CORAL GABLES RETIREMENT SYSTEM
Minutes of February 11, 2010
Youth Center – Auditorium
405 University Drive
8:00 a.m.

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

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

A = Absent
E = Excused Absent
P = Present

GUESTS:
Marjorie Adler, Human Resources Director
David Bunzel, Aletheia Research
Juanita Gage
Ruby Sheffield

Chairperson Tom Huston calls the meeting to order at 8:06 a.m. There was a quorum present. Mr. Geraci was excused from the meeting. Mr. Sibley and Mr. Diaz were not present when the meeting was called to order.

1. Roll call.

2. Approval of the Retirement Board meeting minutes for January 20, 2010.
A motion was made by Mr. Naclerio and seconded by Mr. Hoff to approve the meeting minutes of January 20, 2010. Motion unanimously approved (6-0).

3. Approval of the Retirement Board Executive Summary minutes for January 20, 2010.
A motion was made by Mr. Garcia-Linares and seconded by Mr. Naclerio to approve the Executive Summary minutes of January 20, 2010. Motion unanimously approved (6-0).

4. Items from the Board attorney.
Mr. Greenfield reports that the State approved the 2008 Annual Report which means the monies will be released to the Police and Fire funds.

Mr. Greenfield reports on the Attorney General issue. He was in touch with the City Attorney in regards to a change in the ordinance or the City having a request to the Attorney General to see if the City could change the ordinance. The City Attorney informed that she would bring it up with the City Commission.

Mr. Greenfield continues with his report. The Gage family is in attendance at this meeting. At the last meeting the Gage family came before the Board to explain their situation that they did not believe Mr. Gage was properly informed about the different options he could choose for his beneficiary at the time of retirement. At the time of Mr. Gage's death his benefits ceased. His family is sure that Mr. Gage would have wanted the retirement benefits to continue for his family. They felt it was the result of Mr. Gage not being properly explained about the retirement options or because of his lack of education he did not understand what those options were. Mr. Greenfield informs that he spoke with Arlene Terrell who is a retired City employee whose position was the assistant to the Retirement Administrator. Ms. Terrell could not remember a particular individual. She saw many employees during her tenure and didn't have any specific recollection of Mr. Gage. She did explain her procedure relative to talking to employees who were ready to retire. She informed that she took the time to explain everyone who came in what the retirement options were and that was her usual routine. She didn't deviate from her usual routine and by the time the person left if they signed the application it was because they understood what they were doing. That is all she could assist him with regarding this issue.

Mr. Naclerio comments that he is not coming to any conclusion but one situation might be to make a rule for mercy here. Did anyone calculate the difference between the amount Mr. Gage was receiving versus the amount he would have received if he had chosen an option for his beneficiary? Mr. Greenfield answers negatively. Mr. Nelson believes the right thing would be to have the amount actuarially calculated to determine the difference between the option chosen, which is the highest monthly amount, compared to what would be provided to the beneficiary. There is a multitude of options that would have to be calculated because there are different options an employee can choose for retirement. Mr. Gage chose regular retirement or No Option. He believes there was no error made regarding Mr. Gage. Chairperson Huston thinks that if they were going to do such a calculation then Mr. Gage's family would have to agree on which option would be applicable and then the actuary would have to take the present value of all payments that were made and the projected value to be paid to the widow and some how end up with a monthly amount. Mr. Nelson does not know the difference that was paid out over Mr. Gage's long retirement tenure. An option would have to be chosen to get a differential of how much more in monthly payment Mr. Gage received over the entire amount of his retirement period.

Chairperson Huston asks if they granted this relief would they be setting a precedent for anybody who selected No Option would turn around and say they want some relief for whatever reason. Mr. Greenfield points out that under the ordinance this Board does not have the option to grant mercy relief. Under the ordinance the Board can correct mistakes, not grant mercy relief. If there was a mistake then the Board has the right to correct a mistake and the burden of proof would have to be upon the family to prove the mistake. They tried and investigated as much as they could investigate to see if there were any facts that would indicate that there was a mistake on the part on the person handling Mr. Gage's retirement application.

Mr. Naclerio asks if the Board finds that there was some mistake being made would Mr. Gage's family be willing to pay back the difference between what Mr. Gage received in retirement and the amount Mr. Gage would have received if he chose an option for his beneficiary. Ms. Sheffield thinks that they first have to figure out how much money they are talking about.

Mr. Diaz arrives to the meeting at this time.

Mr. Garcia-Linares is concerned that if they start making changes they will open up the issue of people coming back and want to change what they already agreed to. He thinks Mr. Greenfield should look at the form and determine whether some changes should be made to it. They should also look into whether the spouse should initial the option being selected by the employee or put some type of language on the application informing that an employee should speak with their financial advisor before making any decisions on their options. He will leave that up to counsel for the retirement system to make the decision on whether they should do that or not. They are talking in hypotheticals and they have no idea what Mr. Gage was thinking when he filled out his retirement application. Ms. Sheffield informs that her father always told her mother that if he died that she would receive his pension and that is what they were led to believe. Mr. Garcia-Linares asks if Mr. Gage had any will when he died. Ms. Sheffield answers negatively.

Mr. Garcia-Linares thinks that if there was a mistake made under the ordinance it would have to have been a mistake by the City. Mr. Greenfield informs that this is the first time since he has been the Board Attorney that there has been a request of this nature. They have had all these years in the past where this hasn't come up. Mr. Space would like to know if Mr. Gage would have selected one of the options how much would the payment have been and then calculate that out. Then whatever overage there is then no payments would be made to the beneficiary until the amount has been paid back. He thinks that if people come to them and the Board thinks about it as hard as they can and try to be as right as they can be then he is not concerned about precedent. When they are talking about people they should do the best they can for those people who come before them.

Mr. Nelson gives an example. Mr. Gage retired on January 1, 1992 and passed away on January 1, 2010 which is eighteen years. That would come out to 216 months of payment of benefit. If you take an estimate of $200 a month difference that is $43,200.00 for the 216 months not counting interest. That is a lot of money paid out over and above what Mr. Gage would have received if he picked an option. If the Board decides to proceed with this, he suggests they pick the Option 2B-100% to provide the same monthly benefit to the spouse versus the No Option amount Mr. Gage was receiving. Option 2B-100% is the lowest monthly benefit provided to the participant and it is a substantial difference. The amount depends upon the age of the participant and the age of the spouse. It is determined by an actuarial calculation because the benefit is projected over the lifetime of the participant and the beneficiary.

Mr. Garcia-Linares is not in favor of making any changes but if the Board does agree to make the change he thinks the family needs to understand that they would receive no benefit for several years unless they want to write a check to the retirement system for about $40,000 because they would have to pay back the retirement system because of the difference between the cost of the different options. It will be a minimum of approximately two years before the spouse would receive any monthly benefit. If the Board thought about making a change then the family would receive no additional money for several years. Chairperson Huston thinks that they don't have to do it that way they would just have to reduce the monthly payment until that amount has been recovered by the plan. Mr. Garcia-Linares doesn't think you can do it that way because there is no guarantee the plan will receive the full amount owed. They have no idea how long Mr. Gage's spouse will survive and the Board needs to make sure the system gets the additional moneys back before anyone gets paid.

Chairperson Huston entertains a motion. There was no motion made so the issue dies for lack of a motion from the Board.

Mr. Space thinks that they just can't find a solution that would be beneficial. Ms. Sheffield thinks more investigation and more decisions need to be made before they leave this meeting empty handed. Chairperson Huston explains that this issue would have to go to an actuary which is a company the retirement system uses to computes benefits. The actuary would come back and give a recommended solution. The problem is there are fees for the actuary to do this work. This is a special request. He asks if Ms. Sheffield would be willing to pay for this work to be done. He does not know the cost and they can get a quote. The only way they can solve the dollar amount that they have discussed on a very hypothetical basis would to be to employ the actuary and the actuary will charge a fee to do that. He is asking if she would be willing to pay the cost of that fee. Ms. Sheffield responds that they don't know the cost of that fee right now. Chairperson Huston states that they can get an estimate. Ms. Sheffield thought that when they were coming to this meeting today that the Board would have made a decision. Chairperson Huston states that the Board is being asked to change a retiree's option from No Option to another option and Ms. Sheffield has not told the Board yet which option they should consider. He doesn't know how to solve this problem. If the Board agrees to work on a solution they would have to have their actuary work on a solution and there is a fee involved with that. He is asking if she would be willing to pay the fee. Ms. Sheffield replies that it depends on what the fee is and how soon she gets an estimate.

Mr. Garcia-Linares asks Ms. Sheffield if she understands that if she was willing to pay the fee that more likely than not whatever calculation the actuary comes back with it would mean that Ms. Sheffield's mother would still receive no moneys for two to three years from now. The system would have to be repaid the extra moneys that were paid by Mr. Gage choosing No Option prior to any payments going out to her mother. That can be two to three years from now or more.

Mr. Space thinks there is no solution. It is not that the Board doesn't want to do something for her mother but there is not any money there because Mr. Gage was paid more than he would have been paid had he selected the option in the first place. Ms. Sheffield understands that. She believes that if her father was given a thorough explanation on the retirement options that he would not have chosen an option that would live her mother helpless with nothing. She thinks after he was explained his retirement that option was checked without his understanding that if he passed away that her mother was not going to get anything. Mr. Garcia-Linares understands. Let's assume that is correct that he would not have done that, does she understand that whether they make the change now or make the change 10 years ago Mr. Gage received approximately 50% more than he would have gotten if he had chosen an option which means the extra money that was paid would have to be paid back to the retirement system before an additional moneys can be paid. If they go out now and hire the actuary to calculate the exact dollars of what the money will be and if they calculate under all three options he wants her to understand it will be several years before her mother gets any money. He wants her to know that they can't get her any immediate help. Ms. Sheffield informs that they don't need any immediate help they just want someone to hear their case and their situation. Mr. Garcia-Linares comments that they have heard her situation on two separate occasions now. Is she willing to pay approximately $1,000.00 for the actuary to calculate the options? Then when the Board gets the options the issue comes back to the Board and they discuss it again. Is she willing to pay that money? Ms. Sheffield states that they will have to pay that money for the work and then she is not guaranteed that her mother won't get anything.

Mr. Garcia-Linares believes that the Board's investigation has been done and the investigation was to find out whether or not under their ordinance to make a change because there was a mistake. There is no mistake on the part of the City. Ms. Sheffield informs that they are going to end their part of the meeting and will get an attorney.

Mr. Greenfield continues with his items. They have had another request from one of the law firms that look to get business from public funds in regards to securities litigation. They have had some law firms come in the past and make presentations. The Board at that time didn't feel that they needed to have a law firm do the class action monitoring because the Board has Northern Trust monitoring the class actions. The law firm said it has a different data base and are better equipped to hear about potential litigation than Northern Trust does and they would not charge anything for monitoring the situation. If they did bring something to the Board's attention they could either retain them to represent their interest on a contingent basis or they don't have to retain them. They will still provide a service of giving reports every month of some securities fraud or litigation. He asks if the Board wants to consider having an outside securities law firm doing the monitoring at no cost to the Board in addition to what Northern Trust is doing. He is not an advocate for them but it is his job to bring this information to the Board. The Board was not interested in the law firm presenting.

A motion was made by Mr. Goizueta and seconded by Mr. Garcia-Linares that Mr. Greenfield review the retirement application and make appropriate changes. Motion unanimously approved (7-0).

5. Report of Administrative Manager.

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

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 January 2010 for the February 2010 benefit payments.

2. For the Board's information:

   - Richard Gossett of the Fire Department passed away on January 20, 2010. He retired on February 1, 1992 with Option 2B-75%. His beneficiary began receiving post-survivor benefits on February 1, 2010.
   - Gus Royal of the Public Service Department entered the DROP on February 1, 2005 and left the DROP on January 31, 2010. He received his first retirement benefit on February 1, 2010.

3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:

   - Payroll ending date November 8, 2009 in the amount of $111,825.75 was submitted for deposit on November 17, 2009.
   - Payroll ending date November 22, 2009 in the amount of $113,563.30 was submitted for deposit on December 7, 2009.
   - Payroll ending date December 6, 2009 in the amount of $118,776.53 was submitted for deposit on December 23, 2009.
   - Payroll ending date December 20, 2009 in the amount of $93,531.92 was submitted for deposit on January 8, 2010.
   - Payroll ending date January 3, 2010 in the amount of $119,451.51 was submitted for deposit on January 8, 2010.
   - Payroll ending date January 17, 2010 in the amount of $104,390.59 was submitted for deposit on February 3, 2010.

4. A copy of the detailed expense spreadsheet for the month of January 2010 is attached for the Board's information.

5. A copy of the Summary Earnings Statement from the Northern Trust Securities Lending Division for billing period December 1, 2009 to December 31, 2009 is attached for the Board's information.

6. Attached for the Board's information is the Statement of Pending Transactions and Assets as of December 31, 2009 from JP Morgan.

7. A copy of the January 2010 NCPERS Newsletter "The Monitor" is attached for the Board's information.

8. A copy of an email from Elisabeth Capota of Goldstein Schechter Koch is attached for the Board's information reporting on the status of the 9/30/2009 audit report.

9. 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.)

DROP Benefits:

DROP application of Dale Owens of the Police Department. Effective date February 1, 2010.

A motion to approve the DROP application of Dale Owens was made by Mr. Goizueta and seconded by Mr. Hoff. Motion unanimously approved (7-0).

DROP application of Mario Rimart of the Fire Department. Effective date February 1, 2010.

A motion to approve the DROP application of Mario Rimart was made by Mr. Goizueta and seconded by Mr. Garcia-Linares. Motion unanimously approved (7-0).

Buy Back of Prior City time, Other Public Employer Service, Military Service Time:

Application of Michael Daniels of the Police Department requesting to buy back 426 days (1 year, 2 months) of Other Public Employer Service Time with Miami Dade County Public Schools (FRS).

A motion to approve Mr. Daniels' application to purchase 426 days of other public employer service time was made by Mr. Goizueta and seconded by Mr. Space. Motion unanimously approved (7-0).

Application of Bryan Millares of the Fire Department requesting to buy back 836 days (2 years, 3 months) of Other Public Employer Service Time with Georgetown Fire District; 367 days (1 year, 1 month) of Other Public Employer Service Time with Woodside Fire Protection District and 182 days (6 months) of Other Public Employer Service Time with Lauderdale Lakes Fire Rescue for a total of 1,414 days (3 years, 10 months and 14 days).

A motion to approve Mr. Millares' application to purchase 1,414 days of other public employer service time was made by Mr. Naclerio and seconded by Mr. Hoff. Motion unanimously approved (7-0).

7. Disability reviews: The Administrative Manager recommends approval of the continued disability benefits for Obie Dunn.

A motion was made by Mr. Goizueta and seconded by Mr. Hoff to approve the continued disability benefits for Mr. Dunn. Motion unanimously approved (7-0).

8. Investment Issues.

Dave West of The Bogdahn Group reports to the Board on the 4th quarter performance of the portfolio. The total rate of return for the fund at the 4th quarter was a gross of 3.52%. The median public plan for that period was 3.44%. For the period ending December 31 the fund's rate of return was 18.2% and the median plan was at 19.86%. It was largely allocation of equities that account for the peer group difference. As far as the individual strategies everything is looking good. Eagle Capital out performed at 8.17% which puts them in the 6th

percentile of their peer group in value managers. MD Sass was slightly below average for the quarter and they finished in the 60th percentile. The S&P 500 index fund finished above average and finished in the 40th percentile. Aletheia was in the bottom quartile for the quarter. Winslow Capital was in the 17th percentile for the quarter. Delaware ended in the 88th percentile for the quarter. Baring ended in the top 10 percentile for their peer group. Thornburg ended in the 25th percentile. JK Milne ended slightly ahead of the benchmark in the 36th percentile. Richmond Capital performed very nice for the fund and ended in the 39th percentile ranking and the TIPS portfolio had a 19th percentile ranking. JP Morgan ended in the top 12th percentile of the real estate peer group.

Mr. Naclerio asks Mr. Brown to give his opinion on the all cap system the fund switched to versus what the fund had before with large cap and small cap managers. Does he see any advantages or disadvantages at this point? Mr. Brown responds that he hasn't seen any advantages or disadvantages at this point. The fund has been on the all cap program for a little over a year and the asset classes have been pretty close to one another. In a small microcosm in 4th quarter of 2008 and the 1st quarter of 2009 the larger cap focus probably helped out the fund's managers because they were in more liquid stocks than they would have been. During the more recent six months it probably hurt the portfolio a little bit because the small cap companies were beaten down so dramatically that it had the largest run over the short time frame. Putting those two things together it balanced out. They still have a number of clients that use a dedicated capitalization program but the jury is still out from a long term perspective if the managers will be able to add value through this additional flexibility up and down the capitalization spectrum. Maybe as they move into a more normalized non-financial crisis type decision they will be able to judge on a clearer basis whether or not the managers are making those shifts in the capitalization they have put together for the fund. He thinks for the next 24 months that larger caps are going to be where they find the most value in the portfolio. Mr. Naclerio asks for them to track whether the dedicated capitalization is doing better than the flexible capitalization style so the Board can make a decision in the future whether it wants to continue using this type of system. Mr. Brown informs that they will do that.

Mr. Space comments that looking at the international manager Delaware they have performed mediocre or less. The fund has had them for a long time. Mr. Garcia-Linares asks if they should consider replacing them. Mr. West responds that when they look at Delaware their more recent numbers have not been positive. The three year rolling percentile ranking Delaware remains ahead of the benchmark. Their level of outperforming the benchmark has not been as significant as other managers in the peer group and as a result they have dropped down in the peer group. Looking at the longer term track record it makes the case for taking a look at Delaware but continuing to maintain that manager. This strategy is an ADR oriented strategy and the strategy may have less emerging market orientation than some of the other strategies. Emerging markets were up about 78% versus developed counties and that has an affect on the strategy. Mr. Brown does not recommend seeking another manager to replace Delaware in this portfolio. Delaware is a strictly ADR strategy so they have mostly developed countries in their portfolio and they have exceeded the benchmark since they have been in this portfolio and have done it with less volatility than the benchmark. In the up periods they have not participated fully but where they have added value to the portfolio is the protection on the downside. They have done a good job.

Chairperson Huston asks about the status of the Aletheia large cap growth manager. Mr. Brown replies that they have brought up concerns regarding Aletheia and that is why a representative from Aletheia is attending the meeting today. They had the three principals in their office for a due diligence visit because there were personnel issues on the servicing side. The people who came before the Board to do the pitch for hiring Aletheia are no longer with the firm. None of that was on the manager side of the portfolio. The same person, Peter Eichler, who was making the decisions, is still making the decisions. Their servicing has increased dramatically. There performance was ahead of the benchmark in 2009 through December. As a firm they have done extensive due diligence and got to understand their process through their research team and they have a number of clients who have hired Aletheia.

Mr. West reports on the January 2010 performance. He has two quick observations for the period. All eyes are on the 4th snow day in Washington, DC costing tax payers $100 million a day in productivity and meanwhile one of the market issues all eyes have been on the Euro Zone (EU). This morning there is a bailout program for Greece. They are watching the Euro Zone work through their own moral hazard and bailout situation to try and support that group. Italy, Spain, Ireland and Portugal remain to be seen if they line up next. Mr. Brown informs that there are a lot of specific requirements to be part of the EU and Greece has been in constant violation of them. Debt as a percentage of GDP is capped at 3.5% and Greece is at 12% and has been for a number of years. It is really a bigger issue than Greece in terms of the EU and the currency itself. It is tough to have one currency but 27 independent economic policies are essentially what they have right now. Mr. Naclerio informs that his wife came from Greece and he has some relatives live there still. When Greece lost the ability to manage their own currency they lost a lot and now it is being managed by someone else. They have a hard time competing. Mr. West adds that the situation has caused some market uncertainty.

Mr. West reports on the JP Morgan status. The redemption queue is down to 8% of net asset value. They have current cash on hand at about 7.5% and they continue to expect to pay out the distributions. Their cash is being used opportunistically of current investors but the queue has come way down in the fund. They will continue to track it monthly as they get close to the 5% allocation.

Mr. Garcia-Linares thinks that they should consider looking at lowering the actuarial rate. The fund seems to be getting over the hump of the bad investment years and they are using the settlement monies allocating them over a couple of years. He thinks they need to look at whether they should reduce that rate of return. Mr. Brown informs that they can discuss that at the Investment Committee meeting. They can model that out and show what rate of return they can expect based upon different asset allocations. Mr. Garcia-Linares thinks that would be a good thing to do. Chairperson Huston reminds Mr. Garcia-Linares that if they lower the actuarial rate then the City will have to pay a larger contribution to the fund. Mr. Garcia-Linares understands. He thinks they need the consultants to at least take a look at it and compare this fund to other public funds to see if they are out of line. Then if they decide they want to do something then they can go to the actuary and let the actuary calculate the cost.

David Bunzel from Aletheia Research and Management made his presentation to the Board. Aletheia is based out of Santa Monica and he is a co-portfolio manager with the firm. He thanks the Board for the invitation to present. He shows the portfolio returns for the plan.

They were up over 32% last year slightly behind the benchmark with almost all of their underperformance coming in the 4th quarter. They are working extremely hard to have a higher return and feel confident that they are investing in the right areas. They were the number one manager in the country in the third quarter. They invest for the long term. Since inception they have returned to investors well over 250% compared to their benchmark. Quarter to quarter even over longer periods of time they can look bad but over the long term they are the number one manager in the country in large cap growth space. They intend to stay there. They have some ground to make up as far as this portfolio is concerned.

Mr. Bunzel explains that they have some very dramatic under weights and over weights all arrived at on a company by company investment specific basis. They are not top down forecasters and they are not macro forecasters. They don't run the portfolio on a macro basis. It is all based upon their investment process which is all bottoms up. They have heavy weightings in energy and heavy weightings in materials in very large and well run high quality companies.

Mr. Naclerio asks how important is it for them under the fund's investment policy to go from large caps to invest in mid cap or small cap. Mr. Bunzel responds that they like the flexibility the investment policy provides and it does help them. They are looking for growth stocks and they don't listen to what Wall Street says is growth or what Russell says is growth. That is why they are actively managing the portfolio and look different than most money managers. In general over the long period of time they manage the portfolio they think very safe. In up markets they make more than the market and in down markets they lose less. Although that has not been the case over the last year and a half, this is over the long term and they believe that is a direct result of their process. They are long term investors. They are not chasing tech stocks or chasing the markets day in and day out. They can see their average holding period has been going up. They are partnered with some of the greatest and best growth companies with great managements and they have held these stocks for a number of years. American Express and Bank of America in the financial area have been very strong performers for them. SunCor, Petroleo and Whole Foods round out the list of top performers and they continue to own the all those stocks. As far as their mistakes they have started to sell Delta Petroleum because they have drilled the dry whole in Washington so they are cutting their losses there. Sunpower is out of the portfolio if not it will be soon. They have started to sell that. MGM is one of their losers they are sticking with. They started buying MGM at $20 down from $50 and they thought they were pretty smart and they underestimated the amount of leverage they had and their ability to roll their debt but they believed Wall Street misperceived all that and as evidence they were able to refinance Detroit which was their worst casino in their entire portfolio at a market rate that was five times what they had it in the books for so they think MGM will be able to refinance their stuff quite easily. MGM and Wynn are the only two consumer related names in the portfolio and they think they are the two best positioned companies in the casino area to bounce back.

Mr. Bunzel informs that the fund's portfolio with Aletheia has about a 22% weighting in energy, a 22% weighting in materials, a 8.5% weighting in consumer discretionary, a 10% weighting in industrials and a 13% weighting in consumer staples. It is an extremely high quality portfolio.

Mr. Bunzel reports on the overview of the firm. They are still growing and are up to about $7 billion in assets. They have received some new mandates over the last couple of months. The State of Michigan hired them over the last year and they have been hired by some other towns and municipalities. They are seeing some RFP activity. Most of the plans are under invested in equities and over invested in fixed income and alternatives and until that gets equalized they think the market will be okay. Their investment team remains unchanged and their investment and research team remains unchanged. They have not done such a good job on their client services and sales side and they are trying desperately to fix that. They have hired Arvin Santos in the middle of last year to head up their entire client service and sales side. He ran ROE Bank of Canada's investment division and managed over $40 billion and hired Aletheia back in 2005 and Arvin is heading up the entire client service and sales division. They hired Padraig Connolly to assist in clients services and hired Peter Eichler, III who is Peter Eichler's son and he put him first into the client service. It is a very important part of the business they are investing in. They are expanding that part of the business.

Mr. Space asks when you see that a bad market is going to happen does he think they have to stay 100% invested. Mr. Bunzel informs that is their mandate. Mr. Space clarifies that it is the mandate from this fund. Mr. Bunzel answers affirmatively. They have 0% to 10% leeway and they have raised cash at certain times for this portfolio very opportunistically. Mr. Space asks if there was a time in the last year where they wished they didn't have to be invested 100% based on their policy. Mr. Bunzel doesn't think you can time the market accurately over a long period of time. In hindsight would he have liked to be in 100% in cash in December 2009 and October 2008, the answer is yes. They have had their maximum cash levels at various times. If they want to give them a higher leeway on cash and raise cash when they think it is necessary the individual process drives it. Mr. Space clarifies that because of their policy of 10% that is how much they would go to cash with the fund's money. Mr. Bunzel answers affirmatively. They do have accounts that have given them more leeway. As much flexibility they can get with cash, sectors, exposures they will take that flexibility.

9. Old Business.

Ms. Groome updates the Board on the Annual Report to the City. She updated the fiscal year and put in a spreadsheet showing how much the Board spent for the fiscal year. The amount changed. Her initial numbers were off and she went through all the invoices for the fiscal year and put them into a spreadsheet. Mr. Naclerio asks if the report has been submitted yet. Ms. Groome answers affirmatively.

10. New Business.

Mr. Space asks for flexibility to be added to the Investment Committee agenda.

Meeting adjourned at 10:28 a.m.

Set next meeting date for Thursday, March 11, 2010 at 8:00 a.m. in the Youth Center Auditorium.

APPROVED

TOM HUSTON, JR.
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR