

TAB 2

DRAFT
CITY OF PALMETTO GENERAL EMPLOYEES'
PENSION PLAN BOARD OF TRUSTEES
February 28, 2011 - 8:30 A.M.

Board Members Present:

Ray Dielman, Chair
Matt Bloome
Jim Freeman
Ellen Leonard (entered at 8:40 a.m.)
Jim Terry (entered at 8:40 a.m.)

Board Members Absent:

Karen Simpson

Staff and others present:

Scott Christiansen, Board Attorney
Charles Mulfinger, Graystone Consulting
Diane Ponder, Deputy Clerk-Administration

1. CALL TO ORDER

Mr. Dielman called the meeting to order at 8:30 a.m.

2. APPROVAL OF MINUTES

MOTION: Mr. Freeman moved, Mr. Bloome seconded and motion carried 4-0 to approve the November 29, 2010 minutes.

3. INVESTMENT REVIEW

Mr. Mulfinger discussed the economy, going from a recovery mode into expansion. The leading indicators in the economy are all improving.

The portfolio experienced a gain for the quarter ending December 31, 2010 of \$627,000, net of fees. The balance of the portfolio at quarter end was \$9,020,452. Because every equity asset class is over-weighted to a total of 64.77%, Mr. Mulfinger recommended a rebalance back to policy target of 60% or to the policy range of 62.5%. The Hedge Fund is under-weighted at 5.87% vs. policy of 10% because a fixed amount was allocated rather than a percentage of the portfolio.

Mr. Mulfinger reviewed the performance of each manager. He reported his firm had performed due diligence on Lord Abbot because of the departure of a key manger, but recommended no change.

Since December 31, 2010 and through February 24, 2011, the portfolio is up 10.3%, net of fees, at a balance of \$9,286,000.

Discussion ensued on the rebalance of the equity assets to either the range of 62.5 – 67% or the target of 60%. He opined the government will not walk away from Fannie Mae and Freddie Mac, but privatization of the two has been discussed.

Mr. Mulfinger stated a motion could be made to rebalance back to the top of the range at 62.5% or back to the target of 60%. Another alternative suggested was to place more funds in the hedge fund, which is also under-weighted. Mr. Mulfinger recommended that if more funds are not placed in the hedge fund, that the Board should consider rebalancing to the range, not the target, because of the concern that

interest rates will move upward. Discussion ensued on where the rebalance should occur, into bonds or into hedge funds, or into cash. If the rebalance is from 64.7 down to 62.5, all the funds can be placed into hedge funds and still comply with policy. Mr. Mulfinger did not support a change to the policy to allow for a greater percentage in stocks. Mr. Mulfinger estimated that if 3% were moved into hedge funds the balance would still be below the policy's 10%. A three-month notice would have to be given to remove funds from the hedge funds.

MOTION: Mr. Tusing moved and Mr. Freeman seconded to rebalance to the upper range of the policy and to move the dollar amount to the hedge funds.

Discussion ensued on the risk, liquidity and a change in the market's impact on the hedge funds. Also discussed was the high risk in the market and its potential impact on the hedge funds. Mr. Mulfinger confirmed the plan is still in the queue in real estate and discussed how that investment could be funded.

He recommended that the Board stay with the policy as currently written. He suggested that the Board could bring the fixed investment up to the policy target (approximately 1.5%) and place the remaining 1.5% in the hedge funds. This type of rebalance would still comply with policy.

Mr. Tusing amended his motion to rebalance to the top of the target range for equities, target for fixed, and the remaining portion in the hedge funds. Mr. Freeman amended his second. Motion on the floor carried 6-0.

4. APPROVAL OF EXPENSES

- A) Christiansen & Dehner: November and December, 2010; January 2011
- B) Foster & Foster: February 18, 2011
- C) Smith Barney: Quarter ending December 31, 2010 (\$17,706.37 including all managers)

Attorney Christiansen informed the Board that his office is in the process of scheduling the independent medical evaluation for the pending Fountain disability claim. It is anticipated it will be heard at the next meeting, or sooner at a special meeting.

MOTION: Mr. Tusing moved, Mr. Terry seconded and motion carried 6-0 to ratify payment of the expenses as presented.

5. 2011 SUMMARY PLAN DESCRIPTION

The Board is required to update the Summary Plan Description every two years and distribute it to all plan participants. Attorney Christiansen reviewed the changes that had been made: 1) IRS maximum limitation 2) dissolution of marriage notification requirement; 3) change in actuary; and 4) change in trustees.

MOTION: Mr. Freeman moved, Mr. Bloome seconded and motion carried 6-0 to approve the March 1, 2011 Summary Plan Description.

6. ATTORNEY'S REPORT

Staff confirmed that with the approval of the Charter, all city board member appointments are limited to two years. Attorney Christiansen informed the Board it will be necessary to amend the Plan's ordinance to reflect the change in the ordinance.

Pursuant to the Operating Rules, Attorney Christiansen recommended that the officers be selected or re-elected.

MOTION: Ellen Leonard moved, Jim Freeman seconded and motion carried 6-0 to reappoint the same officers in effect at this time; Ray Dielman, Chair; Jim Freeman, Vice Chair; and Matt Bloome, Secretary.

Reported Mr. Ramsey has retired; therefore there will be no appeal of the denial of the disability claim.

Discussed proposed legislation regarding pension plans, and how defined benefit plans could be affected.

Reported he has reviewed the UBS documents for the private real estate investment so the paperwork can be in place for when the investment can begin.

7. OTHER BUSINESS

A) Private Advisors' announcement regarding the organizational strategic alliance they have formed. Mr. Mulfinger reported there is no change in the firm. His firm has interviewed each major employee with Private Advisors and is comfortable with the team.

B) Records Management Liaison Officer

The Board adopted a resolution in 2003 naming a Records Management Liaison Officer for the Plan.

Mr. Dielman discussed the benefit of the educational programs organized by Mr. Mulfinger and the pension school he attended several years ago. During a webinar he recently attended, he stated the Board can have education on index funds, which he personally prefers. Mr. Mulfinger stated he can bring in someone from a major index fund to review what index funds are with the Board. He was asked to schedule the educational session for the next meeting.

Meeting adjourned at 9:50 a.m.

Matt Bloome
Secretary