

GENERAL EMPLOYEES' PENSION PLAN
BOARD OF TRUSTEES
December 3, 2007 – 8:30 AM

Board Members Present:

Larry Bustle, Mayor
Ray Dielman, Citizen
Jim Freeman, City Clerk
Gracie Johnson, Employee Representative
Ellen Leonard, Citizen
Tanya Lukowiak, Employee Representative (entered late)
Allen Tusing, Citizen

Staff and Others Present:

Mike DeGenova, Smith Barney
Attorney Scott Christiansen
Diane Ponder

Chairman Leonard called the meeting to order at 8:35 am.

1. APPROVAL OF MINUTES

MOTION: Mr. Dielman moved, Mr. Tusing seconded and motion carried 6-0 to approve the September 24, 2007 minutes.

2. INVESTMENT REVIEW

In the absence of Charlie Mulfinger, Mike DeGenova began the investment review with a discussion of the economy's performance for the quarter. The portfolio as of September 30, 2007 was \$8,187,756, a gross gain of \$168,537, \$153,325 net-of-fees. A summary of relevant facts is attached hereto and made a part of these minutes.

Mr. DeGenova informed the Board that Lord Abbot is still being watched, but no changes have been made. The firm's rating has not been lowered.

Staff was asked to check the contribution that was made by the San Destin Beach Hotel.

Mr. Freeman discussed a glitch where retirees received a direct deposit and a paper check. Smith Barney confirmed that when setting up the payment there was one retiree that received both. Mr. DeGenova explained what had happened and informed the Board the retiree roster and the process has been reviewed and corrected. He cautioned one final instance may appear on the next quarter's reports.

Mr. DeGenova commented on the fact Lord Abbot has not signed the Investment Policy, as written. He stated his firm has worked through the changes they requested, with the exception of the following statement: "The compliance and monitoring of this section (III.B is the responsibility of the consultant and the trustees. The consultant's responsibility is to report any non-compliance to the trustees each quarter." Mr. Christiansen opined the amended statement means Lord Abbot is not responsible for complying with the section. He further opined the Investment Policy states what a firm can invest in and the firm needs to comply. He went on to explain that if two managers are investing in the same security, combined they may exceed the 10% investment cap of any one company or market; the monitor is charged with the responsibility of reviewing this portion of the Policy that affect the whole portfolio. Mr. DeGenova asked to refer this to Mr. Mulfinger so he and Mr. Christiansen can work through the problem.

Mr. Dielman commented on the following sections of the Investment Policy, stating his opinion they should be restructured for clarity:

- **III INVESTMENT GUIDELINES (Section) B Equities**
"The equity position in any one company shall not exceed 5% of the total portfolio at market." and item 1 on the next page read "shall not be more than 10% invested in the securities of any one company at market."

Mr. DeGenova explained that "Performance comparable to the Russell 1000 Value, Russell 1000 Growth, and/or Russell 300 Growth Indexes allows Renaissance to be compared to the appropriate index because they have the ability to go into madcap. He also explained that under the Mid/Small capitalization equity manager performance parameters, the Russell 2500 Growth (small/mid-cap manager index) was changed to Russell Midcap Growth because the manager is a madcap and it is a better comparison to the Russell 2000 index. The final change was in the international equity manager performance parameters, where MSCI EAFE – Net Dividend Index is a higher benchmark and will be the only index that will be used.

The topic will be placed on the March meeting agenda for further discussion.

3. EXPENSES

A) Christiansen & Dehner, PA: September 2007

MOTION: Mr. Freeman moved, Mr. Tusing seconded and motion carried 6-0 to approve the Christiansen & Dehner September 2007 billings. (Mrs. Leonard was absent for the vote.)

4. BENEFIT DISBURSEMENT APPROVAL

Approval for the benefit disbursements to Lisa Palmer, Lesley Falcone and Stephen Lee.

MOTION: Mrs. Lukowiak moved, Mr. Bustle seconded and motion carried 6-0 to approve the benefit disbursements as presented. (Mrs. Leonard was absent for the vote.)

5. 2008 MEETING SCHEDULE

Motion: Mrs. Lukowiak moved, Mr. Dielman seconded and motion carried 7-0 to approve the 2008 meeting schedule as presented.

