

**TAB 1**

**DRAFT**  
**CITY OF PALMETTO GENERAL EMPLOYEES'**  
**PENSION PLAN BOARD OF TRUSTEES**  
**August 30, 2010 - 8:30 A.M.**

Board Members Present:

Jim Freeman, Vice Chair/Secretary  
Ellen Leonard  
Jim Terry  
Allen Tusing

Board Members Absent:

Matt Bloome  
Ray Dielman  
Karen Simpson

Others Present:

Scott Christiansen, Board Attorney  
Charlie Mulfinger, Smith Barney  
T. J. Lowe, Smith Barney  
Diane Ponder, Deputy Clerk-Administration

1. CALL TO ORDER

Mr. Freeman called the meeting to order at 8:37 a.m.

2. APPROVAL OF MINUTES

**MOTION:** Mr. Tusing moved, Mr. Terry seconded and motion carried 4-0 to approve the June 7, 2010 minutes.

3. INVESTMENT REVIEW

Mr. Mulfinger introduced T. J. Lowe, a new associate with Smith Barney.

Mr. Mulfinger reported the Plan was funded to the maximum of \$500,000 in the hedge fund of funds on the last day of the quarter.

Discussion ensued on the economy's performance for the second quarter. Sovereign debt emerged as an issue at the end of April, which led to an erosion of consumer confidence. May was down 8-10% in the S&P and the DOW, with the decline continuing in June on the DOW side of the market. The international market was also down for the quarter. Because of the decline in the market, the bond market rallied during the second quarter.

As of June 30, 2010, the Plan's portfolio totaled \$7,750,124, a loss of \$534,486 for the quarter. Mr. Mulfinger discussed each manager's performance for the quarter. He also discussed his firm's view on the market for the near future. Overall, the Plan was less negative than the benchmark for the quarter.

During the discussion of the manager performances, Mr. Mulfinger mentioned that because the Plan is underfunded in the hedge fund of fund, it will cause an overweight in the equity and fixed accounts and in the ranges in the Investment Policy. He suggested leaving the targets at 60/30/10 but to extend the range on equity and fixed by 5% on each side. Attorney Christiansen stated that the change will allow a wider range so the accounts do not have to be rebalanced each quarter.

Discussion ensued on the REIT (Real Estate Investment Trust), and the volatility of the investment. Mr. Mulfinger discussed the difference between a public REIT and private; one trades like a stock and the

other one steadier than a bond. He stated he would not recommend a private REIT, but that at some point in the future real estate, as a fixed income alternative, may be something the Board could consider. He did confirm that mid cap managers are currently purchasing REITs.

Discussion returned to Mr. Mulfinger's suggested revision of the Investment Policy, by leaving the target the same but expanding the target ranges. Mr. Tusing discussed his reasons for investing in stocks for the long-term benefit of the Plan. Mr. Terry discussed his reasons for not supporting an increase in the equity ranges.

**MOTION: Mr. Terry moved, Mr. Tusing seconded and motion carried 4-0 to change the ranges for fixed to 35% but keep the equity at 62.5%**

A revised Investment Policy will be supplied for signatures.

#### 4. APPROVAL OF EXPENSES

- A) Christiansen & Dehner: June and July, 2010
- B) Gabriel Roeder Smith & Company: May 31, 2010

The June billing for Christiansen & Dehner was pulled for Attorney Christiansen to verify the information.

**MOTION: Mrs. Leonard moved, Mr. Tusing seconded and motion carried 4-0 to ratify payment of the expenses as presented, subject to revision after review by Attorney Christiansen.**

#### 5. APPROVAL: BENEFIT DISTRIBUTIONS

**MOTION: Mr. Tusing moved, Mrs. Leonard seconded and motion carried 4-0 to approve the (refund of contribution) Lump Sum Distribution to Ryan Bellamy.**

#### 6. ATTORNEY'S REPORT

Advised that his office is collecting medical records for Mr. Ramsey's disability application, but not all information has been received. He advised an extension of 90 days for processing the application may necessary by the initial hearing date of September 28, 2010.

**MOTION: Mr. Tusing moved, Mr. Terry seconded and motion carried 4-0 to extend the processing time for Mr. Ramsey for 90 days from the September 28, 2010 initial hearing date.**

Informed the Board the City has adopted an ordinance changing the pension plan by amending the opt-out option for appointed city officials. A no impact letter will be necessary.

Reported Form 1 has been filed by all the Trustees.

Staff confirmed the State has been mailed the letter declaring an expected rate of investment return.

Mr. Mulfinger will provide Attorney Christiansen copies of all the new contracts

Reported on the mini conference that was recently held in South Pasadena. He stated the conference met the minimum requirements.

Discussed the interest the IRS is now displaying in government plans and the message being sent out by the IRS regarding those plans. Government plans can apply for a "determination letter" that is issued to plans that have been found to be in compliance with the laws and the IRS Revenue Code, even though government plans are not required to apply for the determination letter at this point. Attorney

General Employees Pension Plan  
Board of Trustees  
August 30, 2010  
Page 3 of 3

Christiansen will provide a memo regarding the subject before the next meeting. He stated his belief the Plan is tax qualified, but he is not sure if all the changes have been adopted by the IRS issued guideline, which could result in criticism from the IRS. The topic will be placed on the next agenda.

Mr. Tusing moved, Mrs. Leonard seconded and motion carried 4-0 to adjourn the meeting at 9:50.

James R. Freeman  
Secretary