

**CORAL GABLES RETIREMENT BOARD
EXECUTIVE SUMMARY OF MINUTES**

MEETING DATE: June 10, 2010

MEETING LOCATION: Youth Center Auditorium

Meeting called to order by Chairperson Tom Huston at 8:07 A.M.

Board Members in attendance: Steve Naclerio, Tom Huston, Sal Geraci, Les Space, Daniel DiGiacomo, Randy Hoff, Victor Goizueta and Troy Easley. Manuel Garcia-Linares was excused. Staff in attendance: Kimberly Groome, Administrative Manager; Donald G. Nelson, Finance Director; and Troy Brown and Dave West, The Bogdahn Group. Guests in attendance: Michael Smith and J.D. Sitton of JP Morgan Asset Management and Elsa Jaramillo-Velez, Human Resources Director. Alan Greenfield, Board Attorney, was not present due to a sickness in the family.

AGENDA

1. Roll call.
2. Approval of the Retirement Board meeting minutes for May 13, 2010.
3. Approval of the Retirement Board Executive Summary minutes for May 13, 2010.
4. Report of Administrative Manager.
5. Approval reducing service connected disability retiree benefit according to Retirement Ordinance.
6. Submission of Bills.
7. Attendance of Michael Smith and J.D. Sitton of JP Morgan Asset Management.
8. Investment Issues.
9. Old Business.
10. New Business.

SUMMARY OF MINUTES IN ORDER AS DISCUSSED

AGENDA ITEM #2 Approval of Minutes

SUMMARY: The minutes for May 13, 2010 were unanimously approved.

AGENDA ITEM # 3: Approval of Executive Summary minutes

SUMMARY: The Executive Summary minutes for May 13, 2010 were unanimously approved.

AGENDA ITEM #4: Report of the Administrative Manager.

SUMMARY: The Board approved the Administrative Manager's report without discussion.

AGENDA ITEM #5: Approval reducing service connected disability retiree benefit according to Retirement Ordinance.

SUMMARY: Service connected disability retiree Steve Sandifer requested an appeal to the reduction of his disability benefit from 75% annualized pay rate to 66.7% annualized pay rate according to Retirement Ordinance Section 50-231(e). Mr. Sandifer was not present at the meeting and documentation was not submitted by him supporting his request for the appeal. Therefore, the Board approved the reduction of 66.7% of his annualized pay.

AGENDA ITEM #6: Submission of bills.

SUMMARY: The Board approved the Goldstein Schechter Koch and the City of Coral Gables rental of public facilities and general liability insurance invoices.

AGENDA ITEM #7: Attendance of Michael Smith and J.D. Sitton of JP Morgan Asset Management.

SUMMARY: Michael Smith and J.D. Sitton of JP Morgan Asset Management (real estate manager) reviewed the portfolio's performance. The last two years have been the most challenging environment anyone in the real estate world has had to live through. JP Morgan did a better job at protecting the fund's capital during the downturn more than any other firm the Board could have hired. Mr. Sitton explained the difference between the Strategic Property fund (core real estate asset) and the Special Situation property fund (value added real estate asset). The Strategic property fund is the real estate fund the Board is already invested in. That fund invests in high quality real estate. It is an open-end core commingled fund. That fund buys and owns well leased, high-quality real estate in the office, industrial, rental residential and retail sectors. The Special Situation fund the Board is considering investing in does the same thing as the Strategic Property fund but it doesn't buy the well leased building, it buys the building with vacancy. It develops the building with the next dollar it invests. It is also an open-end fund. Both funds are in and around major markets. They invest in the highest quality physical structures. A core bond portfolio is yielding 3.2%. The Strategic Property fund on a levered basis is yielding 7% and the Special Property fund is yielding the same. The only investors that can invest into this fund are U.S. pension plans; corporate plans, public plans and Taft Hartley plans. The Board can decide to put more money into the Strategic fund because it is safer and has less leverage and can earn a 10% to 11% return or they can invest in the Special Situation property fund which will take more risk and potentially earn a 14% to 15% return. They have to ask themselves if they are comfortable with a higher risk to get that extra return. If they invest more money into the core real estate asset they will not be funded until possibly the end of the fourth quarter or early in 2011 but if they invest into the value added real estate asset they will not have to wait to be funded. Mr. Sitton strongly advocated for the value added real estate asset because he believes it will be a better investment for this fund.

AGENDA ITEM #9: Investment Issues.

SUMMARY: Dave West of The Bogdahn Group continued the discussion on real estate. The portfolio is at 5% in core real estate now and the recommendation is to move an additional 5% from fixed income into the value add real estate fund which would be about \$11.4 million. After more discussion the Board approved funding the JP Morgan Special Situation real estate fund from the fixed income asset and allocated the Special Situation fund as a real estate asset.

Mr. West moved to the next item of funding which was the global bond asset. Mr. Brown explained that the Investment Committee recommended a 50/50 allocation to global bond fund investments. These investments use different strategies. One investment being pure sovereign and the other investment being in emerging markets as well as some high yield corporate foreign debt. The Board approved funding the Templeton and PIMCO global bond funds equally from the domestic fixed income asset.

Mr. West reviewed the performance of the fund for May. May was a sobering month. The fund was down \$13.5 million. The real estate fund recorded a 9.5% positive and the fixed income manager Richmond Capital was up 66 basis points. The fixed income manager JK Milne was up 14 basis points. International equities were down more than the domestic equities. Barings and Thornburg did a good job losing less in this environment. Those are the standout issues for the month. There was a decline of 5.34% in the portfolio for the month. Fiscal year to date they are at 1.73%. Mr. West thought the funding decisions at this meeting were proofed out quite nicely and will go along way in helping to get the return up in the portfolio while getting a little more risk management in place from a diversification standpoint.

The Board discussed the rate of return of 7.75%. The consultants prepared a chart showing the portfolio's cumulative rate of return over 19 years which was 7%. The consultants conveyed that they were comfortable that the 7.75% rate of return is achievable.

AGENDA ITEM #9: Old Business.

SUMMARY: There was no Old Business to discuss.

AGENDA ITEM #10: New Business.

SUMMARY: Chairperson Huston reminded the Board members to fill out the Statement of Financial Interests and submit them to the City. Ms. Groome informed that the November meeting will need to be rescheduled.

The next Retirement Board meeting is scheduled for 8:00 A.M. on August 12, 2010 and will be located in the Youth Center War Memorial Auditorium. There being no further business the meeting adjourned at 10:21 A.M.