

CORAL GABLES RETIREMENT SYSTEM
 Minutes of September 16, 2010
 Youth Center – Auditorium
 405 University Drive
 8:00 a.m.

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

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

A = Absent
 E = Excused Absent
 P = Present

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

1. Roll call.
2. Approval of the Retirement Board meeting minutes for August 12, 2010.
A motion was made by Mr. Hoff and seconded by Mr. Space to approve the meeting minutes of August 12, 2010. Motion unanimously approved (7-0).
3. Approval of the Retirement Board Executive Summary minutes for August 12, 2010.
A motion was made by Mr. Easley and seconded by Mr. DiGiacomo to approve the Executive Summary minutes of August 12, 2010. Motion unanimously approved (7-0).
4. Items from the Board attorney.
 Alan Greenfield reports to the Board regarding the Attorney General’s opinion about the electronic quorum. The Attorney General stated that the Board could not have an electronic quorum. He and Mr. Naclerio spoke about it and an email was sent to the Assistant City Attorney suggesting that she ask the Attorney General to reconsider the position because he felt the Attorney General completely missed the question as they did before. The Assistant City Attorney informed that she would not ask for reconsideration

because the City goes to the Attorney General quite often asking for opinions and she did not want to question them on this opinion. He is going to discuss it with the City Attorney.

Mr. Goizueta arrives at the meeting.

Mr. Naclerio comments that he found the Attorney General's opinion incongruent. The opinion happened to be signed by the Attorney General the day after he lost his primary battle and he wonders how much attention was given in reviewing the decision. He is sure it was done by his staff. He wishes that in light of the effort that was put into this response and in light of the off quoted sentence in the opinion that there is a Statute to the contrary it seems that the Attorney General is begging the legislature to solve the problem. He would like to ask the City Attorney to also ask the City lobbyist to see about getting support from Tallahassee regarding this issue and seeing if the Statute can be changed so they can have an electronic quorum. Mr. Garcia-Linares asks if there is a time limit to respond to the decision. Mr. Greenfield informs that there is no time limit. Mr. Garcia-Linares suggests that after Mr. Greenfield speaks to the City Attorney and that at the beginning of November there will be a new Attorney General that they should wait and send the question on the opinion to the new Attorney General.

Mr. Greenfield reviews the form regarding the Spousal Acknowledgment. The question was asked last month to do further investigation from the State as to why the State has this form. This plan does not have to have this form. It is not mandated by the Statute and it is not mandated by the ordinance. The Board has the right to make rules and regulations under the ordinance and if the Board wants to make such a form it is a form that the Board has the right to institute. He spoke with the State of Florida Bureau of Retirement and was informed that by Statute the State Retirement System by has to have this form. Then he asked how they handle if a retiree doesn't want to give the form to their spouse. Their response was that the employee still can retire but they have a form letter that goes to the spouse. It doesn't affect the participant's retirement. His recommendation is that they don't try and fix something that is not broken. They have not had any real problems except for this one time. He doesn't see the need for this form. Mr. Garcia-Linares asks if it is Mr. Greenfield's legal opinion to the Board that the Board does not have an obligation to notify the spouse. Mr. Greenfield agrees.

A motion was made by Mr. Hoff and seconded by Mr. Goizueta that this form not be adopted and that the Retirement System continues the procedure set in place when a participant retires. Motion unanimously approved (8-0).

Mr. Greenfield informs that he received the draft of the new ordinance that changes the retirement ordinance. He has read it over and does not understand it. He thinks it is incomprehensible as it is written. If it is supposed to be written in a way that the public should be able to read and understand what the law is; it is not. He has read it over twice and it is very difficult to comprehend. Ms. Groome informed that she, Mr. Nelson and the Human Resources Director had a meeting on the changes yesterday and after that meeting there were still some questions regarding the changes to the ordinance. She was

instructed to send any employees with questions to the Human Resources Director for the answers.

Mr. Greenfield believes that the Board needs to understand the new ordinance because the Board is going to be making judgments under the ordinance. He cannot explain it to the Board due to the way the ordinance is written. Chairperson Huston informs that he called Mr. Nelson and asked him to explain the new ordinance to the Board but unfortunately Mr. Nelson has a conflict and was not able to attend this meeting. Later on under New Business he was going to ask Ms. Groome to explain what she understands regarding the new ordinance.

Mr. Goizueta points out that the General Employees have not voted on the changes yet so he thinks it is premature that the Commission went ahead and approved the ordinance even though it is going to be imposed on the General Employees. No one has been explained how the new rules will work and there is nothing but turmoil going on right now with the General Employees. They have some legal issues with the ordinance. The Board is supposed to represent the General Employees and the way this ordinance has been put out there it has been totally destructive to everybody because no one knows anything. People are going to make bad decisions regarding their future based on this ordinance.

Mr. Geraci arrives at the meeting.

Mr. Garcia-Linares comments that they are not being asked to approve or opine regarding the ordinance. The Commission approves the ordinance and once they approve the ordinance the Board can ask Mr. Nelson at the next meeting to explain the ordinance to them. Chairperson Huston informs that the reason for his request to Mr. Nelson was so the Board could have some understanding of the changes and as he understood it Ms. Groome was in a position to give the Board at least an overview of the changes. Mr. Hoff has an issue with that because their attorney is telling the Board that he doesn't understand the ordinance as it is written and they are going to have Ms. Groome give them an explanation of something she received from the Human Resources Director. The Human Resources Director may be interpreting the ordinance changes based on her understanding of it. He wants to hear what their Attorney understands or otherwise he doesn't want to hear anything about it.

Mr. Goizueta states that if an employee reads the ordinance and interprets it their way and decides to retire according to what is in the ordinance and if the Board doesn't understand it when the employee comes back and says that the ordinance wasn't explained correctly to him or her when they retire then there is going to be a problem. That is his concern. He strongly suggests that once this ordinance is final that someone either from the City or the Retirement System goes over the ordinance with the employees so that each individual employee understands exactly what their benefits are. Mr. Geraci suggests that the City put together some type of multi-media for the employees to interact with so they can have an opportunity to send in their questions and get them answered. Mr.

Goizueta would prefer an open meeting like they are having now so the employees can ask their own questions.

Mr. Garcia-Linares states that they can't force the City to do something but only make recommendations. He agrees that the ordinance is confusing by the way it reads. Maybe the City can make a one page explanation as to what the ordinance changes are to go to the employees in their paychecks so they can understand the changes. He doesn't think an open meeting is something the Board should initiate. Mr. Goizueta explains that ultimately the Board is going to be held responsible. Mr. DiGiacomo asks if it would be possible after the ordinance is approved if it is appropriate for the Retirement System to distribute something easy to understand and comprehend to the employees. Mr. Naclerio requests that Mr. Greenfield contact whoever wrote the ordinance so it can be explained. Then the person who constructed the ordinance can make a presentation to the Board and explain how the ordinance was, the problems they saw with the old ordinance and the new changes to the retirement system. At least the Board would know what the story is and then they can worry about everyone else.

The item was deferred until the Board receives more information.

Mr. Hoff thinks that as a semi-autonomous they should rely on the Board Attorney to provide the Board with guidance and leadership on the legalities of the changes to the ordinance. He wants Mr. Greenfield to explain to the Board exactly what the changes are to the Retirement ordinance when the ordinance becomes final. He asks Ms. Groome who gave her direction to send employees to the Human Resources Director for questions because her direction comes from this Board and if it comes from someone else he has a problem with that. Ms. Groome responds that the Trustee to the Fund, Mr. Nelson, gave her that direction.

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 Mr. Goizueta. Motion unanimously approved (9-0).

1. For the Board's information, there was a transfer in the amount of \$2,800,000.00 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 2010 for the September 2010 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 15, 2010 in the amount of \$100,265.96 was submitted for deposit on August 20, 2010.
 - Payroll ending date August 29, 2010 in the amount of \$105,292.65 was submitted for deposit on September 7, 2010.

3. A copy of the detailed expense spreadsheet for the month of August 2010 is attached for the Board's information.
 4. A copy of the Summary Earnings Statement from the Northern Trust Securities Lending Division for billing period July 1, 2010 to July 31, 2010 is attached for the Board's information.
 5. Attached for the Board's information is the Statement of Pending Transactions and Assets as of July 31, 2010 from JP Morgan.
 6. Attached for the Board's information is the Statement of Settled Transactions from July 1, 2010 to July 31, 2010 from JP Morgan.
 7. A copy of a letter dated August 12, 2010 from the State of Florida Office of Municipal Police Officers' and Firefighters' Retirement Trust Funds, Division of Retirement informing that the 2009 Annual Report was approved.
 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. Submission of bills for approval. (Administrative Manager recommends approval of the following invoices).
- The City of Coral Gables invoices for the rental of City's public facilities in the amount of \$1,294.44 (\$431.48/month) and general liability insurance in the amount of \$1,005.24 (\$335.08/month) for the months of July, August and September 2010.

A motion was made by Mr. Goizueta and seconded by Mr. Hoff to approve the City of Coral Gables invoices in the total amount of \$2,299.68. Motion unanimously approved (9-0).

7. Discussion of approving Spousal Acknowledgement Forms. (This item was deferred at the August 12, 2010 Retirement Board meeting.)
This item was discussed under Board Attorney items.
8. Discussion of approval of the Goldstein Schechter Koch audit and engagement letters regarding the year end September 30, 2010 audit and 2010 State of Florida Annual Report.

A motion was made by Mr. Goizueta and seconded by Mr. Garcia-Linares to approve the Goldstein Schechter Koch audit and engagement letters. Motion unanimously approved (9-0).

9. Investment Issues.

Dave West of The Bogdahn Group reports on the investments. The total fund for the month was down 1.95%. The total fund excluding the real estate asset declined 2.1%. For the fiscal year to date through August the fund was at 2.48%. Total equities combined outperformed the benchmark and were up .62% year to date. Most of the positive attributions came from the international equities. The fixed income portion of the portfolio was at .87% for the month and for the fiscal year to date bonds were up 8.02% and were 31 basis points ahead of the benchmark. The global fund allocation for the quarter marginally outperformed. They think that strategy in this low yield environment will be very helpful going forward with the additional yield enhancement and diversification from those strategies. The JP Morgan fund was at .81%. The standout manager was MD Sass. They had some stock selection in health care that has been pulling it back but this is a long term investment position and it is showing up on a short term basis which is lagging their performance.

Mr. Space states that whenever a manager comes to the Board for interviews they usually take two out of the three managers for diversification purposes. Both Eagle and MD Sass are diversified. If you look at Eagle and MD Sass you see huge dispersions. You have 14% for one year with Eagle versus a 4.02% with MD Sass and since inception you have -1.91 from Eagle versus -8.52 for MD Sass. That is a big dispersion and a lot of money. Should they put more money into Eagle out of MD Sass? Mr. West informs that they take the viewpoint that there is a certain point in diversification that you start to see diminishing returns. He would argue that they are at the point where they are at the peak of the curve. There is a big dispersion of returns but the nature of the manager processes are very different. Mr. Brown points out that between the two portfolios none of their holdings are cross-held. They are both diverse. If you look at a portfolio of that size it is only about 65 stocks combined between the two managers. He thinks Mr. Space has a valid point but also thinks they need to look at a longer time frame for both managers. His guess is if they look at both the managers they will see outperformance based on the different styles they have in place and that combination of them together will produce a more stable return over time. They are looking at two extreme markets. MD Sass looked great toward the end of 2008 because they had a larger cash position and Eagle looked good because they were dramatically underweighted in Financials. He thinks there is a lot of end point sensitivity in that long term number with what has recently happened and he thinks if they extend the time frame out they will see that the decision they made to hold both managers was a valid one.

Mr. Space believes that when they see a manager doing really well and the other is struggling and they have \$10 million in each why can't they put more money into the manager doing well and less money in the manager that is struggling? He thinks they need to get their money into the market that is working for them. Mr. West explains that they can look at each manager over a 10 year track record, look at them together and separately and run the blend. Then they will be able to look at the cyclicity of both styles and look at the net result from a return and volatility standpoint. Mr. Naclerio comments that they can study what Mr. Space has asked them to but he would like to see going forward what they see and what they expect to see in the future. Maybe they will see in the next year that the disparity will turn around between the two managers.

Chairperson Huston informs that he attended a meeting of another organization that is managed by Wilshire. Their one year return was up about 11% to 12% which is what this fund has not gotten close to. They are using a manager called CS McKee. Should they look around for these types of managers that seem to have a better track record? Mr. West knows of CS McKee which is a good manager. He falls back on the same response that they would not encourage chasing manager returns. Ideally if they are projecting ahead they want to be putting more money into a manager when they are off their cycle rather than a manager that had been peaking with the expectation that they know at some point there is going to be some performance rotation. To go and try and chase a manager after they have delivered a high level of returns they suggest that the manager at some point will go into their down cycle period. Mr. Space doesn't want to chase managers he just wants to put the money into a manager that will produce.

Chairperson Huston wants a comparison of the managers of this fund with other well known managers not in the fund for the next meeting.

Mr. Brown gives an overview of Managed Futures as a potential asset class for the fund. Managed futures are professionally managed and are limited liability investment funds that trade across a diverse array of markets, on both a long and short basis, utilizing predominantly exchange traded futures and interbank currency forwards. These products are typically structured much like a hedge fund of funds. Managed futures should not be viewed as a portfolio hedge, but rather as a source of liquid transparent return that is typically not correlated to traditional or other alternative investments. They do not have the same return pattern as bonds or equities. You have a managed future fund of funds so you have a fund sponsor which is the general partner that is going out and finding the various managed futures. Managed futures have the potential to profit from both rising and failing markets without the need to borrow any security. It is extremely liquid and price information is widely available. Since the last meeting one of the managers they think looks attractive, Princeton is available in a mutual fund and the other manager Abbey Capital has registered with the SEC. The industry is moving forward as other types of pension Boards are searching for new places to invest in non-correlated assets. The general structure is a limited partnership. Mr. Goizueta asks what they need from the Board to go forward with this asset. Mr. Brown explains that if this is an asset that interests the Board they think that the portfolio would benefit from a minimum of a 5% allocation to managed futures. Mr. Greenfield informs that he has already reviewed the managers' contracts. The one problem that he had with Abbey Capital has been solved since they are now registered with the SEC.

A motion was made by Mr. Goizueta and seconded by Mr. Garcia-Linares that the Board continues looking into managed futures and that the two managers the consultants are recommending make a presentation at the next meeting. Motion unanimously approved (9-0).

10. Old Business.
There was no old business.

11. New Business.
There was no new business.

Set next meeting date for Thursday, October 14, 2010 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 10:02 a.m.

APPROVED

TOM HUSTON, JR.
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR