CORAL GABLES RETIREMENT SYSTEM
Minutes of January 24, 2008
Youth Center – Auditorium
405 University Drive
8:30 a.m.

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

STAFF:
Kimberly Groome, Administrative Manager
Alan Greenfield, Board Attorney
Donald G. Nelson, Finance Director
Troy Brown, Merrill Lynch

A = Absent
E = Excused Absent
P = Present

GUESTS:
Curtis Carlson, Carlson & Lewittes
Jeff Vance, retiree
Elba Gonzalez, Fowler White
Marj Adler, Human Resources Director
Joe Bogdahn, Bogdahn Consulting
Mike Welker, Bogdahn Consulting
Dave West, Bogdahn Consulting
Burgess Chambers, Burgess Chambers & Associates
Frank Wan, Burgess Chambers & Associates
Sidney Taylor, Burgess Chambers & Associates
Jeff Swanson, Southeastern Advisory Services
John McCann, Thistle Asset Consulting
George Ling, Thistle Asset Consulting
Brenden Vavrica, Thistle Asset Consulting

Mr. Sibley calls the meeting to order at 8:35 a.m. There was a quorum present.

1. Roll call.

2. Election of a Chairman for the Retirement Board [Retirement Ordinance Section 50-88(a)].

**A motion was made by Mr. Garcia-Linares and seconded by Mr. Goizueta to nominate Mr. Sibley as chairman. There were no more nominations. The motion passed unanimously (8-0).**

3. Election of a Vice-Chairman for the Retirement Board [Retirement Ordinance Section 50-88(b)].

**A motion was made by Mr. Goizueta and seconded by Mr. Naclerio to nominate Mr. Huston. There were no more nominations. The motion passed unanimously (8-0).**

4. Election of Investment Committee members [Retirement Ordinance Section 50-121].

Chairperson Sibley informs that the members of the investment committee shall be the trustee, a commission-appointed retirement board member, the administrative manager and two participant retirement board members selected by the retirement board. The chairman of the investment committee shall be the administrative manager.

**A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to appoint commission-appointed Retirement Board member Mr. Naclerio to the Committee. The motion passed unanimously (8-0).**

**A motion was made by Mr. Garcia-Linares and seconded by Mr. Goizueta to appoint participant Retirement Board member Mr. Easley to the Committee. The motion passed unanimously (8-0).**

**A motion was made by Mr. Goizueta and seconded by Mr. Naclerio to appoint participant Retirement Board member Mr. Diaz to the Committee. The motion passed unanimously (8-0).**

5. Approval of the Retirement Board monthly meeting minutes for November 8, 2007. *(Agenda Item 5).*

**A motion was made to approve the minutes of November 8, 2007 by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (8-0).**

Mr. Geraci arrives to the meeting.

6. Items of the Board Attorney. *(Agenda Item 6).*

Mr. Garcia-Linares informs that he just spoke with Mr. Greenfield who was in the hospital all yesterday evening to early this morning with his wife and after talking with the chairperson they decided to tell Mr. Greenfield to go home and take care of his wife. Mr. Greenfield had two items he wanted to inform the Board about. The first one is regarding the election of Mr. Easley. That election has been contested by a police officer and Mr. Greenfield has provided an opinion to the City that Mr. Easley was properly elected and therefore can sit at the Board meeting as a Board member. The second item is that there is an oral argument on the Piñon matter on March 5th. He also mentioned that Curtis Carlson was going to be at the meeting to give an update on the UBS lawsuit.

Curtis Carlson, outside attorney for the Board, reports that about six months ago he had requested a trial date from the Judge but it got lost. Yesterday he hand delivered to the Judge's office a request for trial. A new order will be issued on Monday. They are issuing trial dates in late May or June. They are basically ready to go.

Mr. Carlson informs that he has spent a lot of time in the last two months answering interrogatories that were sent by Fowler White. The interrogatories were very voluminous. They are the type of interrogatories that ask what the damages are and what are the intentions. There are many things that UBS/Paine Webber did wrong and there are two fundamental things that they did wrong that override everything. The first fundamental thing they did wrong was they recommended a portfolio allocation that was supposed to achieve a return of 9.64% however the investment policy said that they were only looking for a return of 9%. That difference of an allocation between 9% and 9.64% seems like it might be a small thing but it actually turns out to be a 14% difference in stocks and bonds. The allocation at 9% would have had 14% more bonds in it than it did by them recommending a 9.64% allocation to the Board. That 14% is over $30 million that would have been taken out of the stock market put into bonds and would have been safe. If you take that and you do the math over those years from 2000, 2001 and 2002 it comes out to about a $21 million loss the fund suffered.

The loss has two components. The first is that they would have had appreciation and interest if that $30 million was invested in bonds. The second aspect is instead of being invested in bonds the $30 million was put in stocks. Most of which were growth stocks and growth stocks had a horrible run during that time. The second thing is what if they didn't touch the portfolio and they left it allocated as it was allocated and they took it from 9.64% down to 9%. If they took 14% of the stocks and put it into bonds and kept that same allocation that was very value biased then the loss would have been $31 million. If they had left it alone and reduced the allocation down to 9% they would have $31 million additional in the portfolio.

UBS/Paine Webber did a lot of things wrong. The second fundamental thing they did wrong was with the manager named Sound Capital. Sound Capital was originally hired to be a growth manager. Sound Capital had an investing philosophy where they want to emulate the allocations that are in the broad market. So if the broad market had 14% technology stocks then they wanted to have 14% of technology stocks in their portfolio. They want to emulate whatever the mix is of the broad market however they are always looking for growth stocks. They were characterized and categorized as a growth manager. What began to happen in 1999 and 2000 was their performance was lagging. They took the deposition of the head person at Sound Capital and he testified that in the fall of 2000 Paine Webber went to them and said they needed to change the benchmark that Sound was being judged against because they weren't meeting the growth benchmark and that they need to be judged against the Russell 1000 or the S&P 500 and not the growth index. Why would Paine Webber do this? Paine Webber did this to sell the services of Sound Capital and who would buy the services of Sound Capital as a growth manager if they aren't even coming close to beating the growth benchmark. Paine Webber went to Sound and told them to change their benchmark. The Busot's came to this Board and said that Sound Capital was no longer a growth manager. Where the Busot's got this idea he doesn't know and it was totally false. They said that Sound Capital was a core manager and said that Sound Capital's portfolio would be 50% value and 50% gross and every once in a while they may shift a little bit between growth and value depending on what they think is in favor. The truth was Sound was a growth manager, they were always a growth manager and they were going to remain a growth manager. Paine Webber thought Sound was a core manager. In 2002 the fund fired Invesco and hired AIM to be the value manager. They hired a new growth manager Nicholas Applegate and 75% of the large cap portfolio was in growth stock and only 25% was in value. Sound had 50% of the assets doing growth, Nicholas Applegate had 25% of the assets doing growth and AIM only had 25% in value. According to Paine Webber's model the plan was supposed to be 50% in growth and 50% in value when in fact the fund had 75% in growth and 25% in value. As a result of that in the year 2000 the portfolio got hammered because it was over weighted in stocks and growth stocks. He calculated that loss by being over weighted in growth stocks at approximately under $5 million.

They are basically ready to go to trial. They are going to get depositions of experts and other things but they are basically ready to go. He suspects that the judge along with the order of trial will also enter an order requiring mediation. It is common. The judge won't let them go to trial unless they first mediate. Chairperson Sibley asks for Mr. Carlson to put all that information he reported to the Board into an Executive Summary and make sure the Board gets a copy of that information. Mr. Huston asks what their claim is. Mr. Carlson informs that the claim is breech of fiduciary duty and breech of contract. Mr. Huston asks what the monetary amount is they are asking for. Mr. Carlson informs that in his mind it is either $31 million or $21 million.

7. Report of Administrative Manager. *(Agenda Item 7).*

**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. Easley. Motion unanimously approved (9-0).**

4. For the Board's information, the fund rebalanced $4,350,000.00 from the Coral Gables Retirement Northern Trust Cash Account bank account. The amount was broken down into the following Coral Gables Retirement Northern Trust Accounts: S&P 500 Index Fund $300,000.00; Delaware $750,000; EAFE i-shares $1,150,000.00; Loomis Sayles $1,050,000.00 and Richmond Capital $1,100,000.00.

5. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account (fiscal year spreadsheet attached):

   - Payroll ending date October 14, 2007 in the amount of $82,343.36 was submitted for deposit on November 7, 2007.
   - Payroll ending date October 28, 2007 in the amount of $75,353.25 was submitted for deposit.
   - Payroll ending date November 11, 2007 in the amount of $76,743.66 was submitted for deposit on November 20, 2007.
   - Payroll ending date November 25, 2007 in the amount of $81,798.47 was submitted for deposit on December 6, 2007.
   - Payroll ending date December 9, 2007 in the amount of $78,693.15 was submitted for deposit on December 27, 2007.
   - Payroll ending date December 23, 2007 in the amount of $73,091.50 was submitted for deposit on January 9, 2008.

6. For the Board's information:

   - Carene B. Little passed away on December 5, 2007. She was receiving pre-retirement survivor benefits which began December 1, 1967. Her benefits have ceased.
   - Clinton Swanson of the Public Service Department passed away on December 10, 2007. He retired on June 1, 1984 with Option 2B-2/3. His beneficiary passed away in March 2000. Therefore his benefits cease.
   - Phyllis Mezner of the Police Department passed away on December 26, 2007. She retired on May 1, 1994 with Option 2B-50%. Her beneficiary began receiving post-survivor benefits on January 1, 2008.
   - On November 14, 2007 FPPTA Annual Membership dues for 2008 were paid in the amount of $500.
   - On December 7, 2007 The Berwyn Group was paid $38.00 for their locator services.
   - On January 9, 2008 The Berwyn Group was paid $19.00 for their locator services and $381.60 for their death check audit.

7. A copy of the Summary Earnings Statements from the Northern Trust Securities Lending Division for billing period September 1, 2007 to September 30, 2007; October 1, 2007 to October 31, 2007 and November 1, 2007 to November 30, 2007 are attached for the Board's information.

8. Attached for the Board's information are the Class Action Security Litigation summaries from Northern Trust regarding the Retirement fund's account as of November 5, 2007 totaling $95,533.44; December 5, 2007 totaling $118,525.83 and January 2, 2008 totaling $97,078.03.

9. Attached for the Board's information are the Statements of Pending Transactions and Assets as of October 31, 2007, November 30, 2007 and December 31, 2007 from JP Morgan.

10. Attached for the Board's information are the Statements of Settled Transactions for the period of October 1, 2007 through October 31, 2007; November 1, 2007 through November 30, 2007 and December 1, 2007 through December 31, 2007 from JP Morgan.

11. For the Board's information the Merrill Lynch Directed Brokerage Monthly Statements from month ending July 31, 2007 through month ending November 30, 2007 are is attached.

12. For the Board's information the Merrill Lynch Consulting Services Disclosure Statement is attached.

13. For the Board's information the JP Morgan Strategic Property Fund 4Q07 Snapshot report is attached.

14. Attached for the Board's information is the JP Morgan Real Estate Insights for December 2007.

15. A copy of a letter from Merrill Lynch dated November 16, 2007 regarding an important rule change governing the ability to seek or accept allocations in certain public offerings (Rule 105 of Regulation M) is attached for the Board's information.

16. A copy of a letter dated November 26, 2007 from Patricia Shoemaker of the State of Florida to David Miller of Akerman Senterfitt acknowledging the receipt of their September 21st letter with attached letter of no actuarial impact from Larry Wilson and a proposed ordinance amending the plan in compliance with certain Internal Revenue Code provisions is attached for the Board's information.

17. A copy of a letter from Stanley Holcombe & Associates dated November 27, 2007 is attached for the Board's information informing the Retirement System that the retirees will receive a cost of living increase for 2008 of 2.3%.

18. A copy of a letter dated November 27, 2007 from Sarabeth Snuggs of the State of Florida to The Honorable Mayor Slesnick regarding the issues with the State Annual Report is attached for the Board's information.

19. A copy of a letter dated December 3, 2007 from David Miller of Akerman Senterfitt to Patricia Shoemaker of the State of Florida is attached for the Board's information regarding the receipt of the State's letter of November 26, 2007.

20. A copy of a letter dated January 4, 2008 from Patricia Shoemaker of the State of Florida to David Miller of Akerman Senterfitt acknowledging the receipt of Mr. Miller's letter of December 3, 2007 is attached for the Board's information.

21. For the Board's information a letter from Northern Trust dated December 2007 is attached concerning disclosure regarding receipt of fees from Non-proprietary mutual funds.

22. Attached for the Board's information are various articles regarding Merrill Lynch.

23. Two articles from FundFire are attached regarding the closing of the Ft. Lauderdale, FL defined benefit plan and the possible closing of the Tampa, FL defined benefit plan.

24. An article is attached for the Board's information regarding the purchase of pension bonds by Palm Bay, FL for their police and fire benefits.

25. A copy of the December 2007 NCPERS Newsletter "The Monitor" is attached for the Board's information.

26. An invitation to the National Conference on Public Employee Retirement Systems (NCPERS) Annual Legislative Conference in Washington, D.C. from February 4, 2008 through February 6, 2008 is attached for the Board's information.

27. An invitation to the 5th Annual Made in America 2008 Taft-Hartley Benefits Summit in Orlando, FL from February 10, 2008 through February 12, 2008 is attached for the Board's information.

28. An invitation to the Institutional Investor Search for Alpha Forum in San Francisco, CA from March 10, 2008 to March 11, 2008 is attached for the Board's information.

29. An invitation to the Institutional Investor Institute Public Funds Roundtable in New Orleans, LA from April 23, 2008 to April 25, 2008 is attached for the Board's information.

30. For the Board's information the JP Morgan Real Estate and Real Assets Conference will be held on April 30, 2008 to May 2, 2008 at the Biltmore Hotel in Coral Gables, FL. More information will be sent in the coming months.

31. For the Board's information the JP Morgan Alternative Asset Management 6th Annual Hedge Fund of Funds Conference will be held on May 8, 2008 in New York, NY.

32. 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:

1. For the Board's information, there was a transfer of $1,600,000.00 from the Northern Trust Cash Account for the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of November 2007 for the December 2007 benefit payments.

2. For the Board's information, there was a transfer of $1,500,000.00 from the Northern Trust Cash Account for the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of December 2007 for the January 2008 benefit payments.

3. For the Board's information, there was a wire transfer of $5,850,911.75 from the City of Coral Gables' bank account to the Coral Gables Retirement Northern Trust Cash Account for the City's 1st quarter retirement contribution of 2008.

Chairperson Sibley asks if the amount they are normally paying out for the month is around $1.5 to $1.6 million. Ms. Groome answers affirmatively. Chairperson Sibley asks what the wire transfer of $5.8 million in item 3 was. Ms. Groome informs that is the quarterly City contribution. Chairperson Sibley asks if he multiplies that by four then that is the amount the City will pay for the year in contributions. Ms. Groome answers affirmatively. Mr. Naclerio remembers that at the last meeting the Board had a discussion on paying the contribution in one lump sum to the plan versus paying quarterly. Mr. Nelson informs that they are complying with the State's request that the City pay quarterly contributions to the fund. This is the first payment and they will make another payment this week in the same amount. Then there will be two more quarterly payments. Chairperson Sibley asks if those payments include the $3 million the City owes the retirement fund. Mr. Nelson answers negatively.

**A motion was made by Mr. Garcia-Linares and seconded by Mr. Goizueta to approve items 1, 2, and 3. Motion unanimously approved (9-0).**

8. Employee Benefits: *(Agenda Item 8)*
(The Administrative Manager recommends approval of the following Employee Benefits.)

<u>Retirement Benefits:</u>

Retirement application of Ricardo Cardona of the Public Service Department, 23 years, 2 months, Option 2B-100%, effective January 1, 2008.

RESOLUTION 3096
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
RICARDO CARDONA

WHEREAS, Ricardo Cardona has applied for retirement effective January 1, 2008, and,

WHEREAS, Ricardo Cardona requests to take Option 2B-100% Retirement with his last working day December 28, 2007.

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 Ricardo Cardona retirement benefits under Option 2B-100% as certified by the Actuary, the first day of every month, beginning January 1, 2008 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 Mr. Cardona's retirement application was made by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (9-0).**

Retirement application of Omar Padron of the Internal Audit Division, 19 years, 5 months, Option 2B-50%, effective January 1, 2008.

RESOLUTION 3097
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
OMAR PADRON

WHEREAS, Omar Padron has applied for retirement effective January 1, 2008, and,

WHEREAS, Omar Padron requests to take Option 2B-50% Retirement with his last working day December 28, 2007.

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 Omar Padron retirement benefits under Option 2B-50% as certified by the Actuary, the first day of every month, beginning January 1, 2008 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 Mr. Padron's retirement application was made by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (9-0).**

Retirement application of Selina Aguiar of the Police Department, 23 years, 2 months, No Option, effective February 1, 2008.

RESOLUTION 3098
A RESOLUTION GRANTING NORMAL RETIREMENT BENEFITS
TO
SELINA AGUIAR

WHEREAS, Selina Aguiar has applied for retirement effective February 1, 2008, and,

WHEREAS, Selina Aguiar requests to take No Option Retirement with his last working day January 20, 2008.

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 Selina Aguiar retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning February 1, 2008 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. Aguiar's retirement application was made by Mr. Diaz and seconded by Mr. Goizueta. Motion unanimously approved (9-0).**

<u>DROP Benefits:</u>

DROP application of Jack Kerns of the Fire Department. Effective date January 1, 2008.

**A motion to approve Mr. Kerns' application for the DROP (Deferred Retirement Option Plan) was made by Mr. Huston and seconded by Mr. Easley. Motion unanimously approved (9-0).**

DROP application of Richard Ridley of the Public Works Department. Effective date January 1, 2008.

**A motion to approve Mr. Ridley's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Diaz and seconded by Mr. Easley. Motion unanimously approved (9-0).**

DROP application of Greg Webber of the Fire Department. Effective date February 1, 2008.

**A motion to approve Mr. Webber's application for the DROP (Deferred Retirement Option Plan) was made by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (9-0).**

<u>Buy Back of Prior City time, Other Public Employer Service, Military Service Time:</u>

Application of Olga Alfonso of the Building and Zoning Department requesting to buy back 4,106 days (11 years, 2 months, 25 days) of prior City service time.

**A motion to approve Ms. Alfonso's application for the buy back of prior City service time was made by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (9-0).**

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

Carlson & Lewittes, P.A. invoice no. 11112 dated November 20, 2007 for costs and expenses in the amount of $7,905.74. This invoice is in accordance with the contract between Curtis Carlson and Coral Gables Retirement System signed on June 10, 2004. Specifically Section 8 "Client agrees to pay all costs, such as court filing fees, mediator fees, subpoenas, trial graphic presentations, depositions and court reporters, transcripts, reports, investigation, expert witness fees, witness statements, photocopying, long distance telephone calls, travel, computer research, and other expenses directly incurred in investigation or litigating the claims."

Mr. Space states that when they pay a bill to Mr. Carlson or to Mr. Greenfield that has anything to do with the UBS lawsuit he would like a running total of how much they have already invested. Chairperson Sibley asks if this can be done. Ms. Groome informs that it can.

**The Board unanimously approved the Carlson & Lewittes, P.A. invoice in the amount of $7,905.74 (9-0).**

Stanley Holcombe and Associates invoice no. 3515 dated November 28, 2007 for actuarial consulting services from November 1, 2007 through November 16, 2007 in the amount of $4,460.00. This invoice is in accordance with the contract between Stanley, Holcombe & Associates and Coral Gables Retirement System signed on October 9, 2003.

**A motion to accept the Stanley Holcombe and Associates invoice in the amount of $4,460.00 was made by Mr. Goizueta and seconded by Mr. Easley. Motion unanimously approved (9-0).**

10. Discussion, review and approval of the October 1, 2007 (draft submitted) as mandated by the Code of Ordinances of the City of Coral Gables, Article 3 Boards, Commissions, Committees, Section 2-66 Annual Report which was due to the City Manager by October 1, 2007. This item was tabled at the November 8, 2007 Retirement Board meeting.

**A motion approving the Retirement Board's Annual Report to the City Manager was made by Mr. Huston and seconded by Mr. Goizueta. Motion unanimously approved (9-0).**

11. Request from retiree Jeffrey Vance to discuss the repayment of the overpayment made to his DROP account. Mr. Vance was overpaid $21,588.83 on his final DROP amount in 2002 and began paying the retirement system back $250.00 per month as of May 2003. This item was deferred at the November 8, 2007 Retirement Board meeting.

Mr. Vance informs that he was overpaid $21,588.83 and it took the City about 18 months to discover. At the time he agreed to repay this money he was advised that this was the only time this has happened. Later he found out that this happened in the amount of $28,000 to Officer Don Smith approximately five years prior to his overpayment. The overpayment to Officer Smith was excused and no repayment was ever asked or made because Officer Smith was ill. Mr. Vance informs that he has paid back approximately $13,000 of the $21,000 and to date he has paid $8,608 in taxes on that money he is repaying to the City. These funds were transferred into his 401K and due to family illness and the death of his father the nursing home cost him over $264,000. It was imperative that he remove those funds that cost him 28% income tax and a 10% early withdrawal penalty.

Mr. Vance doesn't think he should have been responsible for the $21,000 overpayment. It was not his mistake. When he was a police officer with the City he hand counted during his duties over $296 million with zero errors. Had he miscounted $21,588 he would have been suspended or fired. He spent 32 years working for the City. He spent over 165 days hospitalized during his duty time. He suffered gun shot wounds, stabbings, four broken noses, three concussions and seventeen car accidents. He doesn't know what else he could have given to the City. Since he has retired he has not received one single phone call from the City of Coral Gables. All he gets is the little bulletin from the City letting him know how the City is doing. No body checks on the retirees. They have no representation. The only people who can help the retirees is this Board.

When he signed up for the DROP plan he met with Mr. Sansores and was told he had to pick an option for the DROP plan so he took Option 2B so his wife could get paid for the rest of her life. However if both he and his wife died in an automobile accident or an airline crash his son would get nothing. This was not explained to him. He could have bought a massive life insurance policy for half of what it cost him for Option 2B and had his children covered. He is asking that he get reimbursed or excused from the $8,608 for his income taxes that he has to pay on money that he doesn't get to keep on a mistake he didn't make. Mr. Diaz asks what amount the $8,600 is. Mr. Vance replies that it is the 28% in income tax and 10% in penalties he had to pay. It was $6,449 in income tax and $2,159 in penalties. Mr. Diaz asks if he cashed out before he was aware of the error. Mr. Vance informs that the error wasn't found for 14 to 18 months after he left the City. Chairperson Sibley asks what specifically is Mr. Vance asking the Board to do. Mr.

Vance informs that he would like the Board to either excuse the balance of his loan or reimburse him for $8,600 in income tax and penalties.

Mr. Garcia-Linares informs that he looked through the minutes of the meeting when the Board agreed to the $250 pay back to the fund and most of what Mr. Vance said at that meeting he said at this meeting. The fact that he had to pay taxes on the $21,000 was not the result of anything that the City or the Board did. For personal reasons he had to take the money out. Mr. Vance disagrees. He still has to pay income tax. Mr. Garcia-Linares asks how the $250 is being taken out. Chairperson Sibley asks if it is a payroll deduction. Ms. Groome answers affirmatively. Chairperson Sibley asks if it is pre-tax or post-tax. Ms. Groome informs that she will have to look into that. Mr. Huston asks if the $21,000 went into the 401K. Mr. Vance agrees. Mr. Huston states that he pulled it out and then had to pay the tax and penalty. If the $21,000 never went in the account there wouldn't have been the level of tax he had to pay. Since he is paying this back have no adjustments been made on the taxes? Mr. Vance answers negatively. He is paying taxes on the $250 repayment. Chairperson Sibley clarifies that Mr. Vance is asking for a dollar figure from the Board. Mr. Vance agrees. He is asking for $8,608.

Mr. Nelson comments that it is clear their documents show that Mr. Vance's DROP calculation was incorrect but as far as his tax issue that is Mr. Vance's responsibility. Mr. Vance needs to provide that information to this Board before this Board contemplates doing anything. Mr. Garcia-Linares points out that because of the overpayment the fund lost whatever investment moneys it would have made on the $21,000. The fund is not getting any interest back on this money. His point is that the fund missed the ability to investment that money and is not getting any interest on the dollars. He thinks that when they balancing everything the Board needs to take that point into consideration. Mr. Space states that the City made the mistake and since the City made the mistake he is on the side of the retiree. Chairperson Sibley thinks that if Mr. Vance could bring back to the Board a document from a certified accountant regarding the tax situation they just discussed it might make a difference in how the Board votes on this situation. Mr. Garcia-Linares informs that the Board owes a fiduciary duty to the fund and not to the individual and the fund is separate from the City. Mr. Space understands that they have a fiduciary responsibility to the fund but he also understands that this Board was directed by the Court to give equitable adjustment to people who have been mistreated and that this Board has the right to do an equitable adjustment to people who have been mistreated. This item was tabled until the next meeting.

12. Investment Issues.

Troy Brown reports that he has two items that require a vote. The investment policy addendum for Winslow Capital was amended to allow a maximum of 15% in ADRs in the portfolio as requested by Winslow. In light of this Board's recent move to 20% total in international he thought it was reasonable. It doesn't significantly increase the risk in the portfolio and Winslow feels that it would maximize their ability to add value. Chairperson Sibley asks if Mr. Brown recommends this change. Mr. Brown answers affirmatively.

**A motion was made by Mr. Huston and seconded by Mr. Garcia-Linares to increase the maximum of ADRs in the Winslow portfolio to 15%.**

**Discussion:**
Mr. Geraci asks for a more detailed explanation. Mr. Brown explains that in the existing investment policy the Board set a maximum limit of 10% for the large cap managers to invest in ADRs. Mr. Geraci asks how much money is invested with the large cap managers. Mr. Brown informs that each of the managers have about $20 million. Mr. Geraci asks how many managers they have. Mr. Brown informs that they have four active managers. There is only one manager that is asking for the ability to go up to 15% in ADRs and not the other three. Mr. Geraci asks what ADRs are. Mr. Brown responds that ADRs are American Depository Receipts which are foreign companies that trade on US exchanges and to be a listed ADR they have to comply with GAAP accounting standards. Mr. Nelson informs that he and Mr. Brown discussed this. He agrees with the recommendation to go to 15% ADRs with Winslow.

**Motion unanimously approved (9-0).**

Mr. Brown informs that the next item is what the Board agreed to at the last meeting which is to increase a target on international equity to 20%. The investment policy has been amended.

**A motion was made by Mr. Goizueta and seconded by Mr. Easley to accept the changes to the investment policy. Motion unanimously approved (9-0).**

Mr. Brown reviews the State Street post trade manager transition report. This transition cost a total of 63 basis points. The majority of it came in 7 basis points below their pre-trade estimate. The impact cost was 49 basis points. The majority of the 63 basis points was the market movement. To end on an up note Mr. Easley had asked how the performance was of the Boston Company during the last quarter. At the 4$^{th}$ quarter the Boston Company's portfolio was down 348 and the EAFE was down 170. If they want to put a dollar figure on the fact that they made an immediate decision on the Boston Company it is north of $500,000 they saved in opportunity cost. Chairperson Sibley states that a lot of people were nervous about making the decision and he remembers Mr. Greenfield saying that he wishes others could see how decisions are made by this Board. He is proud that they all take this job serious. If only the tax payers and the Commissioners could see that this Board is doing their job the way it is supposed to be done.

Mr. Brown goes through some items that the Board was planning to do in the future in case he does not retain the employ of the fund. They were going to do the interview of Delaware based on the fact that they have two international managers coming on line and Delaware's performance has lagged relative to the candidates they looked at. JPMorgan will be coming in to talk about international opportunities in real estate. They were also going to do an in depth review of the small cap portfolios.

Mr. Goizueta thanks Mr. Brown for his service to the fund and lets him know he has done an outstanding job. Mr. Brown thanks the Board. He adds that this Board has been one of the most professionally run boards he has worked with and it has been a pleasure.

Mr. Garcia-Linares asks regarding the issue with Mr. Vance if were there were other individuals that were overpaid and have similar arrangements that they are paying back monthly to the fund. Mr. Nelson answers affirmatively. Mr. Garcia-Linares thinks they need to know what that is because if they approve what Mr. Vance is asking for then every single person is going to come in and ask for money back. Mr. Diaz states that in this case Mr. Vance cashed out his 401K. Mr. Garcia-Linares believes that the cashing out is not the Board's issue. Mr. Vance cashed out for personal reasons. Mr. Diaz understands but Mr. Vance thought that the $21,000 was his. Mr. Garcia-Linares understands that whether or not Mr. Vance cashed out his 401K he still has to pay back the money after tax dollars. Mr. Diaz states that Mr. Vance is only asking for the money back that he got taxed and a penalized on. Mr. Garcia-Linares points out that as a Board looking at this issue their duty is to the fund. They need to look at the what the total cost may be if they decide to make this type of change. Before the next meeting if the Board is going to make any decision he would like to know how many people have been overpaid and what the total amount is so they know what the universe is of possibilities. Mr. Nelson doesn't recall that they forgave money. The retiree has always paid back the fund. In this case Mr. Vance is paying back without interest and it is a very low payment. They have had many cases. Mr. Huston believes that the fact Mr. Vance incurred a penalty doesn't have anything to do with this Board.

13. Selection and qualification of candidate presentations for consulting services. Time certain in the following order:

Bogdahn Consulting
Joe Bogdahn, Mike Welker and Dave West make their presentation to the Board. Mr. Bogdahn informs that they have five Charter Financial Analysts, two Certified Investment Analysts, two CPAs and an attorney in their firm. They are based in Winter Haven and are 100% employee owned. They have had no professional turnovers since the inception of their firm. Eighty-five percent of their business is Florida public pension plans and 100% is consulting for a hard dollar fee. Mr. Space asks how many plans they have. Mr. Bogdahn responds that they have about 120 which represents about 80 municipalities. Mr. Space asks how many consultants they have to represent these plans. Mr. Bogdahn informs that it varies. Their average client to consultant ratio is about 16:1.

Chairperson Sibley notices that their average fund is $31 million. How many of their funds they manage are up around $250 million? Mr. Welker thinks it is important that they put together the group of people they have with the consultants and the back office. The beauty of that is not everyone came from the consulting arena. They have people who came from the management side; they have people who came from the custodial side and people who came from the plan sponsor side. They think they can help determine who the better managers are and the better custodians since they have already been on that side. They have plans they currently work with that are over $100 million and some of their consultants have worked for some of the largest plans in the State. Those consultants have brought a lot of experience to their firm and what they learned with the larger plans and how to deal with plans of that size.

Mr. Bogdahn informs that of the firms the Board is interviewing they are the only firm that individually input every transaction for their client. They catch errors based on daily information as the trade comes through and not after the fact. They pay a lot of attention into what they do and put a lot of effort into details. They have the resources to take care of an account of this fund's size or any size. They are on the cutting edge regarding the technology piece of recording software. They purchased the best software reporting they could get which is the Rogers Casey Paris system. They also have an attribution software which adds efficiencies to their fundamental approach to manager evaluations. It analyzes the components of the historical returns and assists in the determination of luck or repeatable skill. They have an asset liability software that helps model appropriate asset allocations based on the liabilities of the plan. They work with the actuary and specific plan assumptions to create the appropriate asset allocation. During the last 11 years they have lost zero clients. If they were doing a bad job they would have been fired. It hasn't happened for them and they expect that to continue. They have a money back guarantee and if the Board hires them and don't get what they expected from their firm they will refund the money.

Mr. West speaks to the way their firm reviews portfolios. They review the plan design and the actuarial input. Then they design the plan based on the fund's index level. They will pick a team by picking managers that will work well together and deliver the product in a cost effective way. Mr. Welker informs that for a five year period 93% of their plans rank in the top 40$^{th}$ percentile in their peer group and 87% rank in the top quartile. Their plans are performing very well because they are able to apply a lot of research to the table.

Mr. Space asks what State limitations does the Board have to follow that they can or cannot invest in. Mr. Bogdahn responds that there are no limitations. The 175 and 185 have more limitations that this type of plan but the City has share plans for those. This plan is more broadly governed under Statute 112 and 215. There are limitations on liquid investments and other minor pieces. As a local law plan the City Council through the ordinance that governs it can say that they can invest in anything they want to. They have a number of boards that do so. Mr. Space asks if they wanted to in the investment policy if the Board wanted to invest in derivatives or other types of alternatives they have the ability to do that. Mr. Bogdahn agrees. They have to make sure they specifically list those in their investment policy. He informs that Statute 112.661 lists what the Board can do in their investment policy. The Board can do all types of investments if through the education process of the Board they think an investment would be reasonable.

Burgess Chambers & Associates
Burgess Chambers, Frank Wan and Sidney Taylor make their presentation to the Board. Mr. Chambers informs that his firm reached $1.2 billion in the 4$^{th}$ quarter of 2007. They completed their client reporting system convergence in the 3$^{rd}$ quarter of 2007 which now

allows them to go into web based information mode so their clients are able to access their account information by the internet. They are in the contract stage with 5 new clients since the beginning of the year one of which is about $260 million which is a workman's comp fund. They began fiduciary over-sight of hedge funds to their clients in the 4th quarter of 2006 and they established a student intern program with Stetson University in the 2nd quarter of 2006. According to the Investment Management Institution they ranked in the top 50 national consulting firms in the United States. They have a number of clients in the area and they have worked for the Coral Gables Police share plan for a long time. They have done a great job there. They introduced innovative solutions to Police fund and have kept their costs down. The Police fund has been able to exceed their actuarial assumption over various time periods.

Mr. Chambers explains that they have cultural values in their firm. He wants a team of people who have a passion for doing what they do. Their firm's core values are innovative, ethical, creative, intellectual and proactive. He thinks it is that blending of talent that has allowed their firm to be nimble and out of the box in terms of introducing new ideas and solutions to clients. Critical issues they use for all their clients are compliance, risk management, actuarial soundness, improving performance and reducing costs. These are what they focus on when they have their staff meetings, when they prepare investment policy statements, when they do manager searches, and asset allocation studies. They always keep those five issues in mind.

Chairperson Sibley asks what is the majority benchmark of the pension plans he consults. Mr. Chambers responds that they are 60/40. It is a typical benchmark. Chairperson Sibley asks what the majority assumption rates are of the pension plans he consults. Mr. Chambers replies that it is anywhere from 8% to 9%. All of their clients who have adopted their recommendations have achieved or exceeded the actuarial assumption rate over the last five years.

Mr. Space asks as a pension fund what are they allowed to invest in. Mr. Chambers explains that his view is that by ordinance they can adopt a hedge fund program. Mr. Space asks about derivatives. Mr. Chambers doesn't think there is anything that says a fund can't do derivatives but there is a prudent man rule. Mr. Space asks if there are any State documents that tells pension plans what they can or cannot do. Does it hinge on what you do with the Board policy? Mr. Chambers answers affirmatively. International is the only specific restriction that the State has.

Chairperson Sibley asks if they have any clients who have the same type of fund as this Board does with JP Morgan. Mr. Chambers responds that there are a couple of assignments that have that JP Morgan fund and they have asked to cut the allocation back to 15%. What they have seen happen in real estate is repricing. That particular segment is going to be under pressure this year.

Mr. Wan informs that he is in charge of manager interviews at Burgess Chambers. By interviewing the managers they learn about the markets. They learn from all these elite professionals that teach them everything they need to know about investments. They try to dig deep into every manager and how they manage money. They are trying to focus on how they try to protect the downside and how they are able to capture the market downside. They also look at their performance. They track a lot of managers and review them on a quarterly basis. Sometimes managers do not stick to their discipline so what happens is they would drift from a growth manager to a value manager just so they could beat their benchmarks. They try to stick with the managers that stick to their discipline and then survive over the years and outperform their benchmarks so they can add value to the portfolio. Mr. Goizueta asks out of the 12 managers the fund has would they recommend replacing any of them. Mr. Taylor answers that they would recommend some changes. Mr. Space asks what their ratio is of managers to clients. Mr. Taylor responds that they have four people working with 50 clients.

Mr. Chambers informs that they would like to improve this fund from a risk reward standpoint. This fund has a lot of downside exposure right now. They can help this fund with their costs. They will come to all their meetings. They have a big presence in South Florida.

Merrill Lynch Consulting Services
Chairperson Sibley informs that he has been very happy with Mr. Brown’s honesty and integrity. Mr. Garcia-Linares asks what is happening with Merrill Lynch and why should the Board keep them. Mr. Brown informs that there have been no updates regarding the situation with Merrill Lynch. There are a number of clients that have one attorney group that wants co-fiduciary language that Merrill Lynch won’t sign and those clients are going out for RFP.

Mr. Brown informs that Merrill Lynch has a lot of people doing the research of the topics he brings to the Board. All of the firms they have been interviewing today will do a good job for the fund. What sets Merrill Lynch apart is the depth of the organization in terms of manager due diligence. He believes he has a duty to this Board. He has no influence of putting managers on Merrill’s manager list and managers do not pay Merrill to get on their manager list. He has been meeting with clients for 16 years and his primary focus that he had before he started taking over plans when employees started leaving Merrill was more hospitals than endowments. This Board works like those hospitals and endowments he is used to. He has never been a broker. He started in this business writing performance measurement software. Someone put him in front of a client 16 years ago and he liked doing that. He still does a lot of the analysis and hopefully he has come across to the Board as someone who may not have the answers but will find those answers out and give them to the Board. He thinks they have made a lot of positive changes in the last year and he continues to do that. He has about 17 clients he deals with and he does not intend to increase that number. He has conveyed this to Merrill Lynch.

Mr. Brown believes that independent is more of a word than an action. The Board has to ask themselves if the independent consultants they are interviewing have the resources to send people on a plane to California to look at the office operations of a company like Aletheia. Do they have the ability to do that and the resources to do that? Merrill Lynch does. What the other firms have is the ability to do what he does on a monthly basis just as well as he does for the Board. It is a people business. The Board has to be comfortable with the people they are working with. Mr. Diaz asks if Mr. Brown can assure the Board that he won't leave Merrill Lynch if the Board decides to stick with Merrill. Mr. Brown answers that he is staying on the account and sticking with Merrill Lynch. Merrill Lynch has told him that he will still have a job and he is committed doing what he does for his clients. He will stay on this account and he makes that commitment to the Board.

Southeastern Advisory Services
Jeff Swanson makes his presentation to the Board. He is happy to be in front of the Board again. They have had history together and he thought that history was good. He would be thrilled for that history to continue. Before he gets into his presentation he would like to start by clearing the air. He knows they have seen through a news article that he received a Wells letter in connection with the SEC's investigation with his former employer Merrill Lynch. To him the Wells process is a positive because it means it is the beginning of a conclusion to what has been a very long process. The proceedings against Merrill Lynch is an administrative proceeding and that means policy and disclosure and things of that nature. Southeastern has been in business since 1986 and the firm has never had a regulatory issue, never had a client complaint or a lawsuit with a single client. The issue regarding his receiving the Wells letter in no way affects Southeastern or their clients. This is a very competitive business and people write articles for a number of reasons to advance their agenda. He has one single agenda and that is to earn the Board's trust and to make sure their investment program is on track. He hands out a positive article that was just written on the firm.

Mr. Naclerio points out that he has no reason to know what Southeastern's regulatory posture is and he respects very candidly the things Mr. Swanson said that Southeastern is not involved in anything that Merrill is involved in. When he had his deposition with the SEC regarding Merrill and he was asking questions of the SEC about what was going on and the SEC's response was that he should ask Mr. Swanson because Mr. Swanson knew what was going on. Now Mr. Swanson is with a new firm, Southeastern, and he will be handling the Board's business if they choose Southeastern. As a fiduciary how does he reconcile asking Mr. Swanson what was going on and hiring him and Southeastern? Mr. Swanson informs that their services are guaranteed. If the Board is unhappy for any reason in the future any fee that they may have paid will be refunded. He was the first to leave Merrill and he thinks there will be more departures. It is an issue at Merrill Lynch and he has aligned himself with what he believes is the best firm for him and the best firm for this fund. Mr. Naclerio informs that he was never unhappy with the services Mr. Swanson provided to the Board while he was working for Merrill Lynch. What his concern is as a Board member and a fiduciary are things he was informed of by the government and things he wasn't aware of. He wants to make sure that he is not going to be criticized again if they choose Southeastern. Mr. Swanson informs that Southeastern is a totally independent firm with a pristine track record. The Board will contract with Southeastern and none of these issue involved them.

Mr. Swanson states that Southeastern provides one thing and that is investment consulting to institutional clients. They are not constrained by any infrastructure or revenue models in terms of finding the world's best investment managers. There are no restrictions. He believes that they wouldn't hire an investment manager without looking at their track record. The same is true with the investment consultant. He shows the track record of every public fund he advises. The firm has been around since 1986. Their headquarters are in Atlanta. They have consultants in Miami and North Carolina and he is out of Jacksonville so they really do cover the southeast. They consult over $3 billion in client assets and they are a major player in terms of consulting. The biggest difference is their $3 billion is only carved up across 40 clients. Many of the firms the Board is interviewing have hundreds of clients. This fund is unique. In Florida the typical plan is $10 to $30 million in size and their firm is not really set up to accommodate clients like that. They are focused on serving clients like this fund. Their average client is about $100 million in size. The reality is that boards of this size have a completely different menu of needs. They meet monthly and Southeastern's clients meet monthly. This fund has enough assets to diversify the portfolio as broadly as they like and others do not. Typically other plans have one portfolio manager and quarterly meetings. This is a key differentiator. Southeastern is set up to handle clients that are exactly like this fund.

They are a Wilshire cooperative firm. That is another big point. Wilshire has become the standard in the industry in providing a high level of service but within a conflict free structure. Clients' assets in the Wilshire cooperative are nearly one trillion in size. This is a big deal. This is the group that has the best reporting and analytics. In the extent of public funds experience, he is a specialist in public funds. He has worked almost exclusively with public funds for twelve years. Southeastern has a long history in working with public funds but they also have a long history of working with other client types such as foundations and endowments. About half of their clients are foundations, endowments and other corporations. He thinks that is important because it shows they have experience in working with alternatives. Alternatives really are the future.

Mr. Swanson informs that he is a big part of the Florida Public Pensions Trustee Association. If the Board members attend any type of conference he is at that conference. If there is a question about any presentation at those conferences he is available as a resource to them. Southeastern has five senior consultants and the key is experience. They have two CFAs and an actuary on staff. Hilda Thompson and Wally Wilson are on their staff and they handle the City of Miami's fund exclusively. Mr. Garcia-Linares asks if Wally Wilson was the fund's actuary at one time. Mr. Nelson responds that he was the fund's actuary for over 25 years. Mr. Swanson informs that Ms. Thompson and Mr. Wilson both came from Watson Wyatt and when Watson Wyatt got out of the consulting business they wanted to continue working with the City of Miami and joined Southeastern.

Mr. Space asks what limits what the Board can do regarding investments. Mr. Swanson replies that the Board's limitations are covered under State Law 215. The advantage he thinks Southeastern brings to the table is that they have a lot of experience working with alternatives. State Law 215 basically says that the Board's attorney can interpret the law how they like. Southeastern has worked with most of the major attorneys in Florida to accommodate an absolute return allocation. Mr. Space asks if there is no regulation that lists what the Board can or cannot do. If they write a policy and debate amongst themselves and say that an investment is prudent in their mind and the Board attorney agrees then they can invest in it. Mr. Swanson agrees. The one thing that State Law 215 says is that the Board can have an investment with up to 25% limitation on non-US securities. Mr. Space clarifies that as far as other kinds of investments the Board can do whatever they want to do as long as they debate it and put it in their policy. Mr. Swanson agrees. Mr. Nelson agrees that the investment policy is open and the Board has the right to determine the investment policy provided it doesn't exceed the international portion. If it goes beyond prudent manners of investments or derivatives the Commission does have the right to bring that up and then overrule it. The Board has the approval to adopt the investment policy that is within the prudent man law. Mr. Swanson explains that one of the big challenges of whether it is prudent is to consider what other Florida plans have done. That is one of the big hurdles. If you look at what other similar plans and similar guidelines are doing then that is a good guideline to use. That is one of the things the investments consultant will bring to them. One of the things that they do for their clients is to resource compelling investment teams that deliver diversification but also meet the various stringent requirements of the local attorneys here in Florida. Who the attorney is matters in that instruction. They have been very successful in adding alternatives to their clients' portfolios and that is one of the reasons they have done so well in the last year and a half. Chairperson Sibley asks how many Florida clients Mr. Swanson serves. Mr. Swanson answers that he has 11 Florida funds. Mr. Sibley asks of those 11 funds do they have an attorney in common. Mr. Swanson answers affirmatively.

Mr. Swanson continues. One of the big differences for them is the Wilshire cooperative. Wilshire is one of the largest consulting firms in the world. They provide Southeastern with the universe comparison and the customized reporting platform. They have a live universe comparison. Merrill Lynch does not have the universe to compare the real estate manager with other real estate managers but Southeastern does. They have something in their firm that even a large firm like Merrill Lynch does not have. They are offering a higher level than the rest of the consultants. He will be their single interface among all investment issues. They will do everything for a single fee. Mr. Space asks if the Board gets an actuarial report would Mr. Swanson communicate with Mr. Wilson about it. Mr. Swanson replies that he would.

Mr. Swanson informs that this fund would be his twelfth client which gives them a low client to consultant ratio. He has time to be at the meeting every month for the Board. He is out of Jacksonville Beach and is planning on moving down to the Miami area. As the consultant they are accountable for the fund's success. If the fund has a bad year then the responsibility falls on the consultant. The fee is 4 basis points and that is the only compensation Southeastern receives.

Mr. Geraci asks based on the current market what would Mr. Swanson suggest the Board do regarding their investments. Mr. Swanson shows all of his clients he has with

Southeastern and their performance in the last year. All his clients earned between 14% and 16.5% in the last year ending September 30, 2007. Every client ranked above average. They don't get that type of consistency by luck. If every client is above average they are doing something right. The equity targets of his clients are very low. The average of his clients earned 14.8% in the last year and it ranked in the top 30th percentile. This fund earned 12.5%. Two percentage points in one year of a fund of this size would earn $5 million to be used to pay benefits. For example, Pompano is one of his clients. They have taken away money from equity and put it into real estate, infrastructure and absolute return. Pompano earned over 16% and had about 15% in absolute return as well as his other clients.

Mr. Swanson states that this fund would be a very important client to him. The fee is guaranteed. If they are not happy for any reason in the future they will be happy to refund it in the future.

At this time Mr. Sibley and Mr. Garcia-Linares had to leave the meeting.

Thistle Asset Consulting
John McCann, George Ling and Brenden Vavrica begin their presentation. Mr. Ling informs that their practice is over 40 years old and is a true South Florida practice. They were first a unit of a consulting firm by the name of Cruzio, Conner and Ling that was formed back in the middle 60s and they had a consulting practice as part of the firm at that time. They merged in the middle 90s with a national consulting firm and they are now independent. They have never lost a consultant other than by retirement. They are very stable. They have four consultants at the present time. They don't have a lot of people coming and going and consider themselves to be a very stable organization. One of the two primary facets of their philosophy is to be a very honest and ethical business practice. They are always concerned about their reputation than maybe anything else. They always think long term rather than short term and that kind of thinking can give you different results. They recognize from the outset that they were not going to have any conflicts of interest and were not going to be affiliated in any way, shape or form with a financial entity of any kind. They wanted to be totally independent from the start. They have never taken a commission on a client trade; they have no affiliations with any other companies or any financial companies. Mr. Space asks if they would sign a letter stating that. Mr. Ling answers affirmatively.

Mr. Ling continues. They think beyond what most people do in terms of manager research. They emphasize three things. They do ongoing criteria research to try and find the people that would be the most successful in the long term. They base this on their credentials, their stability, their style discipline, their risk levels and their performance. They look at all those things in grating out managers across the country and every single manager in the business are eligible to be in their system. The second thing they look for is emerging managers like small firms that haven't been in business for long and as a result of that will not be in searches that most consultants perform. They are looking to identify people who should be in searches based on who they are and what their track record has been as individuals prior to the formation of their firm. Mr. Naclerio asks how many people in the firm do this research. Mr. Ling responds that they all do. However he focuses on it more than anybody else. The third thing they look for are hedge funds. They do not promote any hedge funds but for clients interested in getting in that area they dig down as deep as they can into various hedge funds to make sure they are risk free, as transparent as they can be and have good performance. Those are the three areas of research they are involved in and they think it is a little different than what others are doing.

Mr. McCann informs that he is the owner of the business. Thistle is the flower of Scotland where he is from. He named it that because he wanted a piece of his heritage in the name. They are very available to this fund and they know that this Board meets ten times a year. Their headquarters are in Boynton Beach. He points to the presentation that shows an example of their quarterly report. They believe that this report gives the Board all the information they need to know regarding the investments. If the Board wanted they can also give them a 60 page comprehensive report on the investments. He next points to an asset allocation specifically for this fund. It shows that if the fund went into diversified international bonds that they would get the same return as they have now but their risk would go down. They monitor $2.9 billion in funds. Most of their clients are in South Florida. Mr. Space notices that there are actuaries associated with this firm. Do they still maintain their role as an actuary? Mr. McCann responds that Mr. Ling is a current acting actuary.

Mr. Vavrica explains that their searches are substantially the same as their competitors. At the end of the day they get fairly similar types of information. He wants to give the Board two points that differentiates them from the other firms they have heard from at this meeting. The first is price. They quoted a fee of $44,000. Secondly, the have four consultants and have about forty clients. They have ten clients per consultant. He thinks that is a significant point. They are very focused. They are all involved with the manager searches, the performance generation and all the other facts that go into the other services they provide. If the Board is looking for a really large firm then they shouldn't hire them because they are not a large firm. If they are looking for a smaller, concentrated firm that has the time and energy at the consultant level to spend with each individual client then they think they are an excellent candidate for this fund. Mr. Space asks if the $44,000 fee is all inclusive. Mr. Vavrica answers affirmatively. Mr. Geraci asks if the $44,000 is the average of what their other clients pay. Mr. Vavrica responds that it is slightly above average in total but it is in average of other clients of this fund's size and scope. Their fee that they have cited is all inclusive. Mr. McCann informs that the asset liability model would be an extra fee but that model is done every few years.

Mr. Space asks what are the Board is allowed to invest in. Are there any rules in the State of Florida that limits them in what they can invest in? Mr. Ling responds that there are some limits but they are very broad. There is a State statute that limits what can be invested in. They would not violate those guidelines based upon a matter of common sense and good business practice. It is very broad but it is not restrictive at all. There is a question about hedge funds. You don't want to violate state law and when you decide to invest into something that may be questionable. You would consult with your attorney to look at it to make sure it met all the statutory requirements. Some attorneys often don't always agree with everything they look at. A hedge fund can be very non-transparent and that is not a fund that they would recommend however some hedge funds are very open.

14. Old Business.

Mr. Space informs that he contacted Randall Stanley and asked him about the actuarial assumption. He did that because he has been getting feedback from various corners that when the Board lowered the assumption rate it cost the City money. He tried to get as many questions answered by Mr. Stanley as to why the Board did that and if anyone has any further questions they should call Mr. Stanley and ask him those questions. Mr. Naclerio informs that the primary concern he has for a high actuarial assumption is that in order for them to invest to get to that assumption they have to invest in risky investments. That rate drives their investment policy. Although it requires the City to put more money into the fund he is not in favor of changing it to another rate.

Mr. Huston asks for an update on the 175/185 issue with the State. Mr. Nelson responds that there is one outstanding issue with the State of Florida Division of Retirement. The item is the 5% contribution with the firefighters. The other issues have been resolved. The State's position is that they want that 5% contribution by the firefighters to provide an added benefit and the City's position is they bargained in good faith so they don't have to provide that added benefit. The City has sent a letter to the Division of Retirement through their outside attorney called an Administrative Appeal. That Administrative Appeal process preserves the funding which means the money will not be forfeited or lost in Tallahassee. They will have a hearing in Tallahassee regarding that issue and once the results of that hearing are finalized then the City will comply either way and then the State will release the funds. The Administrative Appeal filing was to preserve the funding in Tallahassee. Those funds have not been released by the State. It is on hold until that Administrative hearing occurs.

Mr. Goizueta clarifies that the Police do not contribute to the retirement. Mr. Nelson agrees. Mr. Goizueta clarifies that fire's contribution is for the added benefit. Mr. Nelson agrees. They are getting the Rule of 70 to enter the DROP. Mr. Goizueta states that the only group contributing to the fund is the General Employees. Mr. Nelson informs that the General Employees are contributing 5% and they do not have the Rule of 70 to enter the DROP. The excluded employees are also contributing 5%. The firefighters are contributing 5%. Mr. Goizueta adds that for the firefighters it is for the added benefit of the Rule of 70 to enter the DROP. Mr. Nelson agrees.

Ms. Groome reports that she completed the RFP for the Board attorney and gave it to Mr. Nelson and the City Attorney. The City Attorney forwarded it to the Procurement department and she is still waiting on their response. Mr. Goizueta asks why it was sent to Procurement. Mr. Nelson responds that the City Attorney likes Procurement to look at the language of the RFP to make sure it complies with the bidding requirements.

Ms. Groome informs that Mr. Garcia-Linares requested that the Board meetings be changed to start at 8:00 a.m. The majority of the Board agrees to start the meeting at 8:00 a.m.

Ms. Groome informs that Mr. Garcia-Linares requested that the Board meeting either at the end of the month or before the next meeting to discuss and make a decision on the consultant. The majority of the Board did not agree with a special meeting.

15. New Business.
There was no new business.

Set next meeting date for Thursday, February 8, 2007 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 12:26 p.m.

APPROVED

WAYNE S. SIBLEY
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR