CORAL GABLES RETIREMENT SYSTEM
Minutes of August 12, 2010
Youth Center – Auditorium
405 University Drive
8:00 a.m.

MEMBERS:	A	S	O	N	J	F	M	A	M	J	A	APPOINTED BY:
Steven Naclerio	P	P	P	P	P	P	P	P	P	P	P	Mayor Donald D. Slesnick, II
Manuel A. Garcia-Linares	P	P	P	P	P	P	P	E	P	E	E	Vice Mayor William H. Kerdyk, Jr.
Tom Huston, Jr.	P	P	P	P	P	P	P	P	P	P	P	Commissioner Maria Anderson
Sal Geraci	P	P	P	E	E	E	P	P	P	P	P	Commissioner Rafael "Ralph" Cabrera
Leslie Space	E	P	P	E	P	P	P	P	P	P	P	Commissioner Wayne "Chip" Withers
Daniel DiGiacomo	-	-	-	-	-	-	-	-	-	P	P	Police Representative
Randy Hoff	-	-	-	-	P	P	P	P	P	P	P	Member at Large
Victor Goizueta	P	P	A	P	E	P	P	P	P	P	P	General Employees
Troy Easley	-----------------------								P	P	P	Fire Representative

STAFF:
Kimberly Groome, Administrative Manager
Donald G. Nelson, Finance Director
Alan E. Greenfield, Board Attorney
Troy Brown, The Bogdahn Group
Dave West, The Bogdahn Group

A = Absent
E = Excused Absent
P = Present

GUESTS:
Vincent Carrodeguas, Goldstein Schechter & Koch
Clement Johns, Goldstein Schechter & Koch
Jesus Garmas
Dania Battle, Esq.

Chairperson Tom Huston calls the meeting to order at 8:07 a.m. There was a quorum present. Mr. Garcia-Linares was excused.

1. Roll call.

2. Approval of the Retirement Board meeting minutes for June 10, 2010.
A motion was made by Mr. Hoff and seconded by Mr. Goizueta to approve the meeting minutes of June 10, 2010. Motion unanimously approved (8-0).

3. Approval of the Retirement Board Executive Summary minutes for June 10, 2010.
A motion was made by Mr. Hoff and seconded by Mr. Goizueta to approve the Executive Summary minutes of June 10, 2010. Motion unanimously approved (8-0).

4. Report of Administrative Manager. *(Agenda Item 5).*

   A motion to accept the following items of the Administrative Manger's report without discussion was made by Mr. Goizueta and seconded by Mr. Space. Motion unanimously approved (8-0).

   1. For the Board's information, there was a transfer in the amount of $2,375,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of June 2010 for the July 2010 benefit payments.

   2. For the Board's information, there was a transfer in the amount of $2,000,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of July 2010 for the August 2010 benefit payments.

   3. For the Board's information:

      - Mary E. Miller of the Parks and Recreation Department passed away on June 13, 2010. She retired on January 1, 1997 with No Option. Her benefits have ceased.
      - W. Wright who worked as a Metro Bus Employee with the City passed away on June 23, 2010. He retired on May 1, 1983 with No Option. His benefits have ceased.
      - Maxine Ballantyne of the Personnel Department passed away on June 17, 2010. She retired on January 1, 1997 with No Option. Her benefits have ceased.
      - Donald Smith of the Police Department passed away on July 19, 2010. He retired on September 1, 1995 with Option 2B-100%. His beneficiary began receiving post-retirement benefits on August 1, 2010. This benefit is for her lifetime.
      - Gianna Pedron of the Police Department entered the DROP on November 1, 2009 and left the DROP on June 30, 2010. She received her first retirement benefit on July 1, 2010.
      - Janet Carrasquillo of the Public Service Department entered the DROP on August 1, 2005 and left the DROP on July 31, 2010. She received her first retirement benefit on August 1, 2010.
      - James Miller of the Public Service Department entered the DROP on August 1, 2005 and left the DROP on July 31, 2010. He received his first retirement benefit on August 1, 2010.
      - Wayne Sibley of the Fire Department entered the DROP on August 1, 2006 and left the DROP on July 31, 2010. He received his first retirement benefit on August 1, 2010.

