

CORAL GABLES RETIREMENT SYSTEM
Minutes of October 8, 2009
Youth Center – Auditorium
405 University Drive
8:00 a.m.

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

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

GUESTS:
Vince Carrodegus, Goldstein Schechter Koch
Clement Johns, Goldstein Schechter Koch
Michael Futterman, Marcum Rachlin
Chantell Knowles, McGladrey & Pullen
Robert Feldman, McGladrey & Pullen
Brett Friedman, McGladrey & Pullen

Chairperson Tom Huston calls the meeting to order at 8:07 a.m. There was a quorum present. Mr. Diaz and Mr. Goizueta were not present when the meeting was called to order. Mr. Easley was excused from the meeting.

1. Roll call.
2. Approval of the Retirement Board meeting minutes for September 10, 2009.

A motion was made by Mr. Sibley and seconded by Mr. Garcia-Linares to approve the meeting minutes of September 10, 2009. Motion unanimously approved (6-0).
3. Approval of the Retirement Board Executive Summary minutes for September 10, 2009.

A motion was made by Mr. Sibley and seconded by Mr. Space to approve the Executive Summary minutes of September 10, 2009. Motion unanimously approved (6-0).

4. Items from the Board attorney.

Alan Greenfield reports that he contacted the State of Florida regarding the 2008 Annual Report. He received a letter from the State with a long list of items they wanted a response to regarding the report. Most of the items were statistical. There was one item dealing with \$1 million that had to be reported and how it was to be reported. The Administrative Manager is contacting the accountants regarding that issue. The Police Fund's report and Fire Fund's report were approved. The Police Fund informed that they will pay back the \$30,000 they owe to the Retirement System when the Retirement System's report is approved by the State. He recommends that they not file the lawsuit yet and wait to get the report approved. Mr. Garcia-Linares thinks that Mr. Greenfield should send a letter to the Police Fund Board stating that the Retirement Board's actions cannot be used against them in future years and that the Police Fund has to pay the Retirement System to get their extra benefits irrespective of what occurs. They have tried once to use past agreements for future actions and he thinks they need to put something in writing that states that because the Board has allowed this issue to wait in order to see if their report is approved this year that it is not to be used against them in other years when and if this issue comes up again. Mr. Greenfield informs that he will do that.

Mr. Greenfield reports on the opinion they have requested from the Attorney General relative to having quorums when persons are not physically present. The Attorney General office contacted him and acknowledged the receipt of the Board's request. They wanted to make certain that this was a request of the Board and not of an individual. The Administrative Manager sent him the exact motion that was made by the Board and he submitted that to the Attorney General's office.

Mr. Greenfield informs that he submitted another draft of the rules from the IRS deduction of insurance premiums to be paid by public service employees, firefighters and police officers to the Board. Once the Board reviews the draft he would like a motion from the Board to approve the rules.

A motion was made by Mr. Sibley and seconded by Mr. Naclerio to accept the tax favored treatment of retiree health and long term care premiums policy for retired firefighters and police. Motion unanimously approved (6-0).

Mr. Garcia-Linares asks where they are with regards to the State's treatment of the UBS Settlement. Mr. Greenfield responds that an email from Mr. Stanley to the Administrative Manager states that he understood that the City Manager and Don Nelson approved of his proposing that the UBS Settlement be applied first to the City contributions with the remainder to be treated as investment return. He had no contact with Tallahassee since September 30th and that Mr. Brinkman said that they were working on a list of deficiencies in the Annual Report. Mr. Garcia-Linares understands that the Board approved that they would treat the UBS Settlement as moneys to offset the City's contribution. However, didn't the State already come back and say it must be treated as investment return? Mr. Greenfield responds that the State agreed with the actuary that it should be treated as investment return but the Board motioned that Mr. Nelson and the actuary were going to explain to the State the Board's position on why it wanted the settlement to offset the City's contribution. Mr. Garcia-Linares doesn't want this issue to be a problem when the next State Report is submitted.

Mr. Naclerio is sympathetic to the City wanting to treat this as a contribution however the Board has an independent actuary who is working on this issue. Does the Board have any concern of the City Manager directly speaking to the actuary and is that going to impede on the independence of the Board's actuary? Mr. Geraci thinks they made a motion on that a few meetings ago to include the City Manager and the City in the discussions for this particular issue. The motion was mainly for the City to be kept in the loop as to what was happening with the issue and it wasn't to have the City Manager to give instructions to the actuary. Mr. Greenfield comments that the Board's actuary has a great amount of integrity and is very independent. He doesn't think that people can put pressure on him and change his mind. Mr. Stanley, the actuary, is a very determined person who is a very competent person and has made his recommendation. He doesn't think that anyone can put political pressure on Mr. Stanley. Mr. Garcia-Linares remembers that Mr. Stanley had made a recommendation to this Board and his recommendation was that the settlement be treated as an investment return. Mr. Greenfield understands that the instruction to Mr. Stanley was to work with the City and try to get this issue resolved. If the State is agreeable to the proposal he doesn't believe Mr. Stanley will object to it.

Mr. Nelson states that the Board started this issue by making a recommendation that the \$1,784,226 from the UBS Settlement be applied as income and not as an actuarial return. The direction was to take it to the actuary and work with the State. Mr. Stanley came back with a letter of opinion that the amount should be applied as an actuary gain but had said he would be willing to work with the State. Then, depending on what the State renders in their decision in how to handle the settlement amount, he would comply with that. Mr. Stanley, Mr. Brinkman and he have been in conference calls together to have the State consider how they are going to apply the \$1,784,226. At this present time the State is still considering how to apply it. Mr. Stanley has stated that whatever the State decides he would follow their direction. The State is willing, from Mr. Stanley's indications, to apply the \$1.3 million of City Contribution that was contributed to growth of interest that has accrued over and above the City's annual contribution. The State is considering applying the \$1.8 million against the \$1.3 million outstanding and then the balance would be an actuarial gain. That is where they are at right now with the State.

Mr. Geraci asks if it is possible as a Board that they can get some guidance on where they maybe next year as far as the City contribution will cost so they can have some basis on what they have to do for next year. Mr. Nelson believes that the Board would have to request that the actuary do a projection for next year as to the City's annual contribution. Mr. Garcia-Linares asks if it would assist the City for the actuary to do a five year study. Mr. Nelson responds that it would assist them to project a future funding requirement for the next couple of years. It would accomplish a realistic projection for at least the next two to three years. It would greatly assist the City in future budgeting. Mr. Garcia-Linares asks if they are still thinking about changing the system. Mr. Nelson responds that it is part of the negotiations with the General Employees. They have had the contributions increased. The General Employees are still at 5% and that is being negotiated and the Excluded Employees' contribution was increased to 10%. The Police are now contributing 5% and the Firefighters as still at 5% as well.

A motion was made by Mr. Geraci and seconded by Mr. Sibley to hire Randall Stanley to do a three year projection study on what the commitment to the Retirement Fund will be and to make recommendations on changing the current assumptions.

Discussion:

Mr. Space thinks that a way to get out of this mess is for the City to paper it up to where some property in the City of Coral Gables is actually pledged to the fund. Every dollar they can pledge to the fund in the City of Coral Gables will reduce their unfunded liability. There is probably \$200 million worth of property that could be pledged. That would place the unfunded liability at \$0.00 and they would be 100% funded. The idea of doing that is to get rid of paying the interest and not the idea of the City not contributing. There is \$168 million unfunded and that turns out to be \$400 million so if they can pledge some property to the fund for a short period of time, like 8 years, then have the City contribute each year. The fund uses about \$22 million a year in pay outs. It wouldn't take long for the fund to be cash wise funded. He thinks the study Mr. Geraci is requesting is correct. Mr. Garcia-Linares understands what Mr. Space is saying about trying to get rid of the interest but what if the actuary tells the City that they only have to pay \$8 million instead of \$20 million and the Board has a written agreement with the City that they have to contribute \$20 million. Then the City says that according to the actuary they only have to contribute \$8 million and not \$20 million. The Board will have to sue the City because they did not abide by their written agreement to pay \$20 million. He thinks they need to plan ahead. Mr. Huston thinks that the Board would have to take over ownership of the properties and not have them pledged. Mr. Naclerio asks if another public pension has done something like this. Mr. Space answers negatively.

Motion unanimously approved (6-0).

Mr. Huston asks if they applied the \$1.8 million towards what is already an asset on the books then they only see the \$500,000 as actuarial gain. They aren't gaining any new assets when they took in the \$1.8 million. When they started the whole lawsuit it was to offset losses in the portfolio and now it is not to offset their losses but to offset the City's receivable. Mr. Garcia-Linares informs that is why he opposed the Board's recommendation not to apply the UBS Settlement as an investment return. Mr. Nelson explains that when they incurred the loss in 2001 and 2002 the fund suffered such an incredible loss that the City had to make up added contributions each year. Every year since 2001 there was a portion that the City had to pay back to make up that loss. They have paid every year in the annual contribution more than \$1.8 million. Mr. Brinkman from the State heard that consideration and took it to his actuaries and the concept is true. Had the fund not had those losses every year the City would not have been contributing more because of that five year smoothing on the investment return. That affects the City's annual contribution for the next five years.

5. Report of Administrative Manager.

A motion to accept the following items of the Administrative Manger's report without discussion was made by Mr. Sibley and seconded by Mr. Space. Motion unanimously approved (6-0).

1. For the Board's information, there was a transfer in the amount of \$2,000,000.00 from

the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of September 2009 for the October 2009 benefit payments.

2. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date August 30, 2009 in the amount of \$70,637.65 was submitted for deposit on September 23, 2009.
 - Payroll ending date September 13, 2009 in the amount of \$75,710.18 was submitted for deposit on September 23, 2009.
3. For the Board's information:
 - Robert Jones of the Police Department passed away on September 16, 2009. He retired on November 1, 1987 with 10 years certain. His benefits have ceased.
 - Paul Arro of the Cable TV Division of the City Manager's Office entered the DROP on September 1, 2009 and left the DROP on September 30, 2009. He received his first retirement benefit on October 1, 2009.
 - JB Patterson of the Public Works Department entered the DROP on January 1, 2009 and left the DROP on September 30, 2009. He received his first retirement benefit on October 1, 2009.
4. A copy of the Summary Earnings Statements from the Northern Trust Securities Lending Division for billing period August 1, 2009 to August 31, 2009 is attached for the Board's information.
5. Attached for the Board's information are the Statements of Pending Transactions and Assets as of August 31, 2009 from JP Morgan.
6. Attached for the Board's information is the Statement of Settled Transactions from August 1, 2009 to August 31, 2009 from JP Morgan.
7. For the Board's information, attached is a copy of the Actuarial Impact Statement for Ordinance No. 2008-09 (Police Officers).
8. Copies of the City Beautiful e-News newsletters giving the latest news and information about the City of Coral Gables are included for the Board's information.

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

Retirement Benefits:

Retirement application of Sharon Teresa Greaux of the City Attorney's office, 24 years and 9 months, No Option, effective November 1, 2009.

RESOLUTION 3115
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
SHARON TERESA GREAX

WHEREAS, Sharon Teresa Greaux has applied for retirement effective November 1, 2009, and,

WHEREAS, Sharon Teresa Greaux requests to take No Option with her last working day October 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 Sharon Teresa Greaux retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning November 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. Greaux's retirement application was made by Mr. Sibley and seconded by Mr. Space. Motion unanimously approved (6-0).

DROP Benefits:

DROP application of Robert A. Cordero of the Police Department. Effective date October 1, 2009.

A motion to approve Mr. Cordero's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Sibley and seconded by Mr. Space. Motion unanimously approved (6-0).

DROP application of Lilliam Varela-Portu of the Finance Department. Effective date November 1, 2009.

A motion to approve Ms. Varela-Portu's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Sibley and seconded by Mr. Naclerio. Motion unanimously approved (6-0).

DROP application of Mayra Quintero of the Police Department. Effective date January 1, 2010.

A motion to approve Ms. Quintero's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Sibley and seconded by Mr. Space. Motion unanimously approved (6-0).

Vested Retirement Benefits:

Gerardo Vazquez de Miguel, Public Works Zoning Department (10 years, 5 months), effective at age 52, effective date October 1, 2009.

A motion was made by Mr. Sibley and seconded by Mr. Geraci to approve Mr. Vazquez de Miguel's vested retirement application. Motion unanimously approved (6-0).

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

The Bogdahn Group invoice #4356 dated September 30, 2009 for 3rd Quarter Performance Evaluation and Consulting Services in the amount of \$33,750.00. This invoice is in accordance with the contract between The Bogdahn Group and Coral Gables Retirement System signed on June 1, 2008.

A motion was made to approve The Bogdahn Group's invoice in the amount of \$33,750.00 by Mr. Sibley and seconded by Mr. Garcia-Linares. Motion unanimously approved (6-0).

Stanley Holcombe & Associates invoice #3646 dated September 28, 2009 in the amount of \$2,911.00 for actuarial consulting services from August 3, 2009 through August 30, 2009. These invoices are 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 in the amount of \$2,911.00 by Mr. Sibley and seconded by Mr. Geraci. Motion unanimously approved (6-0).

8. Investment Issues.
Dave West of The Bogdahn Group gives an update on the fund. They had a nice September. They added \$6,786,510 from investments in September and they closed the books September 30th at \$218,755,193. There were no contributions in September just distributions. They had a positive return of 3.2% and for the quarter a return of 10.5% coming from investments. They closed out the fiscal year with a rate of return of -0.76%. The total domestic equity for the quarter was at 15.57%, international at 16.5%, the bond portion of the portfolio was at 3.88% and the real estate was down 6.33%.

Mr. West informs that they were tasked with taking a look at utilizing high yield commodities and a general look at hedge funds. The objective is to help everyone get a flavor of the characteristics before they consider any action. The representative indexes they ran were the Barclays Capital US Corporate, the Dow UBS Commodity Index, and the S&P Goldman Sachs Commodity Index. The Goldman Sachs benchmark has substantially up to 70% in energy whereas the Dow Commodity Index has only 33%. The way they construct the index is very different but they are all based on a long position on commodity futures contract. That has significant implications when you look at the time period analysis. If they are comfortable in

moving forward in commodities their suggested the method of participating is not through a straight ETF. There is a significant benefit from a managed futures type of product.

The Barclays CTA Index is actually a composite of managed futures managers. There are about 480 advisors. It is like a universe rolled into an index. That would be used as the benchmark. The Barclay Fund of Funds Index is the benchmark for hedge funds. They benched everything against the S&P 500. They are looking for things like diversification and downside protection. High yield correlates to equity very highly during periods of equity duress. That is the worst time you want to have assets correlate together because you do not get any downside benefit.

The suggested course of action is that they would not recommend participating in the high yield sector and they would not recommend participating directly in the raw commodity benchmarks. They do think it would be a very worthwhile exercise to look at the managed future products. That really reduces the volatility and they still get a nice low correlation. The Investment Committee will further review the consultant's recommendations.

Troy Brown informs that the fund received \$12 million from the City Contribution. They will be rebalancing the fund. \$970,000 will go to Aletheia, \$450,000 will go to Eagle Capital, \$300,000 will go to MD Sass; \$550,000 will go to Baring; \$160,000 will go to Thornburg; \$3,070,000 will go to JKMilne; \$2,900,000 will go to Richmond Capital and \$5,062,366 will stay in the Cash account for distributions through December.

A motion was made by Mr. Sibley and seconded by Mr. Geraci to approve rebalancing the fund. Motion unanimously approved (6-0).

9. Selection and qualification of candidate presentations for independent financial auditors. Estimated time schedule in alpha order:

Goldstein Schechter Koch

Vince Carrodegua, Clement Johns and Carlos Garcia of Goldstein Schechter Koch presented their firm to the Board. Goldstein has been in existence for over 50 years. They are based in South Florida with offices in Hollywood and Coral Gables. They are members in the Private Companies Practice Section of the American Institute of Certified Public Accountants, the BDO Seidman Alliance, and the American and Florida Institutes of Certified Public Accountants.

Goldstein Schechter Koch and their certified personnel are properly licensed and registered in the State of Florida with the Department of Business and Professional Regulation, Division of Certified Public Accountants. They have not had enforcement actions pending or threatened by the Florida State Board of Accountancy or any other regulatory agency. No disciplinary actions have ever been taken or are pending against their firm by any State and Federal regulatory agencies or professional organizations.

One of the biggest differences between their firm and other firms is that they have a pension plan practice group. They service approximately 29 pension funds in the State of Florida

(General, Police and Fire pension plans) and are specifically dedicated expertise in public employee retirement systems. Those plans represent over \$4 billion of investments that they audit. They have a risk-based approach with multiple levels of reviews.

Their estimated proposed fee schedule is for 2009 not to exceed \$24,000; for 2010 not to exceed \$25,500 and for 2011 not to exceed \$27,000. Additional services by the Fund will also be billed at their standard hourly rate.

Marcum Rachlin

Michael Futterman of Marcum Rachlin presents the firm to the Board. They were founded in 1955, a properly licensed certified public accounting firm, member of the American Institute of Certified Public Accountants and the Florida Institute of Certified Public Accountants. All professional staff become members of the American and Florida Institutes of Certified Public Accountants upon successful completion of the CPA exam. The firm is registered annually with the Florida Department of Business and Professional Regulation – Board of Accountancy. They have been licensed and operating in Miami and the State of Florida for over 50 years.

Marcum Rachlin is comprised of 26 partners and staff of more than 200. There has been no disciplinary action taken or pending against the firm or any of the professional staff during the past five years with federal or state regulatory bodies or professional organizations.

They focus the services of its South Florida offices primarily on governmental entities including governmental pension plans. They service approximately 21 pension funds in the State of Florida (General, Police and Fire pension plans).

The proposed fee schedule is for 2009 Financial Audit \$17,000 and State Report \$2,100; for 2010 Financial Audit \$17,850 and State Report \$2,200 and for 2011 Financial Audit \$18,750 and State Report \$2,300. Any additional work outside the scope of the audit contract will be charged at an average rate of \$190/hour.

McGladrey & Pullen

Robert Feldman, Brett Friedman and Chantelle Knowles of McGladrey & Pullen present their firm to the Board. McGladrey & Pullen is a limited liability partnership and has been licensed to practice in the State of Florida for more than 30 years. They are properly licensed with the cities and associated counties to practice from their offices in Coral Gables, Ft. Lauderdale, Naples, West Palm Beach, Melbourne, Orlando and Jacksonville.

There has been no disciplinary action, desk reviews, terminations, suspensions, censures, reprimands, probations or any such similarly actions against them conducted by any oversight body including the Florida State Board of Accountancy or any other licensing authority against the Firm or the Florida practice during the past five years.

They service 21 municipalities and counties in the State of Florida.

Their proposed fee schedule is for 2009 Financial Audit \$8,320 and State Report \$1,920; for 2010 Financial Audit \$8,570 and State Report \$1,975 and for 2011 Financial Audit \$8,825 and State Report \$2,050. Additional work required during the term of the agreement will be charged according to the following hourly rates: Partners/Directors at \$350; Managers at \$260; Supervisory Staff at \$175 and Associates at \$115. The hourly rates will increase by the same percentage with that of the audit fees for each respective years.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Naclerio to hire Goldstein as the Retirement System's independent auditor.

Discussion:

Mr. Sibley informs that he likes this firm because they audit the City of Miami and City of Miami Beach. He spoke with some people from those cities and they are happy with this firm. Those two cities are always on time with their State Reports. Mr. Garcia-Linares states for the record that he is good friends with Carlos Garcia who was one of the presenters and also for the record that the firm he works for has done joint marketing activities with Goldstein. This has nothing to do with why he made the motion for them and it has not impaired his reasoning for choosing their firm.

Mr. Huston asks for Mr. Nelson's opinion. Mr. Nelson agrees with the recommendation and that the firm is terrific. They can work with anyone of the firms as they are all excellent.

Mr. Space comments that when he looks at money from business experience in making payroll he doesn't look at what the costs are but he looks at replacement cost. If he spends \$10,000 he has to sell \$50,000 in goods to replace that. If he spends \$10,000 on this fund this fund has to generate \$10,000 on \$129,000 for a year to replace the \$10,000. He thinks all the firms are great but he doesn't want to spend \$14,000 more. Mr. Garcia-Linares believes that to get an independent group at the current firm it is going to cost \$17,000 and Goldstein is at \$24,000. His second motion is to go back and get Goldstein to reduce the number to \$21,000 or \$22,000. They are talking about a \$4,000 to \$5,000 difference to get an independent auditor for this fund. For a fund of this size \$10,000 is not a lot of money. Mr. Geraci thinks as fiduciaries they owe it to the Police and Firefighters to have an independent auditor for the fund. Mr. Sibley thinks that is a good point but they don't just owe it to the Police and Firefighters. As fiduciaries to the fund they owe it to the fund to have independence. They need someone completely independent to show they are doing their job as fiduciaries.

The motion was amended.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Sibley to hire Goldstein Schechter Koch the Retirement System's independent auditor and to negotiate their annual fee down to \$21,000.00. The motion was approved (5-1) with Mr. Space dissenting.

10. Old Business.
Ms. Groome informs that Old Business was discussed under the Board Attorney items.
11. New Business.

Ms. Groome informs that half of the City Contribution for 2009-2010 was received in the amount of \$12,151,000.

Set next meeting date for Thursday, November 12, 2009 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 10:58 a.m.

APPROVED

TOM HUSTON, JR.
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR