

CORAL GABLES RETIREMENT SYSTEM

Minutes of October 14, 2010

Youth Center – Auditorium

405 University Drive

8:00 a.m.

MEMBERS:

O N J F M A M J A S O

|                          |   |   |   |   |   |   |   |   |   |   |
|--------------------------|---|---|---|---|---|---|---|---|---|---|
| Steven Naclerio          | P | P | P | P | P | P | P | P | P | P |
| Manuel A. Garcia-Linares | P | P | P | P | P | E | P | E | E | P |
| Tom Huston, Jr.          | P | P | P | P | P | P | P | P | P | P |
| Sal Geraci               | P | E | E | E | P | P | P | P | P | E |
| Leslie Space             | P | E | P | P | P | P | P | P | P | P |
| Daniel DiGiacomo         | - | - | - | - | - | - | - | P | P | P |
| Randy Hoff               | - | - | P | P | P | P | P | P | P | P |
| Victor Goizueta          | A | P | E | P | P | P | P | P | P | P |
| Troy Easley              | - | - | - | - | - | - | - | - | P | P |

APPOINTED BY:

Mayor Donald D. Slesnick, II  
Vice Mayor William H. Kerdyk, Jr.  
Commissioner Maria Anderson  
Commissioner Rafael “Ralph” Cabrera  
Commissioner Wayne “Chip” Withers  
Police Representative  
Member at Large  
General Employees  
Fire Representative

STAFF:

Kimberly Groome, Administrative Manager  
Donald G. Nelson, Finance Director  
Troy Brown, The Bogdahn Group  
Dave West, The Bogdahn Group

A = Absent

E = Excused Absent

P = Present

GUESTS:

Richard Sicking, Esq.  
Jose Torres, retiree  
Robert Keck, Princeton Futures Fund  
Seamus O’Donnchadha, Abbey Capital

Chairperson Tom Huston calls the meeting to order at 8:09 a.m. There was a quorum present. Mr. Goizueta was not present at the time the meeting was called to order. Mr. Geraci was excused.

1. Roll call.

Chairperson Huston informs that the Board Attorney is not at the meeting because he is in South Korea as a guest of the South Korean Government having participated in the Korean Conflict.

**A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley for the Administrative Manager to prepare a resolution of appreciation for Mr. Greenfield’s service in the Korean War and his service to the Board. Motion unanimously approved (7-0).**

Mr. Space was presented with a plaque for completing his Certification as a Public Pension Trustee with the Florida Public Pension Association. Chairperson Huston recognized Mr.

DiGiacomo's wife, Kimberly, who was awarded the Officer of the Month for October 2010. Chairperson Huston announces that the late Chief Hammerschmidt's wife passed away. Also, Mr. Garcia-Linares was named as one of 16 attorneys from the Richman Greer law firm as a Florida Super Lawyer.

2. Attendance of Attorney Richard Sicking on behalf of Jose Torres, Service Connected Disability retiree, requesting an appeal to the reduction of his disability benefit from 75% annualized pay rate to 66.7% annualized pay rate as according to Retirement Ordinance Section 50-231(e) that after rehabilitation and retraining Mr. Torres cannot engage in any occupation for wage or profit due to his service connected injury. Mr. Torres' reduction is scheduled to begin November 1, 2010. The Administrative Manager also recommends approval of Mr. Torres' continued disability benefits. (*Agenda Item 6*).

Mr. Sicking informs that he represents disability retiree Jose Torres who was awarded his service connected disability previously. Mr. Torres' two year anniversary is coming up to examine if he should continue at the 75% level. He sent in medical reports to the Retirement System and the reports were done for the Social Security Administration in which the doctors indicated that Mr. Torres cannot do any job at all. The Social Security Administration has determined that Mr. Torres is totally disabled from all work. They are asking that the Board not reduce Mr. Torres' disability retirement and continue his benefit at 75%. Mr. Garcia-Linares asks Ms. Groome what her recommendation is. Ms. Groome informs that after reviewing the medical documents from Mr. Torres' doctor and the Social Security Administration Office of Disability Adjudication and Review's decision she is recommending that Mr. Torres' benefit not be reduced and that his benefit stays at 75%.

**A motion was made by Mr. Garcia-Linares and seconded by Mr. Naclerio to approve waving the reduction of Mr. Torres' service connected disability retirement benefit keeping him at 75%. Motion unanimously approved (7-0).**

3. Approval of the Retirement Board meeting minutes for September 16, 2010.  
**A motion was made by Mr. Hoff and seconded by Mr. Naclerio to approve the meeting minutes of September 16, 2010. Motion unanimously approved (7-0).** (*Agenda Item 2*).
4. Approval of the Retirement Board Executive Summary minutes for September 16, 2010.  
**A motion was made by Mr. Hoff and seconded by Mr. DiGiacomo to approve the Executive Summary minutes of September 16, 2010. Motion unanimously approved (7-0).** (*Agenda Item 3*).

5. Report of Administrative Manager.

**A motion to accept the following items of the Administrative Manager's report without discussion was made by Mr. Hoff and seconded by Mr. Garcia-Linares. Motion unanimously approved (7-0). (Agenda Item 4).**

1. For the Board's information, on October 1, 2010 there was a deposit in the amount of \$21,628,945.00 from the City of Coral Gables to the Coral Gables Retirement Fund's bank account at SunTrust Bank representing the full amount of the City's 2010-2011 fiscal year contribution. The \$21,628,945.00 was transferred to and received by the Northern Trust Cash Account on October 8, 2010.
2. For the Board's information, there was a transfer in the amount of \$2,250,000.00 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 September 2010 for the October 2010 benefit payments.
3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
  - Payroll ending date September 12, 2010 in the amount of \$107,331.61 was submitted for deposit on September 21, 2010.
  - Payroll ending date September 26, 2010 in the amount of \$103,864.44 was submitted for deposit on October 5, 2010.
4. A copy of the detailed expense spreadsheet for the month of September 2010 is attached for the Board's information.
5. A copy of the Summary Earnings Statement from the Northern Trust Securities Lending Division for billing period August 1, 2010 to August 31, 2010 is attached for the Board's information.
6. Attached for the Board's information is the Statement of Pending Transactions and Assets as of August 31, 2010 from JP Morgan.
7. Attached for the Board's information is the Statement of Settled Transactions from August 1, 2010 to August 31, 2010 from JP Morgan.
8. A copy of two letters dated September 13, 2010 from the State of Florida Office of Municipal Police Officers' and Firefighters' Retirement Trust Funds, Division of Retirement releasing the Firefighters' Retirement Trust Fund and Police Officers' Retirement Trust Fund monies.
9. The Berwyn Group Death Check Verification Services dated September 13, 2010 is attached for the Board's information.

10. A copy of a letter from the Florida Public Pension Trustees Association is attached for the Board's information regarding their comments to GASB on the Preliminary Views related to Pension Accounting and Financial Reporting by Employees.
  11. A copy of the September 2010 Florida Public Pension Trustees Association monthly E-newsletter is attached for the Board's information.
  12. 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.
6. Employee Benefits:  
(The Administrative Manager recommends approval of the following Employee Benefits.) (*Agenda Item 5*).

Retirement Benefits:

Retirement application of Albert Reyes, Jr. of the Building and Zoning Department, 3 years and 2 months (age 65), No Option, effective October 1, 2010.

RESOLUTION 3137  
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS  
TO  
ALBERT REYES, JR.

WHEREAS, Albert Reyes, Jr. has applied for retirement effective October 1, 2010, and,

WHEREAS, Albert Reyes, Jr. requests to take No Option with his last working day September 29, 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 Albert Reyes, Jr. retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning October 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. Reyes' retirement application was made by Mr. DiGiacomo and seconded by Mr. Easley. Motion unanimously approved (7-0).**

Retirement application of Esther Zabalo of the Public Works Department, 23 years and 11 months, No Option, effective October 1, 2010.

RESOLUTION 3138  
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS  
TO  
ESTHER ZABALO

WHEREAS, Esther Zabalo has applied for retirement effective October 1, 2010, and,

WHEREAS, Esther Zabalo requests to take No Option with her last working day September 29, 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 Esther Zabalo retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning October 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. Zabalo's retirement application was made by Mr. Hoff and seconded by Mr. Easley. Motion unanimously approved (7-0).**

Retirement application of Juan Calderin of the Public Service Department, 17 years and 4 months, No Option, effective October 1, 2010.

RESOLUTION 3139  
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS  
TO  
JUAN CALDERIN

WHEREAS, Juan Calderin has applied for retirement effective October 1, 2010, and,

WHEREAS, Juan Calderin requests to take No Option with his last working day September 29, 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 Juan Calderin retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning October

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. Calderin's retirement application was made by Mr. Hoff and seconded by Mr. Easley. Motion unanimously approved (7-0).**

DROP Benefits:

DROP application of Raymond Vorsteg of the Public Works Department. Effective date September 1, 2010.

**A motion to approve the DROP application of Raymond Vorsteg was made by Mr. Hoff and seconded by Mr. Garcia-Linares. Motion unanimously approved (7-0).**

DROP application of Carlos Eguiluz of the Fire Department. Effective date November 1, 2010.

**A motion to approve the DROP application of Carlos Eguiluz was made by Mr. DiGiacomo and seconded by Mr. Easley. Motion unanimously approved (7-0).**

DROP application of Rene Brito of the Public Works Department. Effective date November 1, 2010.

**A motion to approve the DROP application of Rene Brito was made by Mr. Easley and seconded by Mr. Garcia-Linares. Motion unanimously approved (7-0).**

DROP application of Dave Drescher of the Fire Department. Effective date November 1, 2010.

**A motion to approve the DROP application of Dave Drescher was made by Mr. Hoff and seconded by Mr. DiGiacomo. Motion unanimously approved (7-0).**

7. Submission of bills for approval. (Administrative Manager recommends approval of the following invoices).

The City of Coral Gables invoice for Fiscal Year 05/06, 06/07, 07/08 and 08/09 for expenses of retirement system paid out of the general ledger account of the City in the amount of \$453,231.45.

Chairperson Huston asks for Mr. Nelson to explain the bill from the City. Mr. Nelson informs that the bill before the Board is an accounting of actual expenses that were incurred by the pension fund for fiscal years 05/06, 06/07, 07/08 and 08/09. Each year the City budgets for the associated costs of the Administrative Manager's benefits and salary and the administration of her area. All those costs are accumulated, budgeted and accounted for. The only difference is the Retirement Fund has not paid the General Fund for absorbing those costs. The General Fund of the City was bearing the actual costs even though they were budgeted to be funded by the Retirement Fund. Looking back the

actual transfer of monies from the Retirement Fund to the General Fund to pay for those expenses did not occur. The amounts were accounted for and were reported in the Financial Report that was presented by the outside accounting firm of Goldstein Schechter and Koch last year. The amounts were accounted for but the actual transfer was not made. That is what this invoice is about. It is going from one fund to another fund and the City will actually have to bear the cost through its retirement contribution.

**A motion was made by Mr. Naclerio and seconded by Mr. Easley to approve the City of Coral Gables invoice in the total amount of \$453,231.45. Motion approved (4-3) with Mr. Hoff, Mr. DiGiacomo and Mr. Garcia-Linares dissenting.**

The Bogdahn Group invoice #5454 dated September 17, 2010 for 3<sup>rd</sup> 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. Naclerio and seconded by Mr. Easley to approve The Bogdahn Group's invoice in the total amount of \$33,750.00. Motion unanimously approved (7-0).**

8. Attendance and presentations of Managed Futures firms Princeton Futures Fund and Abbey Capital ACL Alternative Fund.

#### **Princeton Futures Fund**

Bob Keck, the President, Chief Investment Office and co-owner of 6800 Capital that manages the Princeton Futures Fund, makes his presentation to the Board. 6800 Capital was founded in 1988. Princeton Futures fund is a multi-advisor fund which focuses exclusively on Commodity Trading Advisors and global macro managers. The Fund is offered and managed solely in accordance with the investment philosophy of 6800 Capital. Princeton seeks to achieve significant long term capital appreciation through the active management of a multi-advisor portfolio. At 6800 Capital they think it is very important for people who are considering an investment in the partnership should have the opportunity of meeting, experiencing and questioning the people who basically call the shots. They operate in a consensual manner. They have an Investment Committee that consists of 4 members. Their decision making is consensual. Their goal is to make the right decision. There are very few people in their industry that have a fourteen year track record. They are one of the oldest firms in the industry. They have never had a losing year. As of the last year they had an annualized return of 16% and this year they are above 4.5% year to date.

Mr. Goizueta arrives at this meeting.

One of the unique things about the fund is the mix between financial futures versus traditional commodities. If you look at the biggest trend followers in the industry you will find in their portfolios that they are geared predominantly 60% to 80% toward the financially related markets. Their goal is to have a 50/50 mix between the financial

complex and the traditional commodities. There are tremendous uncorrelated opportunities in the traditional commodity markets. It diversifies a risk. It was that focus in the fund which caused their outperformance in 2009. Managed futures is a business of cluster returns and that is something they have tried to avoid in what they do. That is through their multi-tiered approach that they try to do through diversification. If you were to look at a five year rolling average of rates of return you will find that Princeton Futures Fund was profitable about 90% of the time. If you look at the volatility over time you will find a consistent drop in volatility as they have uncovered new, unique and different strategies to mix and match in the fund. Once they have this pool of managers their objective is to look at the risk of each individual strategy and then try to figure out what other things they can do that are complementary that will be profitable when some people are losing money.

If your goal is the consistency of returns and an investment that is highly uncorrelated with any other investment along with the skill and experience to implement the strategy he hopes that the Board would give very serious consideration into the Princeton Futures Fund.

Chairperson Huston confirms that the fund is a limited partnership. Mr. Keck responds affirmatively. Chairperson Huston asks if they mark to market daily. Mr. Keck answers that probably 80% of the fund is marked to market daily and the rest of it is marked to market weekly. Every month they furnish full estimates within 3 to 4 business days at the end of the month. They have an outside administrator for the fund. That accounting is usually completed by the third or fourth week of the month. All the managers in the fund mark to market daily. Chairperson Huston asks how big the fund is. Mr. Keck explains that the fund is \$135 million. They have raised an additional \$22 million as of yesterday. The strategy at the end of next month will probably be at \$179 million. Mr. Garcia-Linares asks what other Florida public funds have invested with Princeton. Mr. Keck informs that they have just been awarded two pension plans in the State of Florida.

Mr. Naclerio asks how the business operates. Mr. Brown explains that Princeton's primary function is an allocator of capital. They find people in companies that make decisions on investments in commodities and Princeton's primary function is to allocate capital among the nineteen different funds that make up Princeton Futures Fund. Mr. Keck adds that they are not active traders in commodities.

Chairperson Huston asks what the name of their mutual fund that is traded. Mr. Keck responds that it is the Princeton Futures Strategy Fund. They are the sub-advisor and it is basically 100% allocated to managed futures. It doesn't have the same managers as the limited partnership. It is a sub-set of the managers of the limited partnership. It is managed with the same philosophy.

Mr. Brown asks what the fee structure is for the limited partnership fund. Mr. Keck informs that the fees of the managers average 2% management fee and a 20% incentive fee subject to a new high water mark. They have some managers that only charge a percent. They have some managers that charge 0% but take 30% of the profits.



Sometimes they have a choice of fee schedules and based upon what they expect the manager to do they will choose the fee structure they feel is most advantageous to the investors.

### **Abbey Capital ACL Alternative Fund**

Seamus O'Donnchadha of Abbey Capital informs that they are an Irish firm and have 60% of their business in the United States. He touches on three points regarding managed futures. Firstly, managed futures is a bi-directional managed strategy with no directional bias. It just captures trends being on the upside or the downside. Secondly, they operate within the most deep illiquid markets. Managers have the ability to be dynamic and nimble with their exposure. If you are on a trend on the upside and there is a reversal in the trend very quickly managers have the ability to take off their long positions and go short and pick up very good returns as a result. Thirdly, why they are looking at managed futures as an asset class is because it exhibits a very favorable correlation with equities and bonds. It exhibits a low correlation with bonds and a negative correlation with equity bearish market trends. It also has a positive correlation with equity bullish trends because of the bi-directional nature of the strategies and the deep illiquid market it operates in.

Abbey Capital Management was founded in 2000. They exclusively focus on managed futures. They currently allocate in excess of \$3.7 billion to the managed futures space. They are regulated in Ireland by the Irish Financial Regulator and in the U.S. they are registered with the CFTC. They are members of the NFA and registered as an investment advisor with the SEC. They are listed on the Bermuda Stock Exchange. They are also members of the Alternative Investment Management Association. As a multi-manager fund they have full transparency in their positions. They allocate exclusively into managed accounts. As an investment manager they set up a dedicated managed account with their clearing brokers. With the managed account they see all the underlying trades on a daily basis. If a manager breaks any of the limits they have in place they are in a position to terminate that relationship immediately. That transparency is something they also pass on to their clients. They have daily liquidity for all Abbey Fund investors.

They are diversified as far as their client base. They have 60% of their business in the U.S. They are based in Ireland because their principals are all Irish. They travel quite regularly. They have an office in New York that is manned by five people. They are in a position to assist their clients in the U.S. They do around 25% of their business in Europe and the rest in Asia.

They have a 22 manager portfolio with 50% North America based and 50% European based. They monitor over 1000 managers monthly. Their long term targeted returns are 12% to 15% per year. Their annualized rate of return since inception is 11.6%. To maintain risk exposure they allocate to each manager at 21% volatility level. For every dollar invested, \$1.70 is put to work but the key is when people hear leverage they think it is borrowed leverage so to achieve the 170% they have to borrow money. But with managed accounts to have a specific account you may only have to fund it with the actual

margin itself. If you invest \$5 million roughly 10% is put in the initial margin account to facilitate trades then you have an excess margin account. If they are on the wrong side of the trade or to meet margin calls then the rest is put on deposit. They try and manage the excess margin account because you have less favorable interest rates with your clearing brokers as opposed to the money they have in deposit. They want to keep it liquid to facilitate trades but as much as possible keep the money on deposit with A1+ rated banks where they are getting the favorable interest rates. The interest rates are passed back to the client. There are no costs taken from the investment manager. The key thing of the whole managed account structure is you set up the managed account and the manager trades the account on their behalf but never takes physical possession of the cash.

In summary they have complete transparency in all positions daily. They have daily liquidity. There are no lockups, no gates and no redemption fees. The underlying management fee is 2.1% of which Abbey receives 1% and an incentive fee of 23% of which Abbey receives 10%.

9. Investment Issues.

Mr. Brown informs that the Board can take time to digest this asset. They think this is a great portfolio diversification tool. Chairperson Huston asks if the minimum investment is \$10 million. Mr. Brown informs that Abbey has waived that for Bogdahn. Abbey is willing to go below the \$10 million minimum because Bogdahn is rolling this asset out to a broad base of clients and Abbey anticipates that the Bogdahn investment collectively client wise is going to be in excess of \$10 million. He recommends that this portfolio allocate a minimum of 10% to this asset. Chairperson Huston asks how they would divide that between the two firms. Mr. Brown responds that is a longer discussion he thinks they should have in the future. Mr. Nelson thinks they should study this asset class more before they decide to invest in it. Mr. Garcia-Linares thinks it is an interesting product and he would like to hear from their Board Attorney. He would like to think about this between now and the next meeting and then hear from Mr. Greenfield at the next meeting regarding this asset class and the managers that just presented to the Board.

Mr. West reports on the investments. JP Morgan was funded during the quarter so that brings the allocation in line. Basically as of August 31<sup>st</sup> they opened with \$224,539,582 and closed September 30<sup>th</sup> with \$236,136,630. For the entire fiscal year the rate of return was 9.16% which is ahead of the required rate of return of 7.75%.

Mr. West reviews the Current Value Portfolio Analysis and Comparison report. The Bogdahn Group has absolutely no interest in whether a manager is retained. They receive no compensation whatsoever. The viewpoints they represent are completely independent. Their objective in going through the manager and portfolio reviews is to hopefully bring forth pertinent information. He and Mr. Brown get together before the meetings to build up what they think is important for the Board to know and then they follow-up with each other after the meetings. The Board is a very dynamic group and they want to make sure that between him and Mr. Brown they are capturing everything that needs to be addressed.

Mr. Brown states that if you look at the manager returns of Eagle and MD Sass for the year they are very different. Everything they talked about at the last meeting has been addressed in this report. The first section of the report is the cross holdings of each manager. None of the top five holdings were cross held by the managers and there were only three cross held positions. The second part of the report is an analysis of the managers as of June 30<sup>th</sup>. The second section of the report also goes over the actual performance of the two managers. The third section shows the longer term of the managers. The reality of comparing growth and value managers is that during a cycle the growth manager will out perform the value manager and vice-versa. When you look at the managers through ten years Eagle outperforms MD Sass for five years and MD Sass outperforms Eagle for five years. Looking at trends you will see that the managers do move in cycles. If you believe in the cycle you would want to give more money to the manager that is down now rather than up because the cycle shows that the under performing manager will start to out perform while the out performing manager will start to under perform. They don't know which manager will outperform during the year but if they believe in the strategy that they are using different methods to construct their portfolios they do make a good match for one another. The fourth section is the same long term analysis with different managers not hired by the fund. Chairperson Huston asks Mr. Brown to show the Board the analysis of MD Sass and Eagle Capital as of September 30<sup>th</sup> at the next meeting. Mr. Brown informs that they will have that prepared for the Board.

Mr. West informs that their conclusion is that they have an absolute hold on Eagle Capital and they have an absolute hold on MD Sass. As they go through the measurements set in the Investment Policy they are in compliance with all the measurement criteria set forth. They strongly support and advocate the current 50/50 mix. When the Bogdahn Group took over this relationship they did the analysis and were completely comfortable with the managers that were selected and they are comfortable with the asset allocation between the two managers. Eagle and MD Sass have very different strategies and as a result the holdings are very different.

Mr. Garcia-Linares leaves the meeting at this time.

Mr. Hoff states that before continuing with the report, he had seen an email where the Chairperson was suggesting the Board do a new RFP for a new consultant. Chairperson Huston explains that he suggested that because he was very unhappy with the performance through August of the MD Sass firm. It was an attempt to force the Board to look at the managers. Mr. Hoff understands but before they continue he would like to know if that discussion for a RFP is going to take place. He personally has been happy with the consultants. He wants to know if they are going to discuss replacing The Bogdahn Group. Chairperson Huston responds that they will not be doing that today.

Mr. Naclerio asks if the Bogdahn Group has a point of view in the next two years regarding which manager will do better than the other one. Mr. Brown informs that their firm does not do that. However if you have a manager that makes a strategy shift or a

personnel shift that is when they will have a much shorter leash on a manager because research identifies strategy over the long term. Mr. Naclerio understands. He is trying to find a way to make some money within the next two years. If he wants someone to look at the next 24 months and tell them that a specific manager is not the right manager to have in the portfolio then he has to find another advisor who gives that type of advice. Mr. Brown agrees. Mr. Goizueta states that about six months ago the consultants kept telling the Board to invest more into equities and the Board as a whole was very hesitant and equities did have good performance. Mr. Brown agrees. Their job is to give the Board consistent information and consistent advice. They are not going to chase manager returns.

Mr. Brown leaves the meeting at this time.

Mr. West points out the different forward looking items they have brought to the Board as TIPS and international fixed income to make more money for the fund. But when they are looking at whether manager A will out perform manager B for someone to do that in a personal account they have that flexibility but as a fiduciary for a public fund they cannot identify any tangible or meaningful of documented basis that would justify moving millions of dollars between asset strategies. As a former asset allocation strategist trying to do that is very elusive and they have not encountered anyone who has been able to do that successfully. Their recommendation is to stay with MD Sass and Eagle. They are completely comfortable with them.

Mr. West informs that the next issue is to allocate the \$21 million from the City's contribution. The money needs to be invested. The suggested allocation is to divide the money into equities and fixed income. The lowest cost way to have the potential to get investments in and out of is to allocate to the index; half the fund to go into the S&P 500 index and the other half to go into the fixed income managers. The cost of exiting will be non-existent from the index and there will be a negligible transaction cost to get out of the bonds. That would give them as much time as they want to make a decision on the managed futures allocation.

**A motion was made by Mr. Hoff and seconded by Mr. Goizueta to invest \$10 million of the \$21 million City contribution into the S&P 500 index fund and invest the other half of the City contribution into the fixed income managers, JK Milne and Richmond Capital minus \$2.8 million for payments of benefits for November. Motion unanimously approved (6-0).**

10. Old Business.  
There was no old business.
11. New Business.  
There was no new business.

Set next meeting date for Thursday, November 3, 2010 at 8:00 a.m. in the Police Community Meeting Room, Basement of Police Station.

Meeting adjourned at 11:33 a.m.

APPROVED

TOM HUSTON, JR.  
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME  
RETIREMENT SYSTEM ADMINISTRATOR