   4. For the Board's information, the following Employee Contribution check was

deposited into the Retirement Fund's SunTrust Bank account:

- Payroll ending date June 6, 2010 in the amount of $108,916.63 was submitted for deposit on June 16, 2010.
- Payroll ending date June 20, 2010 in the amount of $105,026.41 was submitted for deposit on June 25, 2010.
- Payroll ending date July 4, 2010 in the amount of $105,162.09 was submitted for deposit on July 12, 2010.
- Payroll ending date July 18, 2010 in the amount of $105,333.07 was submitted for deposit on July 29, 2010.
- Payroll ending date August 1, 2010 in the amount of $102,947.52 was submitted for deposit on August 5, 2010.

5. A copy of the detailed expense spreadsheet for the month of June 2010 and July 2010 are attached for the Board's information.

6. A copy of the Summary Earnings Statement from the Northern Trust Securities Lending Division for billing period May 1, 2010 to May 31, 2010 and June 1, 2010 to June 30, 2010 are attached for the Board's information.

7. Attached for the Board's information are the Statements of Pending Transactions and Assets as of May 31, 2010 and June 30, 2010 from JP Morgan.

8. Attached for the Board's information are the Statements of Settled Transactions from May 1, 2010 to May 31, 2010 and June 1, 2010 to June 30, 2010 from JP Morgan.

9. A copy of the Actuarial Impact Statement for Ordinance 2009-44 regarding the 10% employee contribution rate for excluded employees is attached for the Board's information.

10. A copy of a letter dated June 18, 2010 to Julie Browning of the State of Florida Municipal Police Officers' and Firefighters' Retirement Trust Funds from Goldstein Schechter Koch in response to her letter dated April 7, 2010 regarding the 2009 Annual Report is attached for the Board's information.

11. A copy of a letter dated June 28, 2010 from Randall Stanley of Stanley Holcombe and Associates regarding the calculations on the maximum benefit limitations under Section 415(b) of the Internal Revenue Code for David L. Brown's 2010 benefit is attached for the Board's information.

12. A copy of a letter dated June 28, 2010 from Frans Christ of Stanley Holcombe and Associates is attached for the Board's information regarding vested terminations.

13. For the Board's information, a copy of a letter dated July 6, 2010 is attached from Stanley Holcombe and Associates informing of their invoice to the City for activity involved with the actuarial impact statement for Ordinance 2010-43.

14. A copy of two letters dated July 8, 2010 and July 22, 2010 from Julie Browning of the State of Florida Municipal Police Officers' and Firefighters' Retirement Trust Funds to the Retirement System regarding the 2009 Annual Report is attached for the Board's information.

15. Copies of two emails to Goldstein Schechter Koch from the Retirement Office are attached for the Board's information submitting the documents requested by Julie Browning of the State of Florida Municipal Police Officers' and Firefighters' Retirement Trust Funds for a response to her letter of July 22, 2010.

16. For the Board's information, attached are copies of letters dated August 4, 2010 from Randall Stanley of Stanley Holcombe and Associates to Michael Tierney, actuary for the City, regarding Actuarial Impact Statements.

17. Copies of the City Beautiful e-News newsletters giving the latest news and information about the City of Coral Gables are included for the Board's information.

5. Employee Benefits:
(The Administrative Manager recommends approval of the following Employee Benefits.)

<u>Retirement Benefits:</u>

Retirement application of Mirtha Francomacaro of the Public Works Department, 16 years and 5 months, No Option, effective August 1, 2010.

RESOLUTION 3135
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
MIRTHA FRANCOMACARO

WHEREAS, Mirtha Francomacaro has applied for retirement effective August 1, 2010, and,

WHEREAS, Mirtha Francomacaro requests to take No Option with her last working day July 30, 2010.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE CORAL GABLES RETIREMENT SYSTEM;

That the Custodian of the Coral Gables Retirement System, is hereby authorized to pay Mirtha Francomacaro Carter retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning August 1, 2010 and continuing as long as the pensioner or beneficiary shall receive benefits in accordance with the conditions of the option selected.

A motion to approve Ms. Francomacaro's retirement application was made by Mr. Goizueta and seconded by Mr. Hoff. Motion unanimously approved (8-0).

Retirement application of Kelly Cragin of the Parks and Recreation Department, 20 years and 3 months, No Option, effective September 1, 2010.

RESOLUTION 3136
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
KELLY CRAGIN

WHEREAS, Kelly Cragin has applied for retirement effective September 1, 2010, and,

WHEREAS, Kelly Cragin requests to take No Option with his last working day August 12, 2010.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE CORAL GABLES RETIREMENT SYSTEM;

That the Custodian of the Coral Gables Retirement System, is hereby authorized to pay Kelly Cragin retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning September 1, 2010 and continuing as long as the pensioner or beneficiary shall receive benefits in accordance with the conditions of the option selected.

A motion to approve Mr. Cragin's retirement application was made by Mr. Space and seconded by Mr. Goizueta. Motion unanimously approved (8-0).

<u>DROP Benefits:</u>

DROP application of Kimberley Springmyer of the Building and Zoning Department. Effective date July 1, 2010.

A motion to approve the DROP application of Kimberley Springmyer was made by Mr. Easley and seconded by Mr. Goizueta. Motion unanimously approved (8-0).

DROP application of John Atler of the Police Department. Effective date August 1, 2010.

A motion to approve the DROP application of John Atler was made by Mr. Goizueta and seconded by Mr. Hoff. Motion unanimously approved (8-0).

DROP application of Ronald Janzer of the Fire Department. Effective date August 1, 2010.

A motion to approve the DROP application of Ronald Janzer was made by Mr. Easley and seconded by Mr. Goizueta. Motion unanimously approved (8-0).

DROP application of David Albury of the Fire Department. Effective date August 1, 2010.

A motion to approve the DROP application of David Albury was made by Mr. Goizueta and seconded by Mr. Hoff. Motion unanimously approved (8-0).

DROP application of Alex Castello of the Police Department. Effective date August 1, 2010.

A motion to approve the DROP application of Alex Castello was made by Mr. Goizueta and seconded by Mr. Hoff. Motion unanimously approved (8-0).

DROP application of David Wiesinger of the Fire Department. Effective date August 1, 2010.

A motion to approve the DROP application of David Wiesinger was made by Mr. Goizueta and seconded by Mr. Hoff. Motion unanimously approved (8-0).

6. Submission of bills for approval. (Administrative Manager recommends approval of the following invoices). *(Agenda Item 8).*

The Bogdahn Group invoice #5181 dated June 23, 2010 for 2nd Quarter Performance Evaluation and Consulting Services in the amount of $33,750.00. This invoice is in accordance with the contract between The Bogdahn Group and Coral Gables Retirement System signed on June 1, 2008.

A motion was made by Mr. Goizueta and seconded by Mr. Naclerio to approve the Bogdahn Group invoice in the amount of $33,750.00. Motion unanimously approved (8-0).

Stanley Holcombe & Associates, Inc. invoice #3700 dated July 7, 2010 for actuarial consulting services from May 15, 2010 through June 28, 2010 in the amount of $8,544.00. This invoice is in accordance with the contract between Stanley, Holcombe & Associates and Coral Gables Retirement System signed on December 17, 2008.

A motion was made by Mr. Goizueta and seconded by Mr. Hoff to approve the Stanley Holcombe & Associates invoice in the amount of $8,544.00. Motion unanimously approved (8-0).

7. Attendance of Goldstein Schechter Koch regarding additional $12,000.000 for year end September 30, 2009 audit and engagement letter for year end September 30, 2010 audit. *(Agenda Item 10).*

Vince Carrodeguas and Clement Johns from Goldstein Schechter Koch were in attendance. Mr. Carrodeguas informs that they completed the 9/30/09 audit and the 2009 State of Florida Annual Report for the pension plan. During that engagement they encountered some hurdles that were unforeseen. They have issued a letter to the Chairperson regarding what they had encountered. These hurdles had nothing to do with the preparation of the engagement. Typically these engagements run well or don't run well depending on the assistance and support they get from the City's accounting department and this is not that case. Mr. Nelson's group did a good job and gave them everything they needed for the audit. There were some unforeseen hurdles during the audit that they did not anticipate. They incurred approximately $27,000 in additional costs. The audit fee was $21,500.

Mr. Johns explains that there were ongoing issues in terms of the UBS Settlement between the State and the plan. When they first presented to the Board they did not realize how deep the issue was. There was a lot of going back and forth between the State and the actuary. Mr. Nelson was very helpful in getting the matter settled. In the preparation of the financial statements they weren't aware that there were certain items unaccounted for properly in the past specifically regarding the securities lending. They had to do a lot of work surrounding that issue and they did a comparison of both years. The UBS settlement issue led to a lot of issues and how it should be presented and how the State wanted it and the same with issues regarding the Annual Report. There was a lot of back and forth between them and the State. They really do appreciate the work they received from Ms. Groome and Mr. Nelson to get these issues resolved but it did take a lot of time to get the issue figured out. Mr. Carrodeguas informs that the engagement runs relatively tight. He thinks the plan had some significant difficulty in making their deadline with the State in the past so in running into that deadline and making their presentation to the Board for this engagement their biggest commitment was to make that deadline. Mr. Johns adds that they did receive notice from the State that the 2009 Annual Report was approved yesterday.

Mr. Huston asks what they are requesting. Mr. Carrodeguas responds that they are requesting that of that $27,000 additional fees they incurred they are asking for $12,000 of the additional fees for the 9/30/09 audit year only. The issues have been resolved and if they have any component of the issues in the future it will not affect the audit fee because they know that those issues are there and they can handle them appropriately.

Mr. Naclerio asks if Mr. Nelson has a view on this. Mr. Nelson states that the audit was a great recommnedation by this Board to bring in the outside firm of Goldstein Schechter Koch. They did a great job and got the Annual Report in on time to the State. Now that report has been approved. The audit work was excellent. When you go into an audit there are a lot of unforeseen issues. There were many items at the State level they were incurring. When Goldstein Schechter Koch presented to this Board they were unaware of the issues they were going to face with the State. They incurred a significant amount of hours which they provided information on to the Chairperson and they did say it will not affect next year's proposal. The additional request for the $12,000 is for the Board's consideration for approval.

Mr. Space asks how many hours over and above the original estimate were they. Mr. Carrodeguas responds that they were approximately 170 hours over the original estimate.

A motion was made by Mr. Naclerio and seconded by Mr. Goizueta to approve a one time event as an acommodation of the $12,000 to Goldstein Schechter Koch.

Discussion:
Mr. Space would like a better explanation. He wants to know specifically what the problems were that they encountered that caused them to go up to 170 hours over their estimated amount of time to do the audit. Mr. Carrodeguas explains that there are two key things. One is regarding the comparative statements where they compare the 2009 numbers with the 2008 numbers. They had to go back into previous years beyond 2008 in order to make sure that the beginning balance that rolled forward was clear. Mr. Johns informs that the other issue was the contribution from the UBS Settlement. There was a lot of back and forth as to how the State would like to see that money presented and how the actuary thought it should be presented. They had to take those two things to make sure that what they were reporting was in compliance with the Generally Accepted Accounting Principals (GAAP). Mr. Space makes sure that since they have their own 2009 numbers they won't see this for next year. Mr. Carrodeguas explains that not only do they have their own 2009 numbers but now they know what the State wants also.

Motion unanimously approved (8-0).

Ms. Groome informs that the Board also needs to approve the engagement letter for the 9/30/10 year in the amount of $24,900. Mr. Space asks why the amount went up. Mr. Carrodeguas responds that it was in their original proposal and they gave the engagements for multiple years. The fee does not deviate from their original proposal.

A motion was made by Mr. Naclerio and seconded by Mr. Geraci to approve the Goldstein Schechter Koch engagement letter for year ending 9/30/10.

Discussion:
Mr. Easley states that they are asking for the Board to stick with the proposal's figures but then they have just come before the Board to ask for more money on the first year's fee. He asks how many public pension funds they service. Mr. Carrodeguas informs that they audit about 35 public pension funds. Mr. Easley thinks that if they are performing that many audits on public pension funds and a lot of them have been first year audits that this is something that should have been calculated into the proposal instead of coming in with the low ball and then coming back and putting the Board in a difficult position to

fund more money. Now they are asking for the Board to stick to their agreement of what they want for the following year. Mr. Naclerio adds they are going up $3,000.

Mr. Johns informs that the $24,900 was in the original proposal. Mr. Easley understands but the original proposal also states a certain dollar amount for the first year and the Board just agreed to give them $12,000 more for that year. Mr. Carrodeguas expresses his appreciation for the $12,000. With all the pension plans they audit he can't remember the last time he went before a pension board and requested additional monies. They typically stick to their fees and when they are outside the engagement letter period they renegotiate the fees. In his years he has not gone back and asked for additional monies on an audit they had done before. In this case they did because of the unusual circumstances.

Chairperson Huston believes that no one anticipated the accounting problems that arose out of reporting of the UBS settlement. It was unique. He guesses that the State of Florida was learning at the same time the accounting staff was learning and the auditors were learning. He thinks that was the main jest of the problem. Mr. Carrodeguas agrees. It was probably the single most problem that drove the subsequent miscellaneous inefficiencies. Mr. Easley understands and that it is an uncomfortable issue for them to come before the Board to ask for additional fees. The Board has a fiduciary responsibility to manage down to the dollar for the employees of the City. Chairperson Huston states that this is the deal the Board struck with Goldstein Schechter Koch a year ago. Mr. Easley is aware of that and realistically they already opened up renegotiations because of the change in fee for the first year audit. He understands their position but he thinks there should be some flexibility to work on the other fees proposed. Mr. Carrodeguas informs that they can sit down with Mr. Nelson and make another proposal for the next year. Mr. Easley comments that he would have probably been less bothered if the auditors had set the first year's fee higher than the last two years' fees because of the extra work they knew they would have for the first year audit.

The motion was restated with an amendment.

A motion was made by Mr. Naclerio and seconded by Mr. Geraci to approve the Goldstein Schechter Koch engagement letter for year ending 9/30/10 subject to negotiation with Mr. Nelson.

Motion approved (7-1) with Mr. Goizueta dissenting.

8. Items from the Board Attorney. *(Agenda Item 4).*

Mr. Greenfield reports that things have been relatively quiet. There are no contested matters before the Board and no lawsuits appear to be on the horizon. During the past month he has kept in contact with the City Attorney's office in regards to the Attorney General's opinion they had requested relative to the use of electronic means to produce a quorum. The Assistant City Attorney is handling it and she contacted the Attorney General's office and was told the issue is still in the pipeline. They were fortunate in collecting for the fund the amount of $7,600 from the estate of a deceased participant. He has been working with Ms. Groome and provided her with information so they have something in place now when a participant dies and they are aware of the death. They have forms they can file if there is an estate that is going to be handled so there isn't any question that they will be notified and participate if there is money in the estate to be distributed. They have been working with a number of things in the course of the month like QDRO's, questions that participants have and keeping on top of all of that.

9. Discussion of recommendation from the Administrative Manager to approve the Service Connected Disability application of Jesus Garmas based upon the doctors' reports submitted by the applicant and Board appointed doctor. *(Agenda Item 7)*

Mr. Greenfield explains that under the ordinance Ms. Groome has the responsibility as Administrative Manager to investigate applications for disability retirement. In this case before the Board Ms. Groome did the investigation and pursuant to the ordinance has made a recommendation to the Board that the Board should approve the application. The report is very detailed and there has been no previous Administrative Manager that has done as detailed report that Ms. Groome has given to the Board. By ordinance the Administrative Manager is required to give that detailed report if the application is going to be denied. The participant then has an idea as to why their application is being denied. If there is an approval the Administrative Manager does not have to give that detailed of a report to the Board but Ms. Groome did do a detailed report. The report gives the Board all the thought process in making the recommendation. He concurs with Ms. Groome's recommendation even though his concurrence is not necessary under the ordinance.

Chairperson Huston clarifies that the recommendation is to confirm full disability for Mr. Garmas based on the doctors' evaluations.

A motion was made by Mr. Goizueta and seconded by Mr. Easley to approve Mr. Garmas' application for service connected disability. Motion unanimously approved (8-0).

10. Discussion of approving Spousal Acknowledgement Forms. *(Agenda Item 9).*

Mr. Greenfield states that it is not mandatory that they have this form. The State uses this form. It was brought up by a Board member who believed that this would be a proper procedure for them to follow. He and Ms. Groome worked on tailoring the State form to meet the requirements of the Retirement Ordinance and that form is before the Board at this meeting. They are ready to go forward with the form if the Board approves it. There was debate before as to the pros and cons of the form. Mr. Space had questioned whether or not it is a good idea to use the form because it makes the participant go to their spouse to get their spouse to sign off regarding the option the participant is choosing for retirement. That could or could not cause some marital questions.

Chairperson Huston explains that the reason this form is before the Board is because the Board heard a case earlier of a retiree who died and chose No Option for his retirement.

He allegedly told his wife that she would continue to receive his benefit after he died however his benefits stopped after his death due to the option he chose. His wife came before the Board and said that the gentleman only had a fifth grade education and did not know or understand what he was signing when he retired. The Board turned down any further consideration of that question. The question did come up of what participants are telling their spouse as to their rights and that is why they are discussing this form now.

Mr. DiGiacomo asks if the participant would have to have their spouse sign the form to complete the retirement process. Mr. Greenfield answers affirmatively if the Board adopts the document. Mr. DiGiacomo asks what if the spouse refuses to sign the form. Mr. Greenfield responds that since this form is used by the State System he would assume that if a spouse refuses to sign the form the participant could inform the Administrative Manager that their spouse refused to sign and then the participant would have to come before the Board and let them know. Mr. Space informs that is why he is against the form. It is more bureaucracy and it is sticking their noses in family business.

Ms. Groome informs that she gave the Board members copies of all the forms she uses for employees who decide to retire or go into the DROP for their information. Mr. Hoff points out that there is a form that explains the options where the employee signs off that the options were explained to them. So the Retirement System has something in writing that some future administrator can go back to and show that the employee was explained the options before they retired. Ms. Groome agrees.

Mr. Greenfield believes that in all the years he has been with the Retirement Board there hasn't been a problem similar to the problem they heard last year. Because of that situation a Board member suggested that this form might be a good idea. There hasn't been that big of a problem in the administration of the Retirement System that would make it necessary that they should have this form. Mr. Easley agrees. Maybe they can have a check off list. Mr. Naclerio thinks they can ask the participant to sign the form if the Board agrees to approve the form but if the participant chooses No Option and the spouse refuses to sign he doesn't see how they can tell the participant they can't chose No Option. Under the ordinance that is the participant's right. Mr. Greenfield states that they can take the check list and tailor it by putting some additional phrases to it that the employee can acknowledge.

Chairperson Huston explains that the question before the Board is do they approve the Spousal Acknowledgement Form or not or do they want to modify the form to put language in it that the employee can refuse to sign the form. Mr. Greenfield explains that they need a motion to accept or reject the form or they can send it back to the Administrative Manager for further review and recommendation to the Board.

A motion was made by Mr. Space and seconded by Mr. DiGiacomo to reject the form and reject the concept. Motion failed (4-4) with Mr. Naclerio, Mr. Geraci, Mr. Goizueta and Chairperson Huston dissenting.

Mr. Goizueta points out that they are there to protect the fund and if the acknowledgement form will protect the fund then he is in favor of having the form. Mr. Easley informs that he would agree to have the form if there was something added to it that allows the person to refuse to sign it or make it a non-mandatory form. Mr. Naclerio thinks the form has to be non-mandatory. If an employee refuses to sign the form then that can be noted and it has to be non-mandatory in the sense that if an employee says they are not taking it to their spouse and is taking the No Option then under the plan they have no right to be refused to do that. Mr. Space thinks if that is the case why they have to create so much bureaucracy. Mr. Easley comments that he would change his vote if the form was non-mandatory and the employee has a right to refuse to sign the form. Mr. Goizueta asks what happens in the State if a participant refuses to sign their form. Mr. Greenfield responds that he can call the State and ask them.

A motion was made by Mr. Goizueta and seconded by Mr. DiGiacomo to table the issue. Motion unanimously approved.

Mr. Hoff asks who the Administrative Manager works for. Is it the Board or the City? Mr. Greenfield responds that the Administrative Manager works for the Board but is also a City employee in the Finance Department. Chairperson Huston informs that the Retirement System pays the Administrative Manager's salary. Mr. Hoff asks about a mandatory COLA and what are the specific requirements for the retirees getting a COLA. Mr. Nelson explains that the calculation to determine a COLA is that on September 30th there has to be at least a 10% return on the fund in order for a COLA to be considered. If the fund achieves 10% then the COLA is half of whatever the CPI is. The COLA is then granted on January 1st. If the fund does not achieve a 10% return there is no COLA for that year and the next year there is a retro amount if the fund achieves a 10%. They go back to the years where there was no COLA and calculate the CPI amount. The COLA is a cumulative of the CPI amounts for the years there was no COLA. It is not retroactive. Mr. Naclerio asks how many years do they go back. Mr. Nelson responds that they go back to as many years that the COLA was not granted. The limit to the percentage of the COLA is 8%. Mr. Naclerio asks when the last time the retirees had a COLA. Ms. Groome informs that the last COLA was in 2008. Mr. Hoff asks if there is a provision for a mandatory COLA if there is no COLA for a certain amount of years. Mr. Nelson responds that there is no mandatory COLA. Mr. Space asks if the actuary anticipates a cost of living each year. Ms. Nelson answers affirmatively. It is built into the assumptions and reported in the Actuarial Report.

11. Investment Issues.

Dave West of The Bogdahn Group reports on the fund. He starts with a quote: "The U.S. economy remains almost comatose. The slump already ranks as the longest period of sustained weakness since the Great Depression. The economy is staggering under as many structural burdens, as opposed to the familiar cyclical problems. The structural faults represent once-in-a-lifetime dislocations that will take years to work out. Among them: the job drought, the debt hangover, the banking collapse, the real estate depression, the health-care cost explosion and the runaway federal deficit." He informs that this is a quote from the September 28, 1992 Time magazine. The ensuing period was one of the bad periods for financial assets.

Mr. West informs that the investment of the additional real estate fund with JPMorgan has been deferred and it is likely they will have a capital call at the end of September or October. There is a $300 million queue to get into the fund. The money was coming from JK Milne and they have had them hold off on the bond liquidation until they hear from JPMorgan.

The Board approved funding the global bond strategy out of the Richmond portfolio. The direction went out and Northern Trust transferred the money to the global bond account but unfortunately the proceeds were not invested. As they were going over the July monthly report they found that it was not invested. It was a directive for June 29th but it did not get posted until July 19th by Northern Trust. The net result was approximately a $65,000 opportunity cost. Northern Trust has communicated in writing that they will make the plan whole so there will be no impact to the plan for that trading error and it will be classified as a trading error. The fund is invested now in the two global bond funds. Mr. Naclerio asks if this is a big deal or is it a routine thing. Troy Brown responds that it is a routine thing. Half of the execution went through and somewhere down the line someone dropped the ball at Northern Trust. It does happen and every custodial firm has an allocation for trading error.

Mr. West informs that the fund opened March 31st with $244,289,373 and closed on June 30th with $222,744,375. For the quarter the fund was down 6.22% net. On a fiscal year to date for June the fund is down .34% and for the calendar year the fund is down 9.93%. Looking at the managers for the 2nd quarter, Eagle Capital was down 8.67% compared to the index down 11.15%. MD Sass had some trouble with their stock selection particularly in energy, health care and technology. They were down 13% for the period. Aletheia performed very well and had good stock selection. Despite being overweight in energy, which is not a good sector to be in, they had very good stock selection in energy and materials and were down 7.85% versus 11.85% of the index. Winslow made a shift a little late in the quarter so they were down 13% versus 11.75% of the index. Winslow has indicated they will continue with the lower Beta moving into the next phase of the cycle. Delaware managed to keep pace with the benchmark and had very good sector weights going into the decline. Baring and Thornburg did a good job for the fund. Baring was down 8.9% and Thornburg was down 9.18% compared to the index down 13.75%. Both of the fixed income managers have been positioning from an interest rate perspective fairly defensively so this rather sharp rally in U.S. treasuries caught them on the wrong side. They were moderately positioned that way so they came in close to the index. JK Milne was up 2.41% and Richmond Capital was up 2.77% compared to the index at 2.92%. JPMorgan was up 3.93% compared to their index at 3.31%.

Mr. Geraci asks if they have talked about buying into a gold firm. Mr. West answers that they have not. The remaining item on the table is regarding managed futures. Mr. Geraci recommends that they at least talk about putting money into a gold fund. Mr. Brown informs that many of the fund's managers have gold in their portfolio and he thinks there are many opportunities for the active managers to have gold as an exposure in their portfolio. Mr. West informs that gold can be put under the commodity category and the managed futures would be another way to have that exposure.

Mr. West reviews the July performance. At July 31st they were at $231 million and on a fiscal year to date the rate of return of the fund was at 4.52%.

Mr. Space states that since 2003 the two oldest managers they have, Richmond and Delaware, Richmond has been returning 5.52% and Delaware has been returning 6.97%. They are still not at their rate of return at 7.75%. The stocks are killing them. They aren't getting where they have to be. Chairperson Huston states that the pension plans across the nation are over estimating their income like they are and there are huge gaps. At some point they are either going to have to bring current yields up or bring down the rate of return. He has brought that up before and it is not popular to hear about that in the City but they aren't earning 7.75% and they haven't earned it in 25 years. Mr. West explains that what the can do is what they have done. They have taken a look to see what other things can be added to try and take away the volatility. He thinks they have made some good steps with the real estate reconstruction and the global bonds. They also have the managed futures option on the table to review. They continue to look for opportunities.

Chairperson Huston informs that Northern Trust has something called a high yield bond fund that is returning 8%. Is that worth looking at? Mr. West states that the PIMCO plan is allocated to high yield bonds. He thinks they were a little over 6% current yield. The fund is getting a managed allocation to that high yield space. They also have a yield advantage in the Templeton fund. All pension plans are in the same position as this pension plan is. Pension boards with required rates of return of 8% or higher are having discussion with the idea of moving down a quarter point per year with a target of 7.5%. Some pension boards are implementing that and some are not. It is a function of a cost accrued by the City and their position to handle that additional cost to lower the rate of return. It is a discussion and debate with every single pension plan. He thinks the highest plan they work for has an 8.5% rate of return.

12. Old Business.

Troy Brown brings up managed futures. They have two funds they would like to present to the Board but could not at the last meeting because Mr. Greenfield was not in attendance. They sent the information on the two funds to Mr. Greenfield and he had some concerns. Mr. Greenfield informs that he still has concerns. It is not so much with the context of managed futures but the two managers the consultants are interested in. One of the managers, Princeton, is a limited partnership and the fund would become a limited partner in a limited partnership. The fund would be at the risk at what the general partner would want to do at any particular time. He is not saying it would happen but there is a potential liquidity problem because they are in the hands of a limited partner. Also, the other manager, ACL, and Princeton are not regulated by the Securities Exchange Commission or the Commodities Future Trading Commission. ACL is an Irish company and is subject to the laws of Ireland. If this fund had a problem with them then it is subject to the laws of Bermuda and any litigation would have to take place in Bermuda. It doesn't have the history of a liquidity problem because they have daily pricing for it. The negatives are that it is not regulated by the Securities Exchange Commission or the Commodities Futures Trading Commission and if they have problem with them where do they go. They are very active in Europe. If you read the risk factors they set out you would stop there and ask yourself why you would want to make an investment. They tell you every possible problem that could arise.

Mr. Space asks if anyone oversees these investments. It doesn't have to be the U.S. Securities Exchange Commission. Mr. Greenfield responds that whatever the Irish agency is oversees ACL. He thinks that managed futures is a good deal but they need to get the right fund that does the managed futures. Mr. Space thinks that if the Irish manager is being overseen by some legitimate government agency then he would like to listen to the presentation.

Chairperson Huston suggests that they like the vehicle but they don't like the driver. They don't want to be in Bermuda or Ireland. Is it possible to go back and find a U.S. based manager? Mr. Brown informs that those two managers are U.S. based but they are all going to function as a limited partnership. Chairperson Huston asks if they can they go back and see if there is a manager that functions under U.S. law. Mr. Brown responds that they can try and see what they can find. There is a mutual fund that does managed futures. Mr. Space wants to look at what is out there to help the fund make their rate of return.

A motion was made by Mr. Goizueta and seconded by Mr. DiGiacomo to go into managed futures.

Discussion:
Mr. Easley thinks there should be an addendum to limit the amount of funding so they can see how they feel with the fund. Mr. Brown informs that the presentation they gave to the Investment Committee has been shortened and is presentable at one of the regular Board meetings. Mr. Space suggests that they give the full Board a short presentation on managed futures at next month's meeting.

The motion was tabled until the next Board meeting.

13. New Business.
There was no new business.

Meeting adjourned at 10:30 a.m.

Set next meeting date for Thursday, September 16, 2010 at 8:00 a.m. in the Youth Center Auditorium.

APPROVED

TOM HUSTON, JR.
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR