

CORAL GABLES RETIREMENT SYSTEM
 Minutes of September 11, 2008
 Youth Center Auditorium/Theater
 405 University Drive
 8:00 a.m.

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

| STAFF: | A = Absent |
|---|--------------------|
| Kimberly Groome, Administrative Manager | E = Excused Absent |
| Alan Greenfield, Board Attorney | P = Present |
| Donald G. Nelson, Finance Director | |
| Troy Brown, Bogdahn Consulting | |
| Dave West, Bogdahn Consulting | |

GUESTS:
 Gene Gibbons, President of the Fraternal Order of Police Lodge #7
 Richard Chait, Esq.
 Richard Sicking, Esq.
 Stephanie Harmon, Retired
 Frank Pascarella, Retired
 Tim Clark, Retired
 Marjorie Adler, Human Resources Director
 Elba Gonzalez, Fowler White

Chairperson Sibley calls the meeting to order at 8:08 a.m. There was a quorum present.

1. Roll call.
2. Approval of the Retirement Board monthly meeting minutes for August 7, 2008.
A motion was made to approve the monthly meeting minutes of August 7, 2008 by Mr. Huston and seconded by Mr. Goizueta. Motion unanimously approved (7-0)
3. Report of Administrative Manager. *(Agenda Item 4)*
A motion to accept the Administrative Manger's report without discussion was made by Mr. Garcia-Linares and seconded by Mr. Huston. Motion unanimously approved (7-0).
 1. For the Board's information, there was a transfer of \$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 August 2008 for the September 2008 benefit payments.

2. For the Board's information, there was an additional transfer of \$25,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund on September 5, 2008 for September 2008 expenses and benefit payments.
3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account (fiscal year spreadsheet attached):
 - Payroll ending date August 3, 2008 in the amount of \$73,735.24 was submitted for deposit on August 8, 2008.
 - Payroll ending date August 17, 2008 in the amount of \$73,709.21 was submitted for deposit on August 26, 2008.
4. For the Board's information:
 - Sadie Reibman of the Youth Center – Parks and Recreation Department passed away on July 7, 2008. She retired on June 1, 1979 with No Option. Her benefits have ceased.
 - John Coito of the Sewer Division of the Public Works Department passed away on July 9, 2008. He retired on June 1, 1987 with Option 2B and 66-2/3%. His beneficiary began receiving post-survivor benefits on August 1, 2008.
 - Alonzo Woods of the Landscape Management Division of the Public Service Department passed away on July 14, 2008. He retired on July 1, 1996 with No Option. His benefits have ceased.
 - Margaret McGough passed away August 10, 2008. She was receiving post retirement survivor benefits which began August 1, 1983. Her benefits have ceased.
5. A copy of the detailed expense spreadsheet for the month of August 2008 is attached for the Board's information.
6. A copy of the Summary Earnings Statement from the Northern Trust Securities Lending Division for billing period July 1, 2008 to July 31, 2008 is attached for the Board's information.
7. Attached for the Board's information are the Statements of Pending Transactions and Assets as of July 31, 2008 from JP Morgan.
8. Attached for the Board's information are the Statements of Settled Transactions from July 1, 2008 to July 31, 2008 from JP Morgan.
9. For the Board's information a copy of the Commission Analysis prepared by Donaldson and Company for the second quarter of 2008 is attached.

10. A copy of the August 2008 NCPERS Newsletter "The Monitor" is attached for the Board's information.
 11. A copy of an article dated August 20, 2008 from FundFire is attached for the Board's information regarding CalPERS adopting guidelines allowing their fund to have an allocation of up to 3% of its total assets through 2010 in infrastructure projects.
 12. A copy of an article dated September 3, 2008 from the Wall Street Journal regarding Harvard's Endowment is attached for the Board's information.
 13. 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.
4. Employee Benefits: (*Agenda Item 5*)
(The Administrative Manager recommends approval of the following Employee Benefits.)

DROP Benefits:

DROP application of Jeanie Berryhill of the Police Department. Effective date September 1, 2008.

A motion to approve Ms. Berryhill's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Goizueta and seconded by Mr. Huston. Motion unanimously approved (7-0).

DROP application of Frank Ogden of the Fire Department. Effective date September 1, 2008.

A motion to approve Mr. Ogden's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Huston and seconded by Mr. Easley. Motion unanimously approved (7-0).

DROP application of Michael Bertzel of the Fire Department. Effective date September 1, 2008.

A motion to approve Mr. Bertzel's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Goizueta and seconded by Mr. Huston. Motion unanimously approved (7-0).

DROP application for Carlos Gonzalez of the Public Works Department. Effective date October 1, 2008.

A motion to approve Mr. Gonzalez's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Goizueta and seconded by Mr. Huston. Motion unanimously approved (7-0).

DROP application for Roberto Franco of the Building and Zoning Department. Effective date December 1, 2008.

A motion to approve Mr. Franco's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Goizueta and seconded by Mr. Huston. Motion unanimously approved (7-0).

Buy Back of Prior City time, Other Public Employer Service, Military Service Time:

Application of Tomas Salcedo of the Police Department requesting to buy back 196 days (6 months, 11 days) of Military Service Time and 967 days (2 years, 7 months and 21 days) of Other Public Employer service time.

A motion to approve Mr. Salcedo's application to purchase 196 days of military service and 967 days of other public employer service time was made by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (7-0).

5. Submission of bills for approval. (Administrative Manager recommends approval of the following invoices). (*Agenda Item 7*).

Stanley Holcombe and Associates invoice no. 3556 dated August 14, 2008 for actuarial consulting services from June 14, 2008 through August 7, 2008 in the amount of \$31,531.00. This invoice is in accordance with the contract between Stanley, Holcombe & Associates and Coral Gables Retirement System signed on October 9, 2003.

A motion was made by Mr. Huston and seconded by Mr. Goizueta to approve the payment. Motion unanimously approved (7-0).

Merrill Lynch Consulting Services invoice dated August 14, 2008 in the amount of \$37,683.62 for consulting service fees for October 1, 2007 through March 31, 2008. This invoice is in accordance with the Revision to Agreement for Services which changed the Merrill Lynch Consulting Services' retainer fee to a basis point fee structure effective January 1, 2006 and is our final bill for Merrill Lynch.

A motion was made by Mr. Huston and seconded by Mr. Garcia-Linares to approve the payment. Motion unanimously approved (7-0).

6. Disability reviews: The Administrative Manager recommends approval of the continued disability benefits for Jeffrey Pickover, Stephanie Harmon, George Brown and Charles J. Thompson, Jr. (*Agenda Item 6*).

A motion to approve the disability reviews of Mr. Pickover, Ms. Harmon, Mr. Brown and Mr. Thompson was made by Mr. Goizueta and seconded by Mr. Huston. Motion unanimously approved (7-0).

At this time Mr. Naclerio arrives at the meeting.

7. Request of Charles Thompson, 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). Mr. Thompson's reduction was scheduled to begin January 1, 2008. (*Agenda Item 8*)

Richard Chait, attorney for Mr. Thompson, informs that the purpose of his appearance is to request that the Board waive the two year mandatory reduction. Mr. Thompson was injured during the scope of his employment. He is in the worker's compensation system. Mr. Thompson has been accepted permanent totally disabled under the worker's compensation system dating back to August 1, 2005. In the worker's compensation system the injured employee has to receive continued ongoing authorized medical treatment because of the severity of his lumbar spine injury there has only been one doctor who has treated him throughout his case. That doctor is a board certified neurosurgeon Joseph Traina. Dr. Traina has indicated numerous times that Mr. Thompson is totally permanently disabled and unable to work. Mr. Thompson's condition is so severe that the doctor categorically stated numerous times that Mr. Thompson is unable to work.

Mr. Nelson informs that the code is very clear. The Board has the power to waive the reduction after rehabilitation and retaining the participant cannot engage in any occupation and that means from this day forward. That means permanent total disability for the rest of his life. This Board has waived others in the past. It is in the discretion of this Board and you take the doctor's recommendation as the basis for making that determination. Mr. Greenfield states that if the Board has before it some conflicting evidence before it that Mr. Thompson is rehabilitated or able to work the only evidence they have is that Mr. Thompson is not able to work and is permanently and totally disabled. If the board has something to the contrary the Board would have to reward him the relief he is asking for.

A motion was made Mr. Naclerio and seconded by Mr. Garcia-Linares to approve the waiving of the reduction of Mr. Thompson's disability benefit. Motion approved (8-0).

8. Request of Frank Pascarella, 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). Mr. Pascarella's reduction began on July 1, 2008.

Richard Sicking reports that Mr. Pascarella's doctor has submitted that Mr. Pascarella has severe C5-6, C6-7 cervical radiculopathy on top of L5-S1 lumbar radiculopathy status post herniated disc rightward with discectomy and laminectomy. Symptoms remain chronic and persistent as to findings on exam. The doctor also reported that Mr. Pascarella is totally disabled from any substantial gainful employment. They ask that Mr. Pascarella continues at the 75% benefit. Mr. Garcia-Linares doesn't understand why this is coming before the Board because the ordinance says that for police and fire shall be exempt from this reduction because under the ordinance there would never be a reduction. According to the ordinance Mr. Pascarella should have never been reduced.

A motion was made by Mr. Diaz and seconded by Mr. Garcia-Linares to approved continued benefits of Mr. Pascarella. Motion approved (8-0).

9. Attendance of attorney Mark L. Zientz on behalf of James Thompson and Stephanie Harmon regarding the definition of “time of disability” in Retirement Ordinance Section 50-231. (Item continued from March 8, 2007. (*Agenda Item 11*))

Mr. Greenfield informs that the City’s attorney, Mr. Miller, was not able to attend the meeting today. What they had determined was that Mr. Zientz was going to present a memo of his argument to the Board and if the Board had any questions he is here to answer those questions. However, no determination will be made regarding this issue at this meeting. Mr. Garcia-Linares asks why they are getting this a year after the fact. Mr. Greenfield explains that there was a period of time that Mr. Sicking believed he could not continue representing the parties because of a potential conflict of interest with other clients that might but under the other end of the ruling so other counsel had to represent these two claimants. Mr. Zientz informs that he represents Ms. Harmon and Mr. Thompson. The question is the interpretation of the word disability. He has no objection in presenting his case at the next meeting.

A motion was made by Mr. Goizueta and seconded by Mr. Diaz to table this issue to the next available Board meeting. Motion approved (8-0).

10. Request of Gene Gibbons, FOP President, concerning the computation of retroactive cost of living increases in City employees’ retirement calculations. This item was tabled at the August 7, 2008 meeting. (*Agenda Item 12*).

Gene Gibbons informs that the issue was about the City’s ability to back spread retroactive wage increases which were received under the collective bargaining agreements. The time of concern is the increases that occurred on October 1, 2003 and June 1, 2004 in which there were two lump sum wage increases given to the collective bargaining agreement. He doesn’t know the impact of the retirees and that is why he came to the Board in the first place to investigate to see how that was treated and who it affected. He imagines it affects anyone who went into the DROP and who used that time period window for their retirement calculations.

Mr. Naclerio states that it seems to him that if the Board agrees with his opinion then the Board would of necessity have to apply the same rule going forward to other periods if there was any other lump sum payments due to the union negotiations. Mr. Gibbons states that this situation is unique because the two lump sums occur within a 26 week window. As far as he knows prior to that it has never happened where there were two lump sum payments within a 26 year period. Mr. Naclerio states that the principle he was interested in was the principle that if for some reason external to the normal course of business there is a lump sum payment which makes someone’s retirement that principle would float to the future if the Board finds what Mr. Gibbons wants to find. Mr. Gibbons states that if it is not covered under the exceptions. There are exceptions for lump sum payments in the ordinance like sick leave and annual. Those exceptions are laid out in the ordinance. This situation is not. His argument is that there is a general rule and there are exceptions and this does not fall within the exception therefore the general rule must apply to this and the key language is “paid”. The relevant period the ordinance speaks of is the period it was paid. When it was paid it is when it is received and when it was received it was in their pay check.

Chairperson Sibley understands that an employee that gets a lump sum payment because the contract was not negotiated and signed on time. If an employee receives a retro payment of \$6,000 and part of the amount is in the 26 pay periods for their retirement calculation will any of that amount be counted toward the calculation? Ms. Groome explains that the amount would be counted if it is included in one of the top 26 pay periods. If someone got a one year from October to the end of September and you got a lump sum in June as of October of previous year you would get the whole lump sum because it was included as of October. Mr. Space asks if you got a lump sum payment and it says that the Board should take into consideration the compensation actually paid for the relevant period. If the payment takes place in June 2008 does that not give the opportunity for the employee to carry that forward past June of 2008? If it is a \$6,000 payment and they are going to retire in the future so they can carry that \$6,000 payment into a forward payroll as opposed to a rear payroll. If this request passes then an employee will be able to carry that lump sum payroll forward after the fact as well as backward.

Mr. Gibbons thinks there is some confusion. When they negotiate a contract that drags on after a contract period, liabilities start accruing from both sides. None of that is known or finite until the negotiation is completed. That is a labor issue. He is in front of the Board regarding a retirement issue. Mr. Space understands but his point is that if the \$6000 is given in June 2008 then the employee can apply the \$6000 from July 2008 or 26 months in the future if they want to it wouldn't necessarily be applied to the relevant period for which it were paid. It could be applied to a future date when they got a raise. Mr. Gibbons states that his argument to the Board is that the retro lump sum should be applied when paid. Mr. Garcia-Linares states that the ordinance says it should be applied to the relevant period. Mr. Space states that the relevant period is not forward. The payment for the relevant period is in the rears. Mr. Gibbons believes that in this specific instance there is one potential retiree and possibly a whole host of DROP members and retirees who under the City's design in back spreading reduces their retirement benefit and it is not in compliance with the ordinance. Mr. Garcia-Linares states that it doesn't reduce it; it puts it for the actual salary that is paid for the relevant period. There is no reduction. Ms. Groome informs that they apply the lump sum to the relevant period. They are not taking away the lump sum it is just being applied to the relevant period. Mr. Garcia-Linares states that the retirement should be based on your actual salary you are paid as an employee. If the contract goes over and you get a lump sum payment for something you did 18 months before the next day your salary goes back to your actual salary. Your retirement benefit should be based on your actual salary. You should not get the benefit of the fact that because there was a lag in the time that a contract was negotiated and you are getting a lump sum payment and then all of a sudden the City is paying you additional retirement benefits for this imaginary period when the lump sum is payment for the past and in fact 18 months before you should have received the increase. The City's contribution is based on the fact of what your actual salary is.

Mr. Space believes that the relevant period is when the money was paid back to an employee's salary back to what it should have been either 6 months before or 8 months before. That is the relevant period of what they are talking about. Mr. Gibbons believes that the relevant period it is when an employee was paid the lump sum.

Mr. Greenfield informs that they did look into the issue. They checked other municipalities, our ordinance and other case law that would impact on this issue. This is unique because it deals with the retirees already retired. The contract negotiations between the union and the City does not affect the retirees. It affects those employees who are still active employees and that money is to be applied and dealt with in negotiations. They did find some similarities with the Chieffi case in which the police and fire retiree case where they were complaining that they were shorted in their retirement pay because they failed to receive the credit during relevant periods for lump sum payments of sick and annual leave. The City's position in that case was that the City has always been doing it a particular way and it was precedential because that is the way they have been doing it and were following the way that they believed to be right under the ordinance which is this ordinance and this provision. It went to Court. Both the City and the Retirement Board were sued by the retirees and it went through a several day trial. The Court ruled that the City's method of handling the application of handling the compensation was correct and the retirees were denied the relief so as not to have a problem in the future going forward the City amended its ordinance and specifically excluded in its method of compensation those particular items so that the City's method of handling the lump sum of annual and sick leave is clear because it is being handled in accordance with the ordinance. He thinks that Mr. Gibbons is correct in that this particular language dealing with retro active pay for either active or retired police is not specifically set forth in the ordinance. The City's position is that the City is handling it the way they always handled it and it is the way it has always been and there is no reason for the City to change it. However, under the ordinance the Board does have broad powers of reconciling any of the inconsistencies or inequities in the ordinance to take a look and see if there is an inconsistency or inequity in the application of anything in the ordinance. Mr. Gibbons is asking the board to make an adjustment for what he believes is an inequitable position that some retirees have been put in as a result of the City's method of handling the retro active pay. It's strictly the Board's decision to make.

Mr. Greenfield informs that what he did was check with other cities in the State and found that in every instance except one those cities handle the retro active pay the way Coral Gables handles it. The fact that other cities do it that way is not binding to the Board. The only city that specifically states in their ordinance how to calculate the retroactive pay is Sarasota and the other cities' ordinances are silent as to how to handle the retro active pay. This information was only given to the Board as a guide. If there was anything positive that comes out of this was that the Board recommend to the Commission that the ordinance be changed to reflect this type of situation so that it does not come up again. If the Board wanted to adopt the way the City has been doing it precedentially is the way it should continue. The Board is free to deliberate and make a ruling that they want under this issue because the ordinance is silent as to this specific issue.

Mr. Gibbons responds that the Board has what the ordinance has laid out in front of them and if something isn't in the ordinance then it isn't in the ordinance and it should not be excluded. Mr. Naclerio states that if they made the exceptions they said those were the only exceptions or they were not intended to deal with the situation they are dealing with now then they are into the ambiguity of the statute which causes the Board to use the other texts. He doesn't know what the exceptions are but what about things like acts of god or computer break downs that is not enumerated in the exception but if something like that happened under the precedence the police is asking them to set when the City caught up and made the payments they would have

to take the lump sum as possibly one of the 26 pay periods that they use to calculate the benefit. Mr. Greenfield responds that he doesn't know because he did not give any thought to that. There could be a lot of different situations where pay could get fouled up and you have to deal with each of the situations as they are based upon what the situation is.

Mr. Garcia-Linares asks what happens if a hurricane hits the city and the City is under for a month and can't issue the checks but have people working and then they have to make a lump sum payment for that month and someone chooses that 26 pay period and gets a higher retirement because of an act of god that prevented them from getting that payment at that time. This could be spread to so many scenarios that it seems like back spreading is the fairest way of calculation. Mr. Space states that the reason for a late retro active dollar is the period of negotiation between two parties. It is not just one person.

Mr. Goizueta asks if he received \$1000 lump sum in 2005 and looks at his retirement estimate in 2008 is that \$1000 smoothed back to when he was due to get a raise or is it on the date he received it money. Mr. Nelson informs that when you look on the pay roll history the \$1000 will show the date you received it however when they calculate and pick the highest three 26 payrolls as long as they don't overlap. Under this scenario that the lump sum payment can be chosen from that first payroll going forward it doesn't mean it is represented for the time back to the representative period that an employee earned it. The City is trying to put an employee back to the position and making them whole to the time they should have earned their raise as opposed to spiking retirement and cherry pick your times to increase your benefit. That is not fair. Mr. Naclerio asks Mr. Nelson if he recommends if the ordinance should be clarified so that this concept of back spreading be clarified in the ordinance. Mr. Nelson answers affirmatively.

A motion was made by Mr. Diaz that the relevant period means 26 weeks as it says in the ordinance and that the Administrative Manager research to see if any employees were affected with the two lump sums and it should be included in the retirement and treated as a 26 week pay period. The motion died for a lack of a second.

A motion as made by Mr. Garcia-Linares and seconded by Mr. Naclerio that the Board recommend to the City Commission to amend the ordinance by clarifying how the City applies the lump sums to the retirement calculation as they have continued to do in the past and that the Administrative Manager continue to make the calculations as done in the past.

Mr. Goizueta thinks that the Administrative Manager should do the research to see how many employees this would affect. Mr. Garcia-Linares asks why they would do that if their recommendation is not going to change the way the calculation is done. Mr. Goizueta responds that if it affects the employees the Board is supposed to make them whole.

Motion approved (5-3) with Mr. Diaz, Mr. Easley and Mr. Goizueta dissenting.

Mr. Greenfield doesn't believe that this Board voted no on Mr. Gibbons request from this Board. He didn't hear a motion saying that the Board moves to deny any request of Mr. Gibbons. If there is going to be litigation it would be a lot clearer in the record if the Board

wants to deny the relief that Mr. Gibbons has requested. Mr. Garcia-Linares states that the Board moved and approved that they continue to handle the situation as it has been handled. That was the Board's decision. Mr. Gibbons informs that he came before the Board with a request and he would appreciate that the Board either accept or deny his request.

A motion was made by Mr. Huston and seconded by Mr. Space to deny the request of Mr. Gibbons. Motion approved (6-2) with Mr. Diaz and Mr. Goizueta dissenting.

11. Request of Tim Clark, 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). Mr. Clark's reduction was scheduled to begin November 1, 2006. (*Agenda Item 10*).

Mr. Clark informs that the Board had decided to hold back on their decision until his court case was completed. The court case was completed. Mr. Garcia-Linares asks where he worked for the City. Mr. Clark responds that he worked for the Public Works Department. Mr. Garcia-Linares asks what Mr. Clark's doctor said in terms of whether or not he can gain full time employment. Mr. Clark informs that the court found that he was totally and permanently disabled. Ms. Groome reads from the doctor's report that from a realistic point of view that Mr. Clark is unable to perform any employment due to his multiple physical limitations as well as the medication and side effects he is taking to control his pain. Dr. Joy wrote that he believes Mr. Clark to be totally and permanently disabled.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Goizueta that Mr. Clark stay at 75% based upon the information in the doctor's report. Motion approved (8-0).

12. Items from the Board Attorney (*Agenda Item 3*).

Mr. Greenfield reports on the Piñon case. The appellate court has not responded yet either by way of giving them an oral argument date or ruling. The only thing that happened since the last meeting was that Mr. Miller filed a notice of non-availability from the period of October 2 to October 7 and it has been dormant.

Mr. Greenfield reports on the UBS case the court had denied the UBS motion for summary judgment. The court after listening to the arguments made by UBS over a period of three different occasions the court gave a substantial amount of time to UBS to give their arguments the court ruled against UBS and denied their motions for summary judgment on the counts which means the case is not in the process to go forward with trial. When Mr. Carlson attempted to get a trial date and was told it was to go before a senior judge because the court could not take all the time required to try the case Mr. Carlson filed a motion to have it set before a senior judge. The court said that before they would grant any trial date the court wanted to have a pre-trial conference with he attorneys. Mr. Carlson filed a motion to have such a pre-trial conference and council for UBS had agreed to an entry of an order on his motion so it would not be necessary to have a hearing that they would get a date with the judge and have their pre-trial conference.

13. Investment Issues.

Dave West of the Bogdahn Group states that they had the Kayne Anderson transition was completed and it looks like the transition was done at 65 basis points. It came in under the estimated target. Regarding the markets, this month was really driven by consumer discretionary stocks and health care stocks and also some help from the technology area. The investment returns were reflective by manager positions in those sectors. They made some positive progress during the month of August and the fund was up 26 basis points. Fiscal year to date that puts them down 7.7%. Equities were positive for the month with the S&P up 1.45%. Aletheia lagged a little for the month and were up 88 basis points. Winslow struggled a little and was down 21 basis points. The growth index was up 1.8%. Looking at the value portfolio Eagle Capital was up 2.89 and MD Sass was up 2.63 so both the value managers performed well for August compared to the index up 1.7. They did have Kayne Anderson for August and small cap growth did have a bit of resurgence there where the index was up 2.48. The international stocks were down 4.03% and a lot of that was due to currency. The US dollar has appreciated about 10% relative to international and it has had a pretty dramatic affect. The dollar is impacting the translation for US investors. Delaware Capital was down 2.52% and Alliance Bernstein was down 5.62% and Thornburg was down 4.8% compared to the benchmark. Regarding the fixed income managers, Loomis were up 66 basis points and the Lehman Aggregate was up just under a percent. Richmond Capital was up 85 basis points.

Mr. West informs that they did a due diligence with the Thornburg group. One of their senior consultants went out there early last week. The short report in regards to the investment management he came away comfortable and the discipline is being applied consistently. There should not be any other interference with any other entity the company may be involved in. Hopefully they established clearly that there is legal line there and they can't mix the assets but they wanted to follow up with that due diligence effort.

They have two outstanding items. They are ready to go with the fixed income search and the international manager search. He encourages an Investment Committee meeting to do those searches. Their recommendation is to do an international manager search for Alliance Bernstein because their strategy has changed from a concentrated strategy to a broadly diversified strategy. Since there has been a delay in scheduling the Investment Committee meeting, he and Troy Brown believe it would be best to move out of Alliance Bernstein and put those assets into the benchmark. Their recommendation is to liquidate Alliance Bernstein and then have Northern Trust invest the proceeds into the EAFE i-share.

A motion was made by Mr. Goizueta and seconded by Mr. Huston that Alliance Bernstein meet with the Investment Committee to give them an explanation about the change in their strategy. Motion unanimously approved (8-0).

14. Old Business.

Ms. Groome informs that the October meeting was scheduled for October 9th which turned out to be Yom Kippur so I had to reschedule the October meeting. She polled the Board members and has a quorum for a meeting on October 30th.

Mr. Greenfield asks for a moment of silence in honor of the men and women who passed away on September 11, 2001.

15. New Business.

Mr. Space informs that in the Wall Street Journal there was an article about Harvard's asset allocation results. They invest in things that this fund does not. They got 18% of their money from absolute returns and special situations. He is going to talk with the consultants about this. He doesn't try to apply the idea that this fund should be Harvard but he does try to apply the idea that they should know what they are doing as much as they can do and if they do something smart and they can do it then they can do something about it.

Mr. Naclerio states that at the last meeting he brought up the subject of communication with the Mayor and Mr. Nelson was going to make sure that the Mayor and Commission were apprised of what the Board was doing and why they are doing it, what changes they are making. Is the Commission understanding of their process? Do they have any more communication issues? Mr. Nelson informs that the communication between the Board and the City Commission remains pretty much the same. The Commission receives all the Board minutes and the Commission does communicate with their appointees on the Board. Other than that and other than having a workshop and other than having them invited one on one that is how they communicate. Communication is there. He is present at every Commission meeting and if the Board has any questions about the Board minutes he is able to answer those minutes. Chairperson Sibley states that he has not seen Mr. Nelson jump up at the Commission meetings when the Commission makes reference to the Retirement Board. He realizes that Mr. Nelson is not going to randomly volunteer information but he has never seen Mr. Nelson say to the Commission "wait a minute let me give a little more clarification on the Retirement Board's school of thought as to why they made their decision." He read the minutes from the last meeting and also from the Commission meeting. He was told specifically that he should go to the Commission meeting and explain to the Mayor and the Commission as to how a decision was made. He didn't think that was a good idea to do that in a public forum and that it would be better to meet with the Mayor one-on-one to explain the Board's decisions on issues. Mr. Nelson agrees. It is also not appropriate for him to jump up in a public forum to explain the Board's decisions. Chairperson Sibley thinks that sometime there is a misperception of things that were said at the meetings. He knows that Mr. Nelson can't just jump up during a Commission meeting. He just wants to clear up that they are all on the same page. They are all on the same team.

Mr. Goizueta asks the Board to use the Retirement System's actuary to do some work for the General Employee Association for their negotiations. Chairperson Sibley asks if the Association is planning to pay for that work. Mr. Goizueta answers affirmatively.

A motion was made by Mr. Goizueta and seconded by Mr. Diaz to allow the Retirement Systems' actuary to do work for the General Employee Association.

Discussion:

Mr. Space states that the last time Mr. Stanley got involved and did work for one of the unions he got in trouble and the Board got in trouble and then all of a sudden the Board is not communicating with the Commission. He thinks they need to be careful with that. If there is

any controversy on the work that he does for the Association it will reflect back on the Board. Mr. Goizueta responds that it is work for negotiations and they are asking Mr. Stanley to give the Association figures and then the City can agree or disagree.

Motion approved (7-2) with Mr. Huston and Mr. Space dissenting.

Meeting adjourned at 10:22 a.m.

APPROVED

WAYNE S. SIBLEY
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR