is limited and might be full. Therefore, contact Sandy Trivison at 407-246-2832 immediately if you would like to attend.

BOARD OF TRUSTEES

Jay L. Smith, Chairman
Elected by Membership
407-246-2110

Rebecca Sutton,
Vice Chairperson
Appointed by Mayor
407-246-2341

Vince Montgomery,
Secretary
Elected by Membership
407-246-2975

Kevin Edmonds,
Trustee
Appointed by Mayor
407-246-4127

Leon Singletary,
Trustee
Appointed by Trustees
407-325-7974



DO YOU KNOW ABOUT OUR WEBSITE AND WHAT IS ON IT?

www.cityoforlando.net/Pension/Police.htm

- **Minutes of Board Meetings**
- **Police Pension Plan and Summary**
- **Past Newsletters**
- **457 ICMA Forms (Deferred Compensation)**
- **Retirement Plan Options**
- **Florida State 185**
- **Comprehensive Annual Financial Report for Fiscal Year 2006**
- **Application for Disability Pension**

Suggestions for future issues or questions, contact:

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