

CORAL GABLES RETIREMENT SYSTEM
Minutes of June 22, 2009
Police Community Meeting Room
2801 Salzedo Street – Police Station Basement
8:00 a.m.

MEMBERS:

J J A S O N D J F M A M J

APPOINTED BY:

Steven Naclerio	P - P P P E P P P P P P P P	Mayor Donald D. Slesnick, II
Manuel A. Garcia-Linares	P - P P P P P P P P P P P E	Vice Mayor William H. Kerdyk, Jr.
Tom Huston, Jr.	P - P P P P P P P P P E P E	Commissioner Maria Anderson
Sal Geraci	P - P E P P P P P P P E P P	Commissioner Rafael “Ralph” Cabrera
Leslie Space	E - P P P P E E P P P P E	Commissioner Wayne “Chip” Withers
Agustin Diaz	E - P P P P E E P P P E P	Police Representative
Troy Easley	P - P P P P P P P P P P P P	Member at Large
Victor Goizueta	P - P P P P P P P P P P P P	General Employees
Wayne Sibley	P - E P P P P P P P A P E	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:

Patrick Salerno, City Manager
Elizabeth Hernandez, City Attorney
Marjorie Adler, Human Resources Director
John Paul Lorie

Chairperson Tom Huston calls the meeting to order at 8:09 a.m. Mr. Garcia-Linares was not present. There was a quorum present.

1. Roll call.
2. Approval of the Retirement Board meeting minutes for May 14, 2009.

Mr. Naclerio comments that in the past the Board has talked about the minutes that are recorded verbatim and then minutes that are friendly to the person reading them. He thinks that for the Mayor and others who want to read the Board’s minutes that the minutes need to be more reader friendly. It is suggestion that these minutes be re-crafted so that people can skim them and see what they want to read instead of having pages and pages of verbatim notes. Mr. Sibley asks if he is suggesting some type of Executive

Summary of the minutes. Mr. Naclerio informs that he is not asking for a different document he is just asking for a document that is more user friendly for people who are not at the meeting. Chairperson Huston asks how Mr. Naclerio would suggest they do that. Mr. Naclerio replies that paragraphs need to be made shorter, there should be more headlines and the minutes should allow people who only want to read part of them to get right to the part they want to read. He finds these minutes very good if someone wants to dig in and find out what happened at the meeting however he finds them insufficient for sending them to the City Commission where they have to go through and find the points they are interested in. Mr. Easley thinks they will lose something if they condense the minutes more. Mr. Geraci agrees with Mr. Naclerio but feels that these minutes are immaculate. He thinks they need the detail especially with the amount of moneys they handle. However an Executive Summary would be helpful.

A motion was made by Mr. Sibley and seconded by Mr. Goizueta to approve the meeting minutes of May 14, 2009. Motion unanimously approved (6-0).

At this time Mr. Garcia-Linares arrives at the meeting.

3. Items from the Board attorney. (*Agenda Item 3*)

Chairperson Huston informs that Mr. Greenfield was planning on attending the meeting when it was originally scheduled on June 11th. He made vacation plans in advance so he was not able to attend this meeting. Chairperson Huston summarizes the report submitted by Mr. Greenfield. There is a letter from the actuary regarding the UBS settlement and Mr. Greenfield indicated that he agreed with Mr. Stanley that the settlement should be paid to the System to offset the damages sustained and not given to the City to assist it in offsetting any amounts it owes to the System. The Board members are reminded to return their releases for the UBS lawsuit.

4. Discussion and approval of the actuary's certification of Raul Piñon's amended monthly benefit and employee contribution to be funded by the City to the Retirement System. (*Agenda Item 7*)

Chairperson Huston informs that Mr. Greenfield finds the letter from the actuary regarding Mr. Pinon in order. Mr. Garcia-Linares asks if the City has funded the Retirement System because as Mr. Greenfield informed him the retirement system will begin paying Mr. Pinon his new monthly amount when the City funds the required amount according to the settlement agreement. He asks Mr. Nelson if the City has funded that amount yet. Mr. Nelson informs that they have not. They have the information from the actuary and the dollar amount but they have not cut the check from the General Fund to the Retirement System for that amount yet. They were anticipating adjusting Mr. Pinon's benefit and paying him the retroactive adjustment on July 1st. Chairperson Huston informs that he is asking for approval on the new amount to be paid to Mr. Pinon.

A motion was made by Mr. Naclerio and seconded by Mr. Sibley that Mr. Pinon's new amount and retroactive adjustment to 7/1/2007 be paid to Mr. Pinon contingent on the funding from the City. Motion unanimously approved (7-0).

Mr. Naclerio brings up the interpretation of the Sunshine Law from the Attorney General which says the Board has to have a physical quorum present to transact business. The Board is burdened at this meeting by not having their attorney present because of that rule. He spoke with Mr. Nelson and Ms. Hernandez about this and Ms. Hernandez suggested that the Board Attorney go and talk to the Attorney General to see if this Board can get some relief from that interpretation. They can have a physical meeting with as many people they can get and then the rest of the members can participate by telephone. Then they don't have to reschedule meetings when there is no physical quorum.

A motion was made by Mr. Naclerio and seconded by Mr. Sibley to have the Board Attorney look into getting some relief of that interpretation. Motion unanimously approved (7-0).

5. Report of Administrative Manager.

A motion to accept the following items of the Administrative Manger's report without discussion was made by Mr. Garcia-Linares and seconded by Sibley. Motion unanimously approved (7-0).

1. For the Board's information, there was a transfer in the amount of \$1,600,000.00 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 May 2009 for the June 2009 benefit payments.
2. For the Board's information:
 - Minnie Wells-Cone passed away on May 14, 2009. She was receiving pre-retirement survivor benefits which began on July 1, 1993. Her benefits have ceased.
 - Richard Cassano of the Police Department passed away on May 18 2009. He retired on December 1, 1976 under Service Connected Disability. His child who is under the age of 22 began receiving his benefit on June 1, 2009.
3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date May 10, 2009 in the amount of \$72,321.69 was submitted for deposit on May 18, 2009.
 - Payroll ending date May 24, 2009 in the amount of \$71,752.23 was submitted for deposit on June 8, 2009.

4. A copy of the detailed expense spreadsheet for the month of May 2009 is attached for the Board's information.
5. A copy of the Summary Earnings Statements from the Northern Trust Securities Lending Division for billing period April 1, 2009 to April 30, 2009 is attached for the Board's information.
6. Attached for the Board's information are the Statements of Pending Transactions and Assets as of April 30, 2009 from JP Morgan.
7. Copies of the 2007 Premium Tax Distribution received by the Firefighter's Retirement Trust Fund and Police Retirement Trust Fund are attached for the Board's information.
8. For the Board's information attached is documentation showing the payment from the Police Retirement Trust Fund (185 Fund) to the Retirement System for their minimum benefits for FY 2008-2009 June 1, 2009.
11. Attached are copies of JP Morgan's email newsletters for May 11, 2009, May 18, 2009, May 26, 2009 and June 1, 2009 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.

The following items of the Administrative Manager's report were discussed:

9. Copies of two letters dated May 29, 2009 and June 1, 2009 from Randall Stanley of Stanley Holcombe and associates to Donald G. Nelson, Finance Director, regarding interest accruals on outstanding City Contributions is attached for the Board's information.
10. A copy of a letter dated June 1, 2009 from Randall Stanley of Stanley Holcombe and associates to Alan E. Greenfield, Board Attorney, regarding the UBS settlement amount is attached for the Board's information.

Chairperson Huston states that the actuary's letter is a summary of the accrued interest owed by the City to the fund. Mr. Naclerio observes that the letter explains that unpaid City contribution amounts accrue interest by the fund. This is not new news. Every time there is a shortfall by the City in the contribution the actuary uses the assumed rate of return. Has it always been accruing interest? Mr. Nelson answers affirmatively. They haven't had this problem until recently. The City has always funded the amount actuarially required except for the \$3.2 million which was a result of lowering the assumption rate from 9% to 8.25% to 7.75% and required the City to fund additional amounts into the plan. They paid the \$3.2 million off in October 2008 and now the

actuary is saying that the City is required to fund the interest on the \$3.2 million going back. That amount has accumulated to \$1.3 million in interest at a rate of 7.75%. In addition the City started funding the contribution quarterly as indicated by the State. Now the City is being charged with interest because they are not funding annually. The combined total of those two issues resulted in a \$1.3 million additional funding requirement. The letter basically clarifies the actuary's position as to why he is using the interest at the rate of 7.75%.

Mr. Garcia-Linares asks how they are going to resolve this. Is the State going to hold up the 175/185 money again if the \$1.3 million is not funded? Mr. Nelson answers affirmatively. He explains that if the City is not able to fund this then it will be a budget issue. The City is faced with the worst budget year and the worse financial situation they have ever experienced. It is very serious. Mr. Garcia-Linares believes the \$1.3 million will be part of next year's report and will not affect them getting the money for the 175/185 funds for this year. Mr. Nelson agrees.

Mr. Sibley understands that the firefighters are not going to take a 5% pay increase according to the union contract that was negotiated. Mr. Salerno explains that the City had negotiations last week with the Fire Union and there was an agreement that the firefighters would give up 5% for next year in light of the City's financial condition. It is a significant positive effort from the Fire Union. Mr. Sibley points out that the Fire and General Employees contribute 5% to the fund. If Fire gives up the 5% is that almost \$600,000 a year in income? Mr. Nelson clarifies that in the Fire collective bargaining agreement firefighters were to receive a 5% increase in their wages. Firefighters are already contributing 5% into the fund as well as the General Employees and Excluded employees. The Police are not contributing to the fund. The firefighters will not be receiving a 5% wage adjustment which is going to the firefighter union members for consideration. Because it is in the future it will not affect the valuation report from the actuary.

Because the consultants had to leave by 10:00 a.m. the discussion on Item 10 of the Administrative Manager's Report was stopped in order for the consultants to review the investments with the Board.

6. Investment Issues.

Mr. West reviews the monthly investment report. The fund is up almost \$10 million in investment earnings for the month of May. Mr. Sibley asks what the primary generator was for that increase. Mr. West responds that it was equities. For the month they earned 5.13%. The international portion delivered the highest amount of return for equities at 12.8%. The bond portfolio was positive but the returns were smaller in regards to equities.

Mr. Garcia-Linares asks when they are in pulling their money out of real estate. Mr. West replies that there is no change. Mr. Garcia-Linares hears that commercial real estate is going to be taking a hit at the end of the year. Mr. Brown informs that it is taking a hit now. The real estate companies are aggressively writing down their

properties. If the Board would like JP Morgan to come in and speak about it they will be happy to explain what is going on with their strategic real estate fund.

Mr. West thinks that economically they are going to continue seeing dismal numbers. What they are experiencing right now in the market is a positive reaction to well articulated bail out plans. Some of the plans seem to be getting traction. There is more money out there chasing loans than there are loans available through the TALF. That program appears to be getting traction and working. They are seeing the anticipation of an environment that was full of companies that were expected to be gone that are going to continue to make money further down the road. This time period is providing opportunities to buy equities at a discount.

Mr. Brown adds that they recommended rebalancing last September when they looked at the BNP product and the Board decided to hold off on rebalancing to evaluate that product. Once they decided on that product there was really no justification other than market timing not to rebalance the portfolio. That is why they decided to rebalance the portfolio at that time and that was the right decision to make. Fortunately the market had turned in their favor at that point.

Mr. Garcia-Linares agrees but he thinks they should still stay conservative. They did the rebalancing and he is glad that the market was in their favor. He suggests that they take it cautious going forward.

Mr. Naclerio asks the consultants if they think the 7.75% is the correct rate for the plan to be in. Mr. Brown responds that the lower the plan's assumption the more conservative they can be. Mr. Naclerio asks if there is any way given the current allocations that they can earn 7.75% on this portfolio. Mr. Geraci doesn't think so. That is a completely dysfunctional broken business plan to think they can make that kind of money. Mr. Brown explains that they can make 7.75% over ten years but cannot in a single year. Mr. Geraci thinks they are throwing out numbers and percentages that are not going to happen. Chairperson Huston asks if the consultants deal with other plans that have a lower assumption than this one. Mr. West responds that 7.75% is what most plans have as their assumption rate and the median is 8%. Mr. Brown informs that the highest he has seen is 8.25%.

Mr. Geraci recommends that they highly consider looking at the reality of the rate that they are trying to make is not achievable in the long term. They need to look at the reality economically speaking that they can forecast three years. In the next three years there is no way with their investment strategy that they can make 7.75%. Mr. Sibley asks if Mr. Geraci is suggesting they drop the assumption rate. Mr. Geraci thinks they should talk about it. They have to anticipate. Mr. Sibley believes that if they drop the assumption rate the City is going to have to contribute more into the plan. Mr. Easley points out that if the City is having difficulty meeting the current requirements how will they meet further demands. Mr. Geraci doesn't think they have to stick their head in the sand. Mr. Easley agrees but there were Board members that wanted to pull out of

equities all together and now the equities have brought the plan back up a little bit. If they abandon their principals then they are never going to get ahead.

Mr. Salerno doesn't think that the consultant is suggesting reducing the 7.75%. He thinks what they were saying is that 7.75% is on the conservative side. This plan is already at the low end of the scale. Financial advisors typically don't make judgments year to year. They make decisions for the long term. He has not heard the recommendation to lower the assumption. They have to look at the assumption over a longer period of time. He doesn't think it is appropriate to make a decision on what is predicted for one or two years in the future because that is not the horizon and that is not what the actuary does when he does his valuation. The impact to the City if the Board lowers the assumption rate would be tremendous. The Fire Union has stepped up to the plate by taking a perspective 5% wage reduction and in exchange for that they would receive a guarantee from the City of no job loss. There will be positions lost. There will be people losing their jobs next year. Anything they can do to further impact on that situation puts more pressure on people losing their jobs and losing their income.

Mr. Garcia-Linares appreciates what Mr. Salerno has said. However, since the actuary will be presenting his report in August he thinks that the question of lowering the assumption rate should be asked of him. They don't have to make a decision but he thinks they need to get information from their actuary on this issue.

Mr. West informs that they have been looking at other ways to find investments that stay conservative so the volatility is less. They are looking for other investments available that will help achieve 7.75%. They will continue to present alternative investments and hope to get some of them implemented. They have already established a TIPS product in the portfolio and that will help with the volatility of the equation. They are working hard to bring a workable solution to the table.

Mr. West gives his presentation on the TALF product. As a firm they are very excited about the TALF product. It is an exceptional investment opportunity. They have had numerous meetings with numerous product managers and they found that the best offering was the PIMCO product. From an investment standpoint they think this is a tremendous opportunity and the PIMCO product is the best structure.

Mr. Garcia-Linares asks the City Attorney if she would approve an agreement with a management firm that has the laws of the Caymans. Ms. Hernandez answers negatively. Mr. Garcia-Linares thinks they are wasting their time discussing this issue. Ms. Hernandez asks if they have gone back to PIMCO and let them know that having the laws of the Caymans is not acceptable. Mr. Brown informs that the issue they have run into is timing. The last closing of this product is June 30th. Ms. Hernandez informs that the City would be willing to consider arbitration in the United States but not the Cayman Islands. Mr. West points out that the investment has to be in totality. Ms. Hernandez asks how many other cities have invested in this plan. Mr. West responds that they have three. Ms. Hernandez informs that can contact the attorneys of those plans that have invested in the PIMCO product and ask them how they got around this issue. Mr. Garcia-Linares

recommends that the consultants provide the City Attorney that information and if the Board has to have an emergency meeting to decide on this product then they will do so.

Ms. Hernandez informs that if this is the only issue holding up the Board to make a decision on the product they can approve it with the condition on that issue. Mr. Garcia-Linares explains that there are other issues that Mr. Greenfield has raised. Mr. Brown doesn't think it is feasible. The product closes on June 30th and they don't have enough time to get it completed. Chairperson Huston asks if there is another TALF program that the consultants can come back to the Board with. Mr. Brown responds that they haven't found any that are as attractive as the PIMCO product. They continue to evaluate other TALF programs. Mr. West adds that the other providers that they vetted use the same delivery form which is a private equity investment and the language has indemnification which is standard with any private equity investment. Mr. Brown thinks that this type of product is one they will not bring forward to the Board again.

Mr. Garcia-Linares asks the consultants what their recommendation would be when the plan receives the \$1.6 million from the UBS Settlement. Mr. Brown informs that when the plan gets the money he runs the Northern Trust report and depending on that day the money would go to the most underweighted manager which right now is fixed income.

A motion to put the \$1.6 million from the UBS Settlement into the TIPS product in the portfolio was made by Mr. Garcia-Linares and seconded by Mr. Geraci. Motion unanimously approved (7-0).

Chairperson Huston asks what the consultants think about going into commodities. Mr. Brown responds that commodities and managed futures are very volatile asset classes. They can look at it if the Board requests but as an individual investment it is going to be a lot more volatile than any other asset class in the portfolio. Mr. West explains that when they look at alternative investments for pension programs with high payout requirements they try to keep the focus for alternatives that pay some type of income stream along the way. All their alternative recommendations have had a huge income component and that is their favored approach. They would lose that with commodities.

Chairperson Huston returns to the discussion of Item 10 of the Administrative Manager's Report regarding a letter from the actuary and his recommendation on how to account for the UBS settlement amount.

Mr. Nelson informs that Curtis Carlson acknowledged that he received the funds from the UBS settlement. They know that the settlement amount is \$2,550,000.00 less Mr. Carlson's fee 30%. The retirement system will be receiving a check for \$1,785,000.00 less any additional attorney costs. The City is requesting that they receive the net after Mr. Carlson's 30% share and costs. Mr. Garcia-Linares thinks that there should not be any more additional costs because at the last meeting before they approved this he asked that it be disclosed to the Board if there were any additional costs and no one disclosed any additional costs. Mr. Nelson informs that these would be outside costs that Mr. Carlson incurred that would be brought forward to this Board for their approval. Mr.

Garcia-Linares maintains that no one came to this Board to let them know if there were any additional costs prior to them approving this settlement and despite that it was approved. They may get hit with \$100,000 in expert bills. They don't know.

Chairperson Huston gets back to the question of the letter from the actuary. How are they are going to account for the \$1,785,000? The City owes the fund \$1.3 million in interest. When this settlement money comes into the plan the City Administration would like for the Board to consider that settlement money offset the \$1.3 million. Mr. Nelson explains that the funds from the UBS settlement will come into the system. The City is requesting that the accounting for those funds be as current revenue to the system where it would offset the City's current contribution for next fiscal year. Mr. Garcia-Linares asks if the way the actuary would do this is consider it a profit to the system and therefore the same way the losses were smoothed over a period of time the \$1.7 million would be smoothed as a profit. Mr. Nelson responds that there are two approaches. The first approach the City is recommending is that the \$1.7 million be current income to the plan and that it would net the affect of the City's required contribution. It would result in a \$1.7 million reduction in the total contribution for that year. The other approach is that the funds would be treated as investment income which would be an actuarial gain and amortized over 30 years. The City would not feel the affect of those funds until over the next 30 years. The Board has to consider that when the City suffered the loss during those bad years that this lawsuit was for the City had to fund additional moneys to make up that difference. Mr. Garcia-Linares understands that the loss was smoothed. Mr. Nelson agrees but it was over five years and not 30 years. The City funded that loss over five years. They are now asking for that to be recaptured back because the City had already funded that loss. Instead of it being amortized over 30 years it should be realized in the one year reduction of the contribution to cover the five years of smoothing that they already funded. Mr. Geraci doesn't have a problem with that. Mr. Goizueta verifies that they are asking for the settlement money to be an offset to the interest that has accrued over the last couple of years.

Mr. Salerno informs that the issue is relatively simple. Take the benefit up front or take the benefit over 30 years. If they take the benefit up front the City benefits from that now and the benefit doesn't dribble in over the next 30 years. That is what the issue is. The impact was realized over five years and the City is ultimately responsible for making the fund whole. They are asking that the moneys be recognized up front. Mr. Naclerio asks if Mr. Salerno feels a little strange in saying that the City had to increase the funding over these past years when at the same time they just heard that they have an interest charge because the City didn't fund the plan. Mr. Salerno suggests that at this time the City needs the benefit of recognizing these funds up front.

Chairperson Huston states that in the actuary's letter it states that if the settlement is considered investment income it will be combined with other elements and amortized over 30 years. If the settlement were considered a City contribution the settlement would be reflected in the one year and applied against the accrued outstanding contribution. The actuary believes it should be treated as an investment income amortized over 30 years. If the Board thinks it should be a City contribution then the actuary informed that

he could contact the State and see what their reaction is regarding it. It seems that the actuary doesn't feel comfortable in doing that without an okay from the State. Has this been considered? Mr. Nelson believes that the State would agree with the City's position that the City has already funded the loss over five years and that the settlement would be a return of what the City has already funded. Mr. Easley thinks they should agree amongst themselves first and then get the determination from the State. Mr. Garcia-Linares thinks that before they do anything the fund has to be made whole for the out of pocket expenses that the fund incurred to receive the settlement. Mr. Sibley states that the \$2.5 million is not all the fund's money. Ms. Hernandez adds that the City also incurred fees and costs that are not even reflected in the settlement. The Board is aware of the amount they paid out to Mr. Carlson but is not aware of the amount the City paid out to Mr. Carlson.

Mr. Garcia-Linares thinks they may have to defer this to another meeting. He understands the City's position but they as Board members have a fiduciary duty to this fund. Two of their advisors are telling them their opinion on how the Board should account for the funds. The actuary and the Board Attorney both agree that it should be accounted as income and amortized over 30 years. He is willing to listen to the City's position but thinks they should have their actuary and attorney present to discuss these issues before they make their final decision on it. Mr. Geraci asks why he would be against allowing this to be applied as recommended by the City. Mr. Garcia-Linares thinks they should follow what their advisors are telling them. The actuary is telling them that if they decide to account for the money the way the City is requesting that the actuary has to go to the State for approval. Mr. Sibley believes they should account for the money to reduce the cost of the contribution. Mr. Goizueta thinks that whatever they can do at this point in time to help the City he thinks they should do it. He knows they have a fiduciary responsibility to the fund but his reasoning is people are going to start losing their jobs so if the Board can help people from losing their jobs he thinks they should.

Ms. Hernandez points out that they are in a situation and when they were in a different situation that Mr. Naclerio brought up at the time of the interest there was a certain set of facts and circumstances that the City had to act in the way it did to balance budgets then to deal with the services and needs of the City at that time. The question is if the Board is fulfilling their fiduciary obligation. It is not just necessarily one side of the equation. It is looking at the entire equation and what it is that needs to occur at this point in time. They are asking for a positive motion on the Board's part for the City's position because obviously they have obligations they need to meet. Mr. Naclerio agrees. They are in a bad situation and they have to make the best and to fulfill his fiduciary responsibilities here they need to have the City strong so they can fulfill their contribution obligation for next year. Mr. Garcia-Linares wonders if they can make a decision today without the Board Attorney and the actuary present to explain their positions. Ms. Hernandez suggests that they give a positive motion today.

A motion was made by Mr. Goizueta and seconded by Mr. Geraci to approve the request from the City that the UBS settlement amount of \$1,785,000.00 be

accounted as current revenue into the retirement system that would ultimately offset the contribution from the city for next year.

Discussion:

Mr. Garcia-Linares thinks they should wait for the Board attorney and actuary's attendance at the next meeting. Mr. Nelson informs that they need this approved today.

Motion approved (5-2) with Mr. Garcia-Linares and Mr. Huston dissenting. Mr. Garcia-Linares and Mr. Huston were opposed because they wanted to hear from the actuary and the Board attorney.

Mr. Goizueta believes the reason the City needs the positive motion now is because on July 1st the budget estimate is submitted to the Commission. If that will save jobs then his mind will not change about his vote. Mr. Easley thinks that they should have been given more notification for this type of item. Mr. Geraci states that it was always assumed that the money would go into the fund. Mr. Easley understands but it wasn't assumed that it was going to offset the amount the City was going to contribute next year. He would have liked more notification on this type of issue.

Mr. Sibley asks for the City Manager to give the Board an idea of what the City is looking at to cut costs. Mr. Salerno responds that he felt comfortable in discussing what happened with the Fire Union because it is public knowledge. They have also had a bargaining session with the Police. They have not yet had any session with the General Employees and he anticipates that happening shortly. He has no problem at any time discussing that. Pension boards are independent of labor management but they are all part of a larger whole and he has no problem with discussing those issues with the Board as he has done at this meeting. Regarding the Police, the City is asking for significant concessions because they are necessary. It takes everyone coming together to move toward a positive direction.

Mr. Garcia-Linares believes there is a conflict with Mr. Nelson as the Trustee to this plan and as the Finance Director. He thinks Mr. Nelson is put in a difficult situation having to balance the budget of the City and being the Trustee of the plan. He feels that the UBS settlement was rammed down their throats. He thinks the Board could have gotten more money out of the UBS case and that there was some plan that if the Board settled now that the City would have more money to use in the budget. He thinks the way it was done was wrong and that the City should seriously consider having a separate Trustee to the Retirement System and a separate Finance Director. Mr. Geraci wonders how much more money they would have received and how much more costs they would had to pay? He would rather have the cash and be able to put it into investments making interest and move forward. Mr. Naclerio states that it is the appearance that is going on here that he is troubled by. Mr. Nelson has two masters to serve and in this particular instance it seems they are complete 180 degrees apart in how they treat the money. The Board is trying to increase the money as much as they can for the benefit of the employees and the same person who should be trying to do that is also the person paying the moneys.

Mr. Salerno addresses the reference to the settlement. He never heard any relationship to the discussion on whether this was a good or bad settlement with respect to the budget issues to the City. He asks Mr. Nelson if he ever heard of any discussions that the idea of settling the lawsuit was somehow propped by the budget situation. Mr. Nelson answers negatively. Mr. Salerno is not talking about the other matters that were raised but in regards to the budget issue that was not a factor in any one's thought process. What they need to be doing is moving forward for what is best in the long term.

Mr. Nelson informs that when he sits as Trustee for this Board he is there for the benefit of the Board and he gives his honest and best advice to the members of this Board and to the employees that the Board members and he represent. He does not believe that if there is a conflict between him being Trustee to the fund and Finance Director of the City that they cannot work it out. He is not going to do something that would jeopardize his reputation and trust without bringing it to the Board and without full discussion. Regarding the settlement he knows there was a lot of hurt and a lot of thinking that he sold the Board off with that settlement. He based that settlement on the recommendation of outside counsel that this Board hired. Counsel advised that this settlement was the best they were going to get and he based it on counsel's recommendation. It was not his decision. It was based on the outside counsel the Board hired.

Mr. Garcia-Linares states that the fact that the Trustee is also the Finance Director to an outsider could put a sense of the fact that there is something here that is not proper. Mr. Geraci asks Mr. Garcia-Linares for his recommendation. Mr. Garcia-Linares thinks they should have a separate Trustee for the plan. Mr. Easley remembers when the Board decided to lower the assumption rate Mr. Nelson decided that it was not the City's best interest to lower it. That put him in a difficult position. Mr. Geraci asks who would be the Trustee. Mr. Garcia-Linares doesn't know. He thinks there is a conflict between the Finance Director who is in charge of the budget and is also the Trustee to this plan. There are times when the two conflict. Mr. Goizueta states that if this were to happen they would have to hire someone from the outside.

Mr. Sibley elaborates on Mr. Easley's example when the Board dropped the assumption and Mr. Nelson had the responsibility to the City to manage the City's budget. It cost the fund \$500,000 a year because Mr. Nelson had a job to do with the City and with the fund. Mr. Naclerio points out that they don't even have to go that far back. You can go back to 15 minutes ago when Mr. Nelson is sitting there and his boss is telling him they needed a decision regarding the accounting of the settlement now while they as Board members are saying that the advisors aren't present so they don't want to make a decision. Mr. Geraci informs that it wouldn't have changed his vote. Mr. Garcia-Linares disagrees. They don't have the reasoning behind the actuary's opinion as to why they account for it one way or the other. Mr. Goizueta states for the record that whatever they can do to save jobs they need to do it. If accounting for the funds the way the City recommends helps to save jobs then it should be done.

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

Retirement Benefits:

Retirement application of Catherine B. Swanson of the Development Department, 24 years, 6 months, Option 2B-100%, effective May 1, 2009.

RESOLUTION 3110
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
CATHERINE B. SWANSON

WHEREAS, Catherine B. Swanson has applied for retirement effective May 1, 2009, and,

WHEREAS, Mary Long requests to take Option 2B-100% with her last working day April 30, 2009.

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 Mary Long retirement benefits under Option 2B-100% as certified by the Actuary, the first day of every month, beginning May 1, 2009 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. Swanson's retirement application was made by Mr. Sibley and seconded by Mr. Mr. Goizueta. Motion unanimously approved (7-0).

DROP Benefits:

DROP application of Patrick Burns of the Public Works Department. Effective date June 1, 2009.

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

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

The Department of Management Services Division of Retirement invoice #150491 dated March 3, 2009 for the cost for the City of Coral Gables to purchase past service for its

employees at the Regular Class membership in the amount of \$33,602.44. (Deferred from April 22, 2009 and May 14, 2009 Retirement Board meeting)

Ms. Groome informs that the \$33,602.44 is the amount the Retirement system is paying to the State for a Commissioner and the Mayor to go into the Florida State Retirement System. It is a one time deal. It is a transfer to transfer from this retirement system to the Florida Retirement System. She informs that Mr. Goizueta asked her to contact the State to make sure that the amount they calculated for the Mayor and Commissioner was as a general employee. According to the State when anyone goes into the FRS they are calculated as general population. Then when there is an open window, which for the elected officials has been established this year from July 1, 2009 through December 31, 2009, they are able to "buy into" that classification.

Mr. Nelson explains that this payment to the State is for the Mayor and Commissioner Cabrera. The City has been funding for Commissioner Cabrera every year since he has been in the system. This is a transfer of those funds to the State. The mayor had funds in an outside fund because the City was contributing 6% to that fund. The mayor has closed that account and those funds have been transferred to the Retirement System. Those are being transferred to the State. Mr. Garcia-Linares asks if this is at no cost to the fund. Mr. Nelson answers affirmatively.

A motion was made to approve the Department of Management Services Division of Retirement invoice in the amount of \$33,602.44 by Mr. Garcia-Linares and seconded by Mr. Naclerio. Motion unanimously approved (7-0).

Stanley Holcombe & Associates invoice #3623 dated June 5, 2009 in the amount of \$14,680.00 for actuarial consulting services from April 4, 2009 through May 29, 2009. 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 to approve the Stanley Holcombe & Associates invoice #3623 in the amount of \$14,680.00 by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (7-0).

9. Old Business.

Chairperson Huston informs that the old business is the issue regarding the \$30,000 owed to the fund by the Police fund. There was an agreement with the City Manager at that time which agreed to the City paying interest because the report was submitted late. From what he understands the Police Fund is saying is that the City hasn't paid the interest so they aren't going to pay the Retirement System the \$30,000 it owes. The Board Attorney has asked that this issue be deferred to the next meeting. Mr. Garcia-Linares understands that whatever way this issue ends up if the City decides to go along with this deal that happened in 1998 then the City will have to pay the Retirement System the \$30,000. This deal is between the City and the Police Fund and not the Retirement System. When this deal was done the Retirement System was made whole. The City

would have to pay the Retirement System the \$30,000 to be made whole. He asks for Mr. Nelson to discuss this with the current City Manager. Mr. Nelson states that this letter puts the City in the position of reimbursing the interest. The City is looking at this letter as a one time deal. This is the City's position at that time. The Police Fund cannot use this letter every year the Annual Report is late. He is not going to say that the City will reimburse the Retirement System. The City doesn't agree with this position.

Mr. Garcia-Linares informs that he agrees with the Chairperson that they need to table this issue until the next meeting. In the meantime he is asking Mr. Nelson to speak with the City Manager about it so at the next meeting they can have the current position of the City. If it is a position of the City that this is a one time deal then the Board has an obligation to sue the Police fund if it does not pay the Retirement System the \$30,000 it is owed. Mr. Nelson points out that the City's position is firm. They have said that the City will not pay interest for any loss or the gain that the Police Fund may have incurred by not receiving the money from the State and investing it during that time.

Mr. Naclerio is troubled that there are these kinds of deals out there that no one knows about. It is not on the record and it has not been agreed on by the Board. Mr. Geraci agrees. There is no deal if the Board didn't vote on it.

10. New Business.

Chairperson Huston states that when they had their workshop with the Mayor and the Commissioners the Mayor asked the Board if there is anything they could think of to help the City with reducing the costs of the present pension plan. So he asked Mr. Nelson for some suggestions. He emphasizes that the Board cannot change the ordinance. This would be just a recommendation from the Board to the Commission to consider an ordinance change. It would basically initiate something coming from this Board in response to the Mayor's request.

Mr. Huston begins. The first item is to reduce the number of overtime hours to 300 as required by State Statute to be included in the calculation of the retirement benefit. Mr. Sibley asks if that is already included in the collective bargaining agreements. Ms. Adler informs that it is included in the Fire contract but not in the Police or General Employee contracts. Mr. Goizueta informs that the General Employees have a cap of 600 hours of overtime to count towards retirement and the majority of the General Employees who make overtime are the 911 operators.

Chairperson Huston continues. The next item would be to eliminate the accumulation of compensated hours that are sold and converted to dollars by Fire and Police which are used to increase their retirement benefit. Mr. Sibley explains that instead of taking overtime an employee can bank that time as compensated time. Then when they are ready to retire they can sell up to 480 hours and convert it into money. That money is figured into the retirement benefit and it does make a significant difference in the pension amount.

Chairperson Huston continues. The next item is reducing the sale of annual leave in the year of retirement from 160 hours. Mr. Garcia-Linares asks the chairperson if he could publish a copy of these items to the Board. Then they can review it for the next meeting. Chairperson Huston informs he will do so.

Chairperson Huston continues through the last of the items. Those items are eliminate the ability to purchase other public service; reduce the DROP period from eight years for firefighters and five years for general employees and police officers to three years; and change the salary average from three years to five years.

Chairperson Huston thinks the idea of bringing up these items is that the Board is not proposing that the City drop the defined benefit plan and they are not proposing to go to a defined contribution plan. They are proposing that this plan has gotten extremely exorbitant through collective bargaining over many years. The City is in a financial crisis. Someone would not be able to get a package like the employees get in the private industry and the Board can't let the plan get so far out in front of industry standards. What this would do is reduce the cost to the City and make it a little more far on both sides.

Mr. Geraci thinks that as a Board they don't have a say in these types of matters. Why are they discussing it? Mr. Easley feels it is a waste of time to discuss. Chairperson Huston explains that during their workshop with the Mayor and the Commissioners the Mayor asked this Board to give them any ideas on changing the retirement plan. All they are doing is recommending these changes to the City Commission.

Ms. Groome informs that she has an addition to the changes for consideration and that is to change the age for receiving vested retirement benefits from age 52 to age 62. The reasoning behind that is people are living longer and they are making a nice benefit for at least 30 to possibly 40 years. Mr. Geraci asks if the Board's recommendations are going to be used by the Commissioners for collective bargaining. Chairperson Huston informs that these suggestions are only advisory. Mr. Geraci wonders why they are even discussing it.

Mr. Goizueta informs that he is part of negotiations between the General Employees and the City. A lot of municipalities are giving incentives for employees who have been with their city for a long time to retire. Has the City looked into that to get the high end employee out? Mr. Nelson responds that there is no plan that is being proposed to give employees incentive to leave the retirement system early as there has been in the past. Mr. Goizueta reveals that he has spoke with the actuary who informed him that an incentive to retire for long term employees would be beneficial to the fund so the City can get younger employees into the system and get the older, high-end employees out of the system.

Mr. Garcia-Linares thinks that if the collective bargaining groups want to negotiate things then they should do that but he does not see how this Board can make a difference. With these recommendations the Board does not know what other plans are doing and he feels

that the Board should stay completely out of making these types of recommendations.
Mr. Geraci agrees.

Set next meeting date for Thursday, August 13, 2009 at 8:00 a.m. in the Police Community Meeting Room.

Meeting adjourned at 10:35 a.m.

APPROVED

TOM HUSTON, JR.
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR