



Mr. McCullion called the Joint Quarterly Performance Meeting of the City of Orlando Pension Advisory Committee, Police and Firefighters' Pension Boards to order at 8:22 a.m. on Thursday, September 4, 2014, in the Harvard Conference Room, 9th floor, City Hall, Orlando. There were quorums representing all boards.

PAC Members

Rebecca W. Sutton, Chairman (Absent)
Todd Berube, S.E.I.U. Representative
Steve Brown, L.I.U.N.A. Representative
Jay Carr, Police Department
Gustavo Castro, Economic Development (8:30 a.m.)
Gerald Poke, L.I.U.N.A. Representative (Absent)
David Rafanowicz, Executive Offices
Charles Ramdatt, Public Works (8:35 a.m.)
Michael Rhodes, Economic Development
Rick Suggs, S.E.I.U. Representative (Absent)
Tamara Wilson, Fire Department

Police Pension Board Trustees

Jay L. Smith, Chairman
Tony Blanca, Trustee (Absent)
Laurie Botts, Trustee (8:31 a.m.)
William C. Long, Secretary
Vince B. Montgomery, Vice-Chair
Jose Vicente, Trustee (Effective 10-01-2014)

Firefighters' Pension Board Trustees

Ronald A. Glass, Chairman (9:17 a.m.)
Kevin Edmonds, Trustee
Mario A. Garcia, Trustee (Absent)
Edward Torres, Trustee (9:24 a.m.)
Douglas Zabin, Secretary (8:37 a.m.)

Others Present

Christopher P. McCullion, Treasurer & Executive Director Fire & Police Pension Boards
Katrina Laudeman, Treasury Manager & Deputy Director Fire & Police Pension Boards (8:43 a.m.)
Kevin Leonard & Keith Stronkowsky, NEPC
Amy Iennaco, Chief Assistant City Attorney
Dionna Little, Assistant City Attorney
Earle Sanborn, Retired Police Officer
Michele Keane, Pension Coordinator

1. PUBLIC COMMENT

Mr. McCullion asked if there was anyone from the public who wished to speak on an agenda item. There was no response.

2. WELCOME NEW PAC MEMBER AND NEW POLICE TRUSTEE

Mr. McCullion welcomed Ms. Tamara Wilson as the new member of Pension Advisory Committee and Mr. Jose Vicente as the newly elected trustee to the Police Pension Board.

3. **MARKET UPDATE** – Keith Stronkowsky, NEPC

Mr. Stronkowsky gave an update on the market overview for the second quarter of 2014. The quarter ended with nearly all asset classes moving higher. Emerging market assets continued their recovery as large investor flows moved into equities and debt. Geopolitical instability in Iraq and Ukraine attracted a fair share of global headlines. The first quarter GDP was -2.9%; however the markets assumed a strong rebound for the second quarter.

4. **PERFORMANCE UPDATE** – Keith Stronkowski, NEPC

Mr. Stronkowski stated the General Employees' Pension Plan in the fiscal year to date returned 9.8% and returned 3.2% in the second quarter. The plan has outperformed for the one-year period at 14.9%.

The Firefighters' and Police Pension Funds both returned 9.9% in the fiscal year to date and 3.2% in the second quarter. The Firefighters' and Police Pension Funds outperformed for the one-year period, respectively 14.8% and 14.7%.

Managers' performances were reviewed for the quarter and it was decided to address the Lord Abbett benchmark change at the December meeting.

5. **INTERNATIONAL EQUITY MANAGER SEARCH UPDATE** – Kevin Leonard, NEPC

Mr. McCullion asked Mr. Leonard to recap the reason for the manager search to replace Thornburg. Mr. Leonard noted that changes in management structure and Thornburg's underperformance over the past year had raised concerns with NEPC. In addition, Wendy Trevisani, a key portfolio manager, has tendered her resignation from Thornburg. This latest action has elevated NEPC's recommendation for Thornburg's customers from "watch" to "sell". Mr. McCullion stated we hope to decide today which managers to interview to replace Thornburg as the plans' international equity manager.

Mr. Leonard explained the vetting process used by the research team at NEPC to narrow the choices of potential replacements. Some discussion ensued regarding the various money managers and the different types of investment strategies they focus on.

A MOTION WAS MADE BY THE FIREFIGHTERS' PENSION BOARD TO INTERVIEW ARTISAN, EARNEST, MFS, INC., AND NEUBERGER BERMAN AS POTENTIAL INTERNATIONAL EQUITY MANAGERS by Chairman Glass and seconded by Mr. Edmonds. **MOTION CARRIED UNANIMOUSLY.**

A MOTION WAS MADE BY THE POLICE PENSION BOARD TO INTERVIEW ARTISAN, EARNEST, MFS, INC., AND NEUBERGER BERMAN AS POTENTIAL INTERNATIONAL EQUITY MANAGERS by Chairman Smith and seconded by Ms. Botts. **MOTION CARRIED UNANIMOUSLY.**

A MOTION WAS MADE BY THE GENERAL EMPLOYEES' PENSION BOARD TO INTERVIEW ARTISAN, EARNEST, MFS, INC., AND NEUBERGER BERMAN AS POTENTIAL INTERNATIONAL EQUITY MANAGERS by Mr. Rhodes and seconded by Mr. Ramdatt. **MOTION CARRIED UNANIMOUSLY.**

6. **GENERAL EMPLOYEES' PENSION ADVISORY COMMITTEE – APPROVAL OF MINUTES – JULY 10, 2014**

A MOTION TO ACCEPT THE MINUTES FROM JULY 10, 2014 was made by Mr. Rafanowicz and seconded by Mr. Rhodes. **MOTION CARRIED UNANIMOUSLY.**

7. **MEETING ADJOURNED FOR THE PENSION ADVISORY COMMITTEE** at 10:15 a.m. - A brief recess was taken.

Meeting reconvened at 10:30 a.m.

8. **ENTRUST SPECIAL OPPORTUNITIES III UPDATE** – Kevin Leonard, NEPC

Mr. Leonard explained that unlike the Special Opportunities II fund, rated as preferred by NEPC, NEPC is rating the Special Opportunities III fund as neutral for three reasons. Current investment opportunities in the marketplace are not as strong as they were for Special Opportunities I and II, the fund size of \$3 billion to \$4 billion is significantly higher than the previous funds and the “key man” risk, due to Gregg Hymowitz’ ownership and active involvement in the firm. NEPC remains confident in EnTrust and their opportunistic investing and feel this fits with their recommendations to the City. Some discussion ensued.

A MOTION WAS MADE BY THE POLICE PENSION BOARD TO INCREASE THE HEDGEFUND ALLOCATION FROM 7% TO 8%, TAKING THE 1% FROM CORE BONDS, MAINTAIN THE DIVERSIFIED FUNDS AT 5% AND REALLOCATE SPECIAL OPPORTUNITIES II TO FUND ENTRUST SPECIAL OPPORTUNITIES III WAS MADE BY Chairman Smith and seconded by Mr. Montgomery. **MOTION CARRIED UNANIMOUSLY.**

A MOTION WAS MADE BY THE FIREFIGHTERS’ PENSION BOARD TO HAVE NEPC PERFORM A MANAGER SEARCH, INCLUDING ENTRUST, FOR OTHER OPPORTUNISTIC HEDGE FUND STRATEGIES was made by Chairman Glass and seconded by Mr. Zabin. **MOTION CARRIED UNANIMOUSLY.**

9. **PRIVATE DEBT EDUCATION** – Kevin Leonard, NEPC

Mr. Leonard stated that direct lending strategies are a substitute for fixed income investments, however the investments are illiquid. These types of strategies can fit within the investment program in several areas: opportunistic investment and private market investments.

A MOTION WAS MADE BY THE FIREFIGHTERS’ PENSION BOARD TO HAVE NEPC PERFORM A MANAGER SEARCH FOR A DIRECT LENDING MONEY MANAGER was made by Chairman Glass and seconded by Mr. Edmonds. **MOTION CARRIED UNANIMOUSLY.**

Mr. Leonard stated that NEPC will be providing a Private Equity Strategic Plan for 2015.

A MOTION WAS MADE BY THE POLICE PENSION BOARD TO HAVE NEPC PERFORM A MANAGER SEARCH FOR A DIRECT LENDING MONEY MANAGER was made by Chairman Smith and seconded by Mr. Long. **MOTION CARRIED UNANIMOUSLY.**

10. **MEETING ADJOURNED FOR THE FIREFIGHTERS' PENSION BOARD** at 11:47 a.m.

11. **POLICE PENSION BOARD – APPROVAL OF MINUTES – AUGUST 14, 2014**

A MOTION TO ACCEPT THE MINUTES OF AUGUST 14, 2014 was made by Ms. Botts and seconded by Mr. Long. **MOTION CARRIED UNANIMOUSLY.**

12. **POLICE PENSION BOARD CONSENT AGENDA**

A MOTION TO APPROVE THE CONSENT AGENDA was made by Mr. Long and seconded by Ms. Botts. **MOTION CARRIED UNANIMOUSLY.**

13. **POLICE PENSION BOARD STATUS OF DISABILITY**

Chairman Smith stated that the Writ of Certiorari for Dante Candelaria was denied by the Court. Mr. McCullion added that Mr. Candelaria has submitted his request to Ms. Zuccarini for the return of his contributions.

14. **RESULTS OF 2014 TRUSTEE ELECTION**

Chairman Smith announced that Mr. Long was re-elected and Mr. Vicente was newly elected to the Board.

15. **FIFTH MEMBER DISCUSSION**

Mr. McCullion updated the Board on the fifth member process and it was decided to wait until the October meeting to vote. The October meeting will need to be re-scheduled due to a conflict for Ms. Botts. Alternate dates will be emailed to the Board.

Mr. Long asked if it will be acceptable for him to attend the October meeting electronically. Mr. McCullion stated this has been done before and does not foresee any problem.

16. **MEETING ADJOURNED FOR THE POLICE PENSION BOARD MEETING AT 12:00 p.m.**

Respectfully submitted,

Christopher P. McCullion

Christopher P. McCullion
Treasurer

Michele Keane

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Pension Coordinator