6. DISCUSSION: PARTIAL LUMP-SUM OPTION PLAN (PLOP)

Attorney Christiansen reviewed the City's DROP benefits; retire from the pension but continue to work for a maximum of five years; employee not recipient of any benefit improvements after entering the DROP. The PLOP differs from the DROP in that an employee may continue to work and make the decision concerning the monthly pension distribution when the employee actually retires. The PLOP allows an employee to take a portion of the total retirement benefit in a lump sum, usually limited to an established percentage. The PLOP also allows an employee to receive any benefit improvements.

Attorney Christiansen informed the Board that actuarially there is no cost associated with a PLOP. He did recommend that an employee not be allowed to participate in both programs. Administratively a PLOP may cost less than a DROP because the PLOP requires no record keeping.

Attorney Christiansen advised the percentages that will be allowed to be withdrawn are decided by the Board. Actuaries have determined that a 25% option is equivalent to a 5-year DROP.

MOTION: Mr. Dielman moved, Mr. Bustle seconded and motion carried 7-0 to authorize Attorney Christiansen to prepare an ordinance implementing the PLOP for review at the next meeting.

7. ATTORNEY'S REPORT

Confirmed his records indicate the terms for Mr. Bustle and Mr. Dielman's terms expire in January.

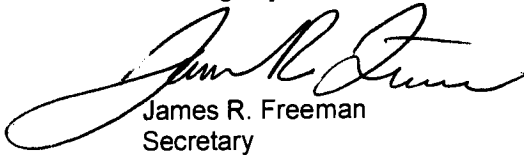
Reminded staff the year-end report to elected officials was due.

Staff will confirm that the Brinson withholding of \$104 was corrected.

8. OTHER BUSINESS

Staff confirmed arrangements for Mr. Dielman's attendance at the Trustees School will be made.

Meeting adjourned at 10:10 am.



James R. Freeman
Secretary

SUMMARY OF RELEVANT FACTS
Palmetto General Employees' Pension Fund
As of September 30, 2007

Distribution of Assets:	
Equity	Current
-Large Cap. Value	\$1,299,165.33
-Large Cap. Growth	\$1,582,030.60
-Mid Cap. Growth	\$876,864.11
-Small Cap. Core	\$791,025.14
-International	\$963,534.25
Total Equity	\$5,512,619.43
Fixed	\$2,649,119.66
Cash (Deposit & Disbursement Acct)	\$26,017.15
Total Portfolio	\$8,187,756.24

Distribution by Percentages		Policy	Current
Equity Breakdown			
-Large Cap. Value	15.00%		15.87%
-Large Cap. Growth	20.00%		19.32%
-Mid Cap. Growth	10.00%		10.71%
-Small Cap. Core	10.00%		9.66%
-International	10.00%		11.77%
Total Equity	65.00%		67.33%
Fixed	35.00%		32.35%
Cash (Deposit & Disbursement)	0.00%		0.32%
Total Portfolio	100.00%		100.00%

Other Important Facts:

Total Portfolio	\$8,187,756.24
Total Gain or (Loss) - Gross-of-Fees	\$168,537.90
Total Gain or (Loss) - Net-of-Fees	\$153,325.00
Total Fees	(\$15,212.90)

LORD ABBETT		GOLDEN CAPITAL	
Total Assets	100.00%	Total Assets	100.00%
Equity	96.64%	Equity	97.71%
Cash	3.36%	Cash	2.29%
Fees		Fees	
Gain or (Loss) - Gross-of-Fees	\$3,019.99	Gain or (Loss) - Gross-of-Fees	\$791,025.14
Gain or (Loss) - Net-of-Fees	\$27,115.67	Gain or (Loss) - Net-of-Fees	\$772,917.56
	\$24,095.68		\$18,107.58
			(\$2,064.26)
			(\$78,462.96)
			(\$80,527.22)

RENAISSANCE		LAZARD ASSET MANAGEMENT	
Total Assets	100.00%	Total Assets	100.00%
Equity	98.38%	Equity	96.06%
Cash	1.62%	Cash	3.94%
Fees		Fees	
Gain or (Loss) - Gross-of-Fees	\$0.00	Gain or (Loss) - Gross-of-Fees	\$790,891.87
Gain or (Loss) - Net-of-Fees	\$67,537.35	Gain or (Loss) - Net-of-Fees	\$963,534.25
	\$67,537.35		\$925,593.18
			\$37,941.07
			(\$2,269.05)
			\$7,785.10
			\$5,516.05

WELLS - LG		DEPOSIT & DISBURSEMENT	
Total Assets	100.00%	Total Assets	100.00%
Equity	96.52%	Equity	0.00%
Cash	3.48%	Cash	100.00%
Fees		Fees	
Gain or (Loss) - Gross-of-Fees	\$0.00	Gain or (Loss) - Gross-of-Fees	\$26,017.15
Gain or (Loss) - Net-of-Fees	\$4,738.80	Gain or (Loss) - Net-of-Fees	\$0.00
	\$4,738.80		\$1,023.38
			\$1,023.38

WELLS - MG	
Total Assets	\$876,864.11
Equity	\$843,665.69
Cash	\$33,198.42
Fees	(\$1,948.45)
Gain or (Loss) - Gross-of-Fees	\$56,157.50
Gain or (Loss) - Net-of-Fees	\$54,209.05

MADISON	
Total Assets	\$2,649,119.66
Fixed	\$2,489,822.88
Cash	\$159,296.78
Fees	(\$5,911.15)
Gain or (Loss) - Gross-of-Fees	\$82,643.06
Gain or (Loss) - Net-of-Fees	\$76,731.91

Duration	<u>Your Portfolio</u>	<u>LB Int. GIC</u>
Yield to Maturity	3.72 years	3.70 years
	4.74%	4.81%

The prices, quotes, or statistics contained herein have been obtained from sources believed to be reliable, however, its accuracy cannot be guaranteed. Past performance is not a guarantee of future results.

BREAKDOWN OF RETURNS
Palmetto General Employees' Pension Fund
As of September 30, 2007

ACTUARIAL ASSUMPTION = 8.50%

EQUITY							
Lord Abbott		Your Returns					
Large Cap. Value		Gross	Net				
	Quarter	2.13	1.89	(0.24)	0.21	2.03	
	1 year	13.88	12.86	14.43	15.86	16.44	
	3 year	14.03	13.00	15.23	14.92	13.13	
	5 year	17.55	16.49	18.06	17.64	15.45	
	Since 6/30/02	12.30	11.29	12.58	12.41	10.59	
	Lord Abbott/Oppenheimer - Since 5/31/98	5.52	4.60	7.76	NA	5.33	
Renaissance/Alliance							
Large Cap. Growth							
	Quarter	4.80	4.80	3.84	5.11	4.21	
	1 year	15.83	15.07	19.30	20.00	19.36	
	3 year	11.11	10.19	12.36	13.38	12.20	
	5 year	11.85	10.89	14.18	14.70	13.84	
	Since 12/31/99	(3.15)	(4.02)	(2.64)	NA	(2.92)	
Wells/Baird/ING Furman Selz							
Mid Cap. Growth							
	Quarter	6.83	6.59	2.14	4.40		
	Since 12/31/06	21.79	21.25	13.34	16.52		
	Wells/Baird - 1 year	28.43	27.32	21.21	23.18		
	Baird/ING Furman - 3 year	16.95	15.90	17.00	16.60		
	Baird/ING Furman - 5 year	15.31	14.28	20.39	18.52		
	Baird/ING Furman - Since 5/31/98	4.65	3.73	7.37	NA		
Golden/Missouri Valley							
Small Cap. Core							
	Quarter	(9.03)	(9.24)	(3.09)	(2.38)		
	Since 3/31/07	(1.43)	(1.86)	1.20	3.63		
	Golden/Miss Valley - 1 year	9.98	9.01	12.36	15.62		
	Golden/Miss Valley - 3 year	9.90	8.91	13.35	15.41		
	Golden/Miss Valley - 5 year	16.78	15.73	18.75	18.82		
	Missouri Vly/Mississippi - Since 5/31/98	10.09	9.11	7.62	NA		
Lazard Asset Management							
International							
	Quarter	0.82	0.58	2.18	0.08		
	1 year	19.32	18.24	24.87	22.53		
	3 year	19.70	18.63	23.24	23.99		
	5 year	19.68	18.61	23.55	26.26		
	Since 5/31/98	8.21	7.26	7.88	10.47		
FIXED INCOME							
Madison Investment Adv.							
	Quarter	3.26	3.02	2.88	3.01	1.06	
	1 year	5.85	4.90	5.44	5.10	4.81	
	3 year	3.70	2.79	3.47	3.66	4.07	
	5 year	3.53	2.61	3.81	4.16	2.88	
	Since 5/31/98	5.23	4.32	5.54	5.76	3.47	
TOTAL RETURN							
	Quarter	2.18	1.99	1.86			
	1 year	13.16	12.20	13.77			
	3 year	10.31	9.35	11.33			
	5 year	11.31	10.34	13.15			
	Since 5/31/98	4.86	3.96				

Index = 15% Russell 1000 Value + 20% Russell 1000 Growth + 10% Russell Midcap Growth + 10% Russell 2000 + 10% EAFE + 35% LB G/C Int. Bonds

* Golden Capital replaced Missouri Valley on March 7, 2007

Palmetto General Employees' Pension Fund
Valuation & Performance
As of November 30, 2007

	Value	Fiscal YTD Return As of 11/30/07
Lord Abbett	\$1,256,241	-3.07%
Renaissance/AllianceBernstein	\$761,293	-3.43%
Wells (LG)	\$800,077	1.14%
Wells/Baird	\$855,234	-2.22%
Golden/Missouri Valley	\$730,265	-7.46%
Lazard	\$973,481	1.28%
Madison	\$2,653,929	2.71%
Deposit & Disbursement	\$14,298	
Total Fund	\$8,044,818	

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COMPLIANCE CHECKLIST

City of Palmetto General Employees' Pension Fund

As of September 30, 2007

GUIDELINES In Compliance

Equity Portfolio

Listed on recognized exchange
 Single issue not to exceed 10% at market value for each equity in each separately managed portfolio
 Total equity portfolio < 67.5% of total fund at market
 Total international (ordinance) < 20% of total fund at market
 Single issue not to exceed 5% at market value for the total portfolio

Yes
 Yes
 Yes
 Yes
 Yes

OBJECTIVES In Compliance

Total Portfolio

Exceed Target Index
 Exceed actuarial assumption (8.5%)
 Exceed CPI + 4%

3 years No
 Yes
 Yes
Since Inception N/A
 No
 No

Lord Abbott & Company

Large Capitalization Value Equity Portfolio

Market Value < 17.5% of total fund
 Performance (Inception 6/5/2002)
 Rank in the Top 50% of manager universe
 Return > Russell 1000 Value

Yes
3 years No
 No
Since Inception No
 No

Lazard Asset Management

International Equity Portfolio

Market Value < 12.5% of total fund
 Performance (Inception 5/8/1998)
 Return > MSCI EAFE (Net)

Yes
3 years No
 Yes
Since Inception Yes

Renaissance

Large Capitalization Growth Equity Portfolio

Market Value < 11.25% of total fund
 Performance (Inception 9/27/2007)
 Rank in the Top 50% of manager universe
 Return > Russell 3000 Growth

Yes
3 years N/A
 N/A
Since Inception N/A
 N/A

Madison Investment Advisors

Fixed Income Portfolio

Market Value < 37.5% of total fund
 Performance (Inception 5/8/1998)
 Return > Lehman Intern. Gov't/Credit
 U.S. Government / Agency or U.S. Corporations
 Bonds rated "A" or better
 Single corporate issuer not exceed 10% of bond portfolio (except U.S. Government/Agency)

Yes
3 years Yes
 Yes
Since Inception No
 Yes
 Yes
 Yes

Wells

Large Capitalization Growth Equity Portfolio

Market Value < 11.25% of total fund
 Performance (Inception 9/27/2007)
 Rank in the Top 50% of manager universe
 Return > Russell 1000 Growth

Yes
3 years N/A
 N/A
Since Inception N/A
 N/A

Wells Capital

Mid Capitalization Growth Equity Portfolio

Market Value < 12.5% of total fund
 Performance (Inception 12/7/2006)
 Rank in the Top 50% of manager universe
 Return > Russell Midcap Growth

Yes
3 years N/A
 N/A
Since Inception N/A
 N/A

Golden Capital

Small Capitalization Core Equity Portfolio

Market Value < 12.5% of total fund
 Performance (Inception 3/7/2007)
 Rank in the Top 50% of manager universe
 Return > Russell 2000

Yes
3 years N/A
 N/A
Since Inception N/A
 N/A