

CORAL GABLES RETIREMENT SYSTEM
Minutes of November 13, 2014
Youth Center Theater/Auditorium
405 University Drive
8:00 a.m.

MEMBERS:	J 14	F 14	M 14	A-10 14	A-18 14	M 14	J 14	A 14	S 14	O 14	N 14	APPOINTED BY:
Andy Gomez	P	P	E	E	P	P	P	P	E	E	P	Mayor Jim Cason
Manuel A. Garcia-Linares	P	P	P	P	E	E	P	P	P	E	P	Vice Mayor William H. Kerdyk, Jr.
Bob Campbell	P	E	P	E	E	E	E	E	P	P	E	Commissioner Patricia Keon
Rene Alvarez	-	-	-	-	-	-	-	-	-	-	P	Commissioner Vince Lago
James Gueits	P	P	P	P	P	P	P	P	P	P	P	Commissioner Frank C. Quesada
Joshua Nunez	P	E	E	P	P	P	P	E	P	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Donald R. Hill	P	P	P	P	P	P	P	P	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Elsa Jaramillo-Velez	P	P	P	P	P	P	P	P	P	P	P	Human Resources Director
Keith Kleiman	-	-	-	-	-	-	P	P	P	P	P	City Manager Appointee
Pete Chircut	-	-	-	-	-	-	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
Alan E. Greenfield, Board Attorney
Dave West, The Bogdahn Group

P = Present
E = Excused
A = Absent

GUESTS:

Craig Leen, City Attorney
Jim Linn, Attorney
Ron Cohen, Attorney
Takiyah Bryan, Retirement System Assistant
John Baublitz, Fraternal Order of Police
Michael Chickillo, IAFF Local 1210
Steve Bush, IAFF Local 1210
Dan Thornhill, IAFF Local 1210

Chairperson James Gueits calls the meeting to order at 8:14 a.m. There was a quorum present. Mr. Kleiman was running late.

1. Roll call.
2. Consent Agenda.

All items listed within this section entitled "Consent Agenda" are considered to be self-explanatory and are not expected to require additional review or discussion, unless a member

of the Retirement Board or a citizen so requests, in which case, the item will be removed from the Consent Agenda and considered along with the regular order of business. Hearing no objections to the items listed under the "Consent Agenda", a vote on the adoption of the Consent Agenda will be taken.

- 2A. The Administrative Manager recommends approval of the October 9, 2014 Retirement Board regular meeting minutes.
- 2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.
1. For the Board's information, there was a transfer in the amount of \$4,750,000.00 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 October for the November 2014 benefit payments.
 2. For the Board's information, the following employees terminated their employment with the City and were paid back their retirement contributions:
 - George Wilches Pinilla, Maintenance Worker II, Parks & Recreation – Venetian Pool
 - Matthew Williams, Assistant Aquatics Supervisor, Parks & Recreation – Venetian Pool
 3. For the Board's information:
 - Steve Bush of the Fire Department entered the DROP on November 1, 2006 and left the DROP on October 31, 2014. He received his first retirement monthly benefit on November 1, 2014 and was not affected by the IRS 415(b) limits for the 2014 year.
 - Mike Weaver of the Fire Department entered the DROP on November 1, 2006 and left the DROP on October 31, 2014. He received his first retirement monthly benefit on November 1, 2014 and was not affected by the IRS 415(b) limits for the 2014 year.
 - Scott Demarest of the Fire Department entered the DROP on November 1, 2006 and left the DROP on October 31, 2014. He received his first retirement monthly benefit on November 1, 2014 and was not affected by the IRS 415(b) limits for the 2014 year.
 - Caryn Cotton of the Human Resources Department entered the DROP on February 1, 2011 and left the DROP on October 31, 2014. She received her first retirement monthly benefit on November 1, 2014 and was not affected by the IRS 415(b) limits for the 2014 year.
 4. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:

- Payroll ending date September 7, 2014 in the amount of \$163,461.39 was submitted for deposit on September 12, 2014.
 - Payroll ending date September 21, 2014 in the amount of \$159,859.80 was submitted for deposit on September 25, 2014.
5. A copy of the detailed expense spreadsheet for the month of October 2014 is attached for the Board's information.
 6. For the Board's information, a copy of a letter from Gabriel Roeder Smith regarding Alina Suarez-Garcia being affected by the IRS 415(b) limitations for the 2014 year.
 7. A copy of the Analysis of Dollar Volume for the 3rd quarter of 2014 is attached for the Board's information.
 8. For the Board's information the Northern Trust Securities Lending Summary Earnings Statement for September 2014 is attached.
 9. A copy of the October 2014 FPPTA Newsletter is attached for the Board's information.
- 2C. The Administrative Manager recommends approval of the following applications: Ariel Rosario (DROP), Shantell Millings (DROP), Brad Hughes (Retirement).
- 2D. The Administrative Manager recommends approval for the following invoices:
1. GRS invoice #409870 dated October 8, 2014 for actuarial consulting services rendered during the month of September 2014 in the amount of \$8,842.00.
 2. Goldstein Schechter Koch invoice #20406191 dated October 15, 2014 for auditing services in the amount of \$5,141.00.
 3. The City of Coral Gables invoice #05627 for the rental of City's public facilities in the amount of \$1,317.00 (\$439.00/month) which is an increase of \$56.76 per quarter and general liability insurance in the amount of \$982.26 (\$327.42/month) which is a decrease of \$102.24 per month for the months of October thru December 2014.

A motion was made by Mr. Hoff and seconded by Mr. Easley to approve the consent agenda. Motion unanimously approved (11-0).

3. Report on pending lawsuits by City Attorney Craig Leen.
4. Discussion of the 2015 COLA determination letter from Gabriel Roeder Smith. (*Agenda Item 6*).

Craig Leen informs that he is before the Board to provide the City's position toward the COLA. He is also before the Board in his capacity in terms of what is the role of the City and the Board and how do they proceed and provide any guidance on that in conjunction with the Board

Attorney as to whatever decision the Board makes today and how it will be handled by the City from a procedural matter.

The Board has been provided with a letter from GRS regarding the 2015 COLA and according to GRS, based on the return of investments, a COLA was triggered under the wording of the City Code. The City's position is that there are three legal documents the Board should look at. One is a copy of the City Attorney Opinion that he issued last year the last time a COLA was triggered. The second document is a Resolution of the City Commission which occurred after the Board approved a COLA and the City Commission reversed it and the resolution explains their reasoning. The third is a letter from the State of Florida Department of Management Services Division of Retirement discussing the State's view on the COLA issue. The City's position in a nutshell is that the language of State law is incorporated in their Code by State law. He believes all three of these documents support that if the pension is in deficit over time from an actuarial perspective an additional benefit cannot be funded and that would be a COLA in their view. In addition, based on State law, you cannot transfer to future tax payers what should be the burden of current tax payers. So when the COLA was adopted it should have been funded at that time. Because it wasn't funded at that time any attempt to fund it now from actuarial experience or attempting to compel the City to fund it, in his view, would be transferring to future tax payers based on that time period a burden that should have been born over the course of time by the current tax payers at that time. That is what they believe State law says. They believe that the letter from the State Division of Retirement supports that statement. He believes the City Attorney interpretation will be entitled to deference from the Court as to interpretation of the pension code. That will be an issue of administrative deference. They haven't reached that issue in the case yet. They have done the pleading phase of the case but they are still before the Summary Judgment phase. In addition, they have the decision of the City Commission which will also be entitled to deference. The Court looks to the legal interpretation of the City and how it has applied that provision over time. The last time a COLA was issued after the City Commission's action ultimately the Board decided to continue the matter after the case was over. He believes that is what should be done again today. The Board is free to reject the COLA under the City's interpretation. The lawsuit will likely determine this issue. The lawsuit could have three possible outcomes. The lawsuit could result in the City prevailing on its interpretation and the COLA would not be issued. The lawsuit could result in the plaintiff's prevailing on their position and depending on what that order says the COLA may have to be issued and it could be settled and that would resolve the issue. That is basically the position of the City. He believes he has some interpretative authority of what the City Code means but also it is an interesting issue because Alan Greenfield is also the Board Attorney and the Board is independent from the City so the Board should look also to their Board Attorney as well in his interpretation. But his view, as City Attorney, is that the City Code is clear that the City Commission cannot be required to fund something by the Pension Board. The Board cannot order the City Commission to fund an additional benefit. In addition under Section 50-198 of the Code it provides that all benefits under this article will be paid from the trust fund in addition Section 50-201 of the Code provides that any person having any claim under the retirement system will look solely to the assets of the trust fund for satisfaction and in no event will the City, any of its officers, members of the City Commission or agents of the City be liable in their individual capacities to any person under the provisions of this article or of the trust agreement. The way he looks at these two provisions is if this is a benefit it has to be paid from the trust fund but under State

law it can't be paid from the trust fund because there is an actuarial deficit that exists now and State law is incorporated into their Code based on the expressed wording of State law. Secondly, in his view, the City cannot be liable if there was some sort of mistake that was made when the COLA was put into effect. It has to come from the trust fund but because of State law it can't. The City can as a discretionary matter grant a COLA. The City's view as a discretionary matter they can grant it and the Board could always recommend that but they cannot compel the City Commission to grant a COLA based on the provisions of the City Code and State law.

Jim Linn states that the State law they are talking about is in part seven of Chapter 112 and it specifically says that the provisions of that part which govern the funding of pension plans supplement and to the extent there are conflicts prevail over the provisions of existing laws and local ordinances relating to public retirement systems. It is that State law that says if you are going to provide an additional benefit using actuarial gains and losses that there has to be a surplus or net actuarial gains. In the actuary's letter of October 27, 2014 it notes that as of October 1, 2013 there was a cumulative actuarial loss of \$122 million. The State law basically says there are only two ways to fund pension benefits. One is to pre-fund and this benefit has not been handled that way. It is the way all the rest of the benefits in the pension plan are handled. They are built in to the annual actuarial valuation and that required contribution, essentially, is intended to pre-fund the benefits that are in the plan. This COLA benefit has not been handled that way. The State has said in its guidance to this City and to the City of Hollywood is that you can't fund these types of benefits through actuarial gains if you don't have any actuarial gains. That is clear. The second thing the State said was that you can pre-fund these benefits but if the benefit payment is to be funded through additional City contributions that the Board has to verify the City's commitment to fulfilling these funding requirements. There has to be a documented commitment on the part of the City to pay the additional cost if it is going to be after the fact funded. That is what the City Commission has made clear in this situation that it is not willing to add to its already high contributions for this plan in order to fund this additional benefit. Unless and until the City Commission was to decide they were going to fund this benefit, under State law it can't be done.

Ron Cohen informs that this benefit has been in the pension code since the late 1980s. Whenever there has been an increase over the 10% the Board has paid the benefit. The City said that they didn't want to pay the benefit two years ago the Board said it needed to be paid because it was triggered. The ordinance is interpreted by the Board. They have the power to administer and the power to interpret. This Board is given the power to interpret the ordinance. The Board said it needed to be paid under the ordinance. The City came in and said it wasn't going to be paid and there is a lawsuit because of that. The Board has the responsibility to decide whether or not to say it should be paid. If the City Commission wants to take another position that is another body that is taking a different position. The Board has the responsibility to interpret the ordinance. They have always interpreted the ordinance to provide that they pay the COLA if the trigger is met.

Chairperson Gueits recalls that the Board's decision and the City Commission's later decision was based on an interpretation that the payment of the COLA was not an additional benefit. Mr. Cohen disagrees. He thinks the interpretation was to look at the ordinance and see if the COLA needs to be paid. Mr. Garcia-Linares states that they did not focus on the State law.

Mr. Cohen thinks they looked at the State law. His recollection was that the City was at that meeting and they thought the Board should not pay it because of the State law. Chairperson Gueits asks if one of the issues in the lawsuit is whether the payment of the COLA would constitute the payment of an additional benefit. Mr. Cohen doesn't think it matters. There is nothing in the State law that prohibits the payment of this benefit. They have to make a difference in their mind between the funding of the benefit and the payment of the benefit. What State law says is the present value of such benefits does not receive an actuarial experience from all sources in gains and losses it can't be funded by actuarial experience. If you promise a benefit in a pension plan to somebody and they are retired that is protected by the Florida Constitution and they absolutely have to pay it. The whole section in Chapter 112 has to do with funding of that benefit. This benefit has to be paid so now it needs to be funded. What the letter to the City from the State says is in the last paragraph "The Division finds that since the net actuarial experience of the Coral Gables retirement plan accumulated from all sources of gains and losses is negative, pursuant to section 112.61, Florida Statutes, the cost of this benefit adjustment could not be paid from actuarial experience." It doesn't mean it doesn't have to be funded. The actuary has told the Board how to fund this. The Hollywood letter says that they have a provision that provides that a COLA has to be paid. Then a question was asked of the State what do they do with this and they said that if the City of Hollywood wishes to limit exposure to the cost associated with this provision the City of Hollywood may wish to consider amended or rescinding the plan provision. However if the benefit provision remains unchanged in the City code as it does in this pension code, the plan actuary must begin estimating the frequency and amounts of future additional distributions and begin including a cost factor to pre-fund it. The basis for the estimation and the calculation of the cost factor should be clearly identified in the actuarial valuation." That is what the State says you need to do and that is what the actuary has told the Board what they need to do. It is a benefit that has been promised and they need to start assuming it is going to be paid. They have loads of information. They have 22 years of doing this and they have to start estimating what is going to be paid and start providing for the funding of it. That is what they are required to do. By not doing it you are doing exactly what they are not allowed to do which is transferring the cost of this benefit to future generations of tax payers. What he is beginning to hear from the City now is maybe it did need to be paid but they didn't fund it so they can't pay it in the past because it was a mistake. What is so cynical about that is they come to the Board and tell them that it was a mistake that they didn't pay in the past so still don't fund it so it can't be paid in the future. That is wrong. This is a benefit that is promised to retirees. If you had a disability benefit that was promised to disabled people you couldn't say that they didn't fund for the disability benefit and they didn't take into account that there could be disability benefits so they are just not going to pay the benefit. What they are being asked to do now is to violate State law and not fund a benefit that they know is promised. It is wrong for the City to ask the Board to do that.

Mr. Cohen states that in terms of Commission deference, the Board is the one that makes decisions on the ordinance. There is no deference to a City Commission on a State Statute. A City Commission has no deference in estimating a State Statute. What they are saying is they know it was a promised benefit, they haven't funded it so they can't pay it and they don't want the Board to fund it anymore in the future and just keep denying the retirees a benefit they promised them. They have a history of paying the COLA. The actuary has told them it has to be paid. You need to say they are going to pay it and get the actuary in here so they can tell them how to fund it. They have a benefit in the plan that needs to be funded. He doesn't think

they need to sit this one out any more. Plus they have the City of Hollywood letter that is telling them now what the actuarial standard of practice is and this time they need to fund it. They are all put on this Board as fiduciaries. It doesn't matter who put you here. They have a fiduciary obligation under State law under the same Chapter 112 to the members and beneficiaries of this plan to pay them benefits they are entitled to in order to provide for the funding of this plan.

Mr. Garcia-Linares asks when they expect for Summary Judgment to be heard. Mr. Cohen thinks it will be in the spring. Mr. Garcia-Linares states that they have waited this long. They are talking about a couple of months from now what is the difference if they wait? Mr. Cohen replies that if it is granted one way or the other if not there is a trial and he expects there would be an appeal. He thinks if the Board says it needed to be paid they will start funding for it and the City Commission will do the same thing they did and the Board is still in the same position. Mr. Garcia-Linares doesn't think anything will change. Mr. Cohen disagrees. If the Board makes provisions to fund for it then they pass an actuarial valuation that says how much it will cost, you send it to the City and the City doesn't fund it. Then the City is on the hook for not passing the cost on to future generations of tax payers. The Board will be doing what they can. The law requires the Board to fund this and to come up with an actuarial valuation. The point is they have an obligation to determine what benefits are paid and then to make plans to fund those benefits. If they believe the benefit needs to be paid and the actuary tells them the benefit needs to be paid, the actuary tells them they need to fund it, State law says you can't not prefund this benefit anymore. They need to start doing it and let the City do what they want to do but the Board needs to do what they have to do which is to fund the benefit. Mr. Garcia-Linares points out that they can't fund the benefit because they don't have the money to fund it. Mr. Cohen responds that they need to make provisions for funding it. They have an actuarial valuation. Chairperson Gueits thinks that is a fundamental issue.

Chairperson Gueits asks Mr. Cohen what he asking the Board to do. Mr. Cohen answers that he is asking the Board to say today to tell the actuary to calculate how much the COLA is. The reason is they now have three years of COLAs that were triggered and haven't been paid. If the first year had been paid, the second year COLA would have been significantly smaller and now you have a third year. He thinks they need to tell their actuary that they think this benefit needs to be paid and that it is a promised benefit. Chairperson Gueits states that it goes to his earlier question which was a year ago the Board took the position that it was a promised benefit. Mr. Cohen agrees. Then what they need to do is to tell their actuary to fund it. Ask their actuary how much it is going to cost and he said he would need assumptions. The actuary said that because it hasn't been prefunded then they have to have assumptions on how it is to be funded. He thinks those assumptions would be looking back over 20 years and how much the average was and what they can expect going forward. There is sufficient evidence now of how often a COLA is paid. If they say they are going to assume that this is going to be paid 1.4% a year how much is it going to cost and say this is how much money needs to come into the plan. That is the Board's job. If the City says they aren't going to fund it then they fight with the City. That is his point. The Board has an obligation. They pass an actuarial valuation every year. What they do when they pass that is, they hear from their actuary how much money needs to go into the plan to pay the benefits to the retirees. That is the purpose of the actuarial valuation. Then you hope the City puts in that money. What you are doing now is saying there is a benefit that needs to be paid but they aren't going to do anything to ask the City to put in

money to pre-fund the benefit. The Board needs to say that the Board has decided the benefit needs to be paid and figure how much it is going to cost and tell the City. If the City doesn't fund it and the City prohibits the Board from funding it then they have to deal with that.

Chairperson Gueits thinks that the decision to fund it based on an interpretation of a promised benefit is a different issue than whether it can be funded at all. It seems that Mr. Cohen is drawing that distinction in his presentation. In his mind the funding question is separate from what he believes they should pay it or not. He needs to understand that. Mr. Cohen informs that they have to fund promised benefits. That is the whole point. The actuarial valuation says what the assets are; how they are going to grow, what their liabilities are, which are mostly benefits, and how much money do they need to get into the plan to pay the benefits. The State has said that now under actuarial standards of practice they need to pre-fund this benefit so they need to start figuring out how much it is going to cost to pay this benefit. That is the same thing their actuary told them.

Mr. Easley believes the problem is pre-funding the future. Ms. Gomez states that they cannot pre-fund the past numbers. Chairperson Gueits informs that they are talking about the 2015 COLA. He doesn't think that Mr. Cohen is asking for the Board to fund prior year COLAs. Mr. Cohen points out that it is what is on the agenda today. Chairperson Gueits asks if the COLAs for 2013 and 2014 are in the lawsuit. Mr. Cohen responds that the COLA for 2013 is in the lawsuit. The approval for the COLA for 2014 was tabled by the Board. What is cynical about what they are hearing is that it may have been a mistake that they didn't fund it in the past and they can't pay it but they want you to continue the mistake. That is what the City has said to this Board that they want the Board to continue the mistake. They want the Board to not fund the COLA again. The Hollywood letter says it needs to be funded unless the benefit provision changes. The benefit provision on the COLA remains unchanged in the City Code. The plan actuary must begin estimating the frequency amounts of future additional distributions and begin including a clause factor to pre-fund it. The actuary told the Board that when the Actuarial Valuation was presented. They can't keep saying they think it is a promised benefit but they can't pre-fund it.

Mr. Garcia-Linares states that they are here again with an issue they have already had before them. He recommends they table this until after the issue has been resolved in court. They have done it before and he doesn't think they should get into this. They have waited this long and he thinks they should continue waiting.

A motion was made by Mr. Garcia-Linares and seconded by Dr. Gomez to table the issue until it has been resolved in court.

Discussion:

Chairperson Gueits would like to hear from Mr. Greenfield in respect to his advice to the Board. Mr. Leen would like to clarify that when this ordinance was adopted it was not pre-funded. He said that the reason is because the estimate of what the return would be the assumption was lower than the amount in the COLA that triggers it so it was a contingent benefit and it wasn't assumed to ever be paid which is his recollection of it. The issue is that there was a Statute that said you can't fund it out of actuarial experience which is the way it was funded and the way it was enacted. The way he reads the Code is that there are two parts

of the COLA. You have to trigger it and actuarial experience has to be positive. For a time if actuarial experience was positive it would have to be paid. They aren't saying it shouldn't be paid they are saying it is not paid when there is an actuarial deficit. Chairperson Gueits states that the issue that came up two years ago was whether it was even triggered. That is what sticks out in his mind. They had a debate over whether it was triggered and they had to define whether the trigger was whether it was an additional benefit and the Board decided it wasn't. They decided that it was built in. He recalled that the Commission took the view that it was an additional benefit and took it out of the Statute then they got into all these other matters. When they tell him pre-funding the year 2015 is two months from now shouldn't they be prefunding for 2016? They do have the trigger. These are the questions left unresolved in his mind. There is a lawsuit dealing with this issue so it is very difficult.

Mr. Greenfield thinks that Mr. Leen, Mr. Linn and Mr. Cohen are three of the better attorneys you could want to listen to in regards to this subject. The Board is not the Court or the appellate court and there is a case pending in court. It is not for the Board to decide the issues that are before the Court. The Court will decide that. The issue of payment versus funding is two different things. There is no doubt in his mind that every Board has a responsibility to make sure that a benefit is properly funded and that is why they have actuaries that give them information as to how they should fund whatever the benefits are. That is something he thinks should be deferred until they have their actuaries here to give them some guidance and information because there are a lot of questions that the Board has heard from everyone at this meeting as to how you fund it, pre-funding, do you fund the past, is it only the future, etc. They don't have their actuary at this meeting. He thinks the issue of funding should be put on the table until another meeting where they have the actuary here where they can discuss funding. As far as a payment is concerned, in his opinion, they voted before to table the matter until of the lawsuit and they are not there to decide the lawsuit because the judge decides the lawsuit. So in his opinion that should be tabled. He knows that Mr. Cohen doesn't agree and he respects that. His opinion is that they should table the issue dealing with the payment until the resolution of the lawsuit and they should table any issue with the funding until they have GRS at the meeting. Chairperson Gueits would like to call the question. He asks if there is any more discussion. There was no more discussion.

Motion unanimously approved (11-0).

Mr. Hoff asks when GRS was at the Board meeting not too long ago didn't they recommend that the Board fund in the future, not having anything to do with the past, and someone said they shouldn't because someone said it was going to be too much of a problem. He is trying to understand which way they are going. Mr. Greenfield informs that GRS did recommend it be funded. Chairperson Gueits asks why GRS is not at this meeting. Ms. Groome informs that she did not inform GRS to attend the meeting. Chairperson Gueits states that they needed to be if this item was brought up. Ms. Groome thought that their letter was very self-explanatory. Chairperson Gueits doesn't disagree but the Board always wants to have their advisors attend if information they have sent the Board is on the agenda.

Mr. Leen states that for purposes of the record he didn't say they should not pre-fund the COLA He said they cannot pre-fund it. They could ask the City Commission to contribute money to fund it. The issue is more of if they can compel or not. He did not get to the issue of

whether they should or should not. He thinks that is a policy issue. Mr. Hoff wonders that when Mr. Leen says they can't pre-fund it was he talking about paying for past payments or is he saying that they can't pre-fund whatever the actuary says is future COLAs. Mr. Leen informs that he is saying that under State Law now it is clear that their view is this is an additional benefit. The Code indicates it is a contingent benefit and State law is read into their Code according to State law. It says that it is only paid when net experience is positive and it is not. So if you were to pre-fund it you are basically requiring the City to fund an additional benefit which would then always be paid because now there would be funding for it in the pension. He doesn't think the Board could compel that both as a matter of sovereign immunity and separation of powers but also because he thinks it is an additional benefit. For example, if the City Commission were to pass a new benefit they would require the Board to fund it and they would pay money to fund it at that moment. Essentially by attempting to require the City to fund it you are requiring the City to make an additional benefit which would not otherwise be paid because of the net actuarial negative position. That is the City's view of it. There are provisions in the City's pension code that are clear that you cannot compel the City to pay out of the general revenues a benefit. The City could agree to do it and the City could decide to fund it and perhaps that is how this matter will be resolved but ultimately it is a matter of discretion in his opinion.

Mr. Hoff informs that this is something he does not understand. Their actuary who is independent and paid by the Retirement System and employed by the Board is telling them to that they need to pay because it is in the future. Their actuary is telling them they should. He understands that the City Attorney is saying the Board can't take the actuarial assumption. Mr. Leen agrees. The position he takes is before the City Commission is that the Board has exceeded their authority. Ultimately, they should look to their Board Attorney regarding what they will do. The position he will take to the City Commission, if they decided to review that, is that the Board exceeded their authority.

Mr. Greenfield disagrees. He doesn't think this is the time to debate that. He thinks that when the actuary gets in front before the Board they can have their discussion. As he listens to Mr. Leen, they haven't resolved this. There will never be a COLA paid at any time to any retiree notwithstanding the fact there is an ordinance that says it should be paid. Mr. Linn adds that it would be paid unless the City Commission approved the funding as it has in the past. Mr. Garcia-Linares states that the letter from the actuary says if "the provisional COLA is determined not to be subject to the cumulative experience gain/loss position rules of Florida Statutes" etc. and that is the issue of the litigation. Until that issue is determined you don't get to the rest of the actuary's letter with regards to the amount. He thinks they have done the right thing in waiting. It is all based on that. Once there is a decision on that issue then they can start talking about funding it. That is what the letter says. Mr. Hoff agrees but that is talking about 2013, 2014 and 2015 and that is specific to that. Mr. Garcia-Linares explains that is the issue before the Board now.

Mr. Easley comments that Mr. Leen stated that the Board cannot exceed their authority. They can only interpret what the Code said and they interpreted in the past as not an additional benefit but as a benefit that is triggered like many other things that are triggered based on age of someone or various different components out of the ordinance regarding retirement that they agreed they approved the COLA. The funding aspect is a completely different thing that is

beyond their control right now. The complete acceptance by the City is beyond their control as they have seen in that one Commission meeting where they turned it down but they have to go by what the ordinance says and the ordinance says when it is triggered the COLA shall be granted. It has been triggered. They voted to table it one time and again this time but before that they voted yes for the COLA to be granted. In his opinion he thinks they should vote to grant the COLA and let the cards fall afterwards according to the lawsuit, according to the Commissioners in their position and according to what the actuary and the City's actuary decide how to fund a future COLA without knowing what it is except for the 2015 COLA. Mr. Garcia-Linares does not recall that. He recalls that they were looking strictly at the City's ordinance. Based upon their interpretation, and he was reading it on the record, they thought it triggered the COLA. The City came in and said irrespective of the ordinance you have this Florida Statute and the Florida Statute trumps the ordinance. The City Attorney issued his opinion on that. They went to the State and they have the State's letter. Now they are back to the same position which is the actuary told them that if this Statute does not apply then you have to worry about funding it and paying it. Until that issue until is finally decided on, whether or not the Statute applies and trumps the City's ordinance, they are in the same position they have been in for the past two years. They should move on. They have tabled it and they should wait until after a decision is made.

Mr. Easley asks how long the State cumulative gain/loss has been in effect. Mr. Linn responds that it has been in effect since the early 1990s. Mr. Cohen comments that it was enacted in 1994. In the letter from Mr. Stanley, he discusses the Chapter 112 issue and he says he believes the evidence will show it was paid when there weren't cumulative actuarial gains. Mr. Easley thought so. It has been paid regardless of what the State has said and in the past they have not sided with what the State has said. Mr. Cohen states that what Mr. Leen said to the Board was that State law says you can only pay it when there is a net actuarial experience gain. That is not what it says. It says it can't be funded through actuarial investment gains if there is a net actuarial experience loss. The Chapter 112.61 provision says you can't pay it from experience gains and then the Division says you need to make arrangements to fund it. He wants to clarify that what is before the Board today is do they think it needs to be paid. If the answer is yes then you know you need to make arrangements to determine how to pre-fund it. When Mr. Leen says you can't pre-fund it they can't because they don't put the money in but the Board has a solid obligation to pass an Actuarial Valuation that provides for payment of benefits. What they are doing now is they have decided this needs to be paid and then turning around and not funding it.

Mr. Linn informs that the City has to affirm its commitment to fund the benefit. Chairperson Gueits asks if that has to be done before the Board decides to pay it. Mr. Linn responds that in order for the payment to be considered valid by the State, the State clearly says the Board can't say they will pay the benefit and stick the bill with the City.

Dr. Gomez believes that every side has compelling arguments. The Board has voted to table the issue and they need to move on. These are very important issues and he doesn't think they are going to resolve the little details they are talking about today. Mr. Hoff thinks that now there is an issue as to whether or not they should be funding for future COLAs. He would like for the actuary to come in and discuss this. Mr. Garcia-Linares states that the actuary is coming

to the Board at the beginning of the year for the Experience Study. At that time they can deal with this issue. Maybe by that time there will be a hearing in front of the Court.

Mr. Leen asks for Mr. Linn to give an update on the lawsuit with Nyhart. The City and the Pension Board are bringing a claim against the prior actuary and his firm Nyhart. Mr. Linn informs that the complaint was filed in June after a couple extensions of time. Nyhart answered the complaint and provided affirmative defenses. Chairperson Gueits asks what the affirmative defenses are. Mr. Linn replies that one of the leading affirmative defenses of Nyhart is that when it acquired Stanley Holcombe & Associates it was an asset purchase. They only acquired the assets and not the liabilities. That is something they have gone back through the records to look at what was presented to the Board at the time the acquisition was approved and essentially allowed the contract of Stanley Holcombe to be assigned to Nyhart and what was represented to this Board. In addition to Nyhart they had named Stanley Holcombe & Associates also. Mr. Garcia-Linares asks if they have separate counsel. Mr. Linn responds that they don't have it yet. It might not be far off. In any event they have filed a motion initially to strike the affirmative defenses but they have been revised and haven't actually been filed as of today. An email was received saying they were filing the revised affirmative defenses. That is probably the lead issue in terms of their affirmative defenses. Chairperson Gueits asks if they have talked about settling. Mr. Linn informs that there have been informal conversations. Nyhart's in-house general counsel wanted an opportunity to talk to her principals about maybe resolving it without going to Court and that did not occur. Chairperson Gueits asks if they have any type of malpractice insurance. Mr. Linn answers affirmatively. They have a Certificate of Insurance from Nyhart that shows \$5 million in coverage. The next step is going to be discovery. Mr. Greenfield informs that he has copies of the affirmative defenses. He doesn't know how many they have abandoned or if they will still be there because they haven't filed them yet. Anyone can go online and see the progress of it. Mr. Linn informs that Nyhart is being represented by a firm in Indiana and they associated a Miami lawyer. They are sending out Litigation Hold letters to advise all the parties including the Board to retain any documents they might have including electronic records that are relevant to the case.

Mr. Leen states that at one of the City Commission meetings Commissioner Lago wanted to have a workshop in January where the City would look at different attempts to address the net actuarial negative experience and the actuarial deficit. He asked that the Pension Board be involved with them. He will coordinate with Mr. Greenfield and Ms. Groome. There may be a joint meeting at some point between the Pension Board and the Commission to discuss this or they can have a representative come to the meeting and they can figure that out. Mr. Hoff comments that he read in one of the newspapers that Mayor Cason mentioned floating a bond. Mr. Leen states that they may want to look at the transcript from the meeting there were several items discussed. The idea is to get every possible idea looked at. He knows Commissioner Lago is committed to having this workshop. Chairperson Gueits asks Mr. Leen to keep them posted on it. They would love to participate.

5. Items from the Board attorney.

Mr. Greenfield informs he has nothing else to report to the Board.

6. The Board's Actuary, Gabriel Roeder Smith, recommends that the Board authorize GRS to provide new disclosure information in the October 1, 2014 Actuarial Valuation Report required by Florida State Senate Bill 534 for the quoted fee range of \$5,500 to \$6,500. (*Agenda Item 7*).

Ms. Groome informs that the actuary previously reported to the Board that the State had passed Bill 534 which was adding significant disclosure requirements to public pension plans. The actuary is recommending that the Board approve authorization to GRS to provide the information required by this Bill in the next Actuarial Valuation and to approve the additional fee needed for their work in putting this information into the report. Ms. Gomez states that the Board hired GRS to do the valuation report and she doesn't think they should have to pay more for work that is required in the valuation report. The valuation report would not be accurate if that work is not done. She is concerned as to why they want more money for work they are required to do. Chairperson Gueits asks if this is already in the scope of their engagement. Ms. Gomez informs that the valuation report is required. Chairperson Gueits informs that they are not going to take any action on this item. He thinks GRS definitely needs to be at the next meeting.

7. Attendance of Jivko Chiderov from The Northern Trust presenting the updated Securities Lending Program and recommending the best cash collateral investment fund for the Retirement System.

Jivko Chiderov of Northern Trust updates the Board on the Securities Lending Program. Securities lending started for this plan in 2004. Since then the plan earned over \$1 million from the participation in Securities Lending. The current fee split is 70/30 and it was changed from 65/35 back in April of this year. The cash collateral they take from borrowers is invested in the Basic Collateral pool. That Collateral pool did not suffer any collateral deficiencies in the 2008 market crisis. So there were no losses in that pool. The average loan balance for this year was \$42 million and the average lendable base was \$140 million. The year to date net earnings for this plan is over \$75,000 from securities lending. Northern Trust will be closing their existing securities lending cash collateral pools due to changes in the regulatory environment or more specifically the Volcker Rule. There are two options represented to funds. One of them is a new collective fund that will be set up in place of the existing collateral funds and then another option is an existing money market fund.

The year to date broken down by class shows that out of the \$75,000 earned, \$56,000 of that was earned in US Equities. The US Equities are driving the performance for the Securities Lending for this plan. The Cash Collateral pool is currently about \$1.7 million. It is managed very conservatively with an average maturity date of 46 days. In terms of distributions made from that pool, 99% of the investments are A1 or better in terms of credit rating. The pool is also very liquid in terms of overnight maturity rate which is about 26%. So 26% of the pool refinances on a daily basis. It is quite liquid at the moment.

Mr. Chiderov explains the changes being made to Securities Lending. As he mentioned before those changes are driven by the restrictions based on regulatory updates and more specifically the Volcker Rule. Volcker Rule 619 states that securities lending agents, if they rely on certain exemptions of the Volcker Rule that allow their existing collateral pools be unregistered investments companies, will have to affectively change the structure into different framework

for investing their collateral. The conformance for this rule is July 2015. They still have ample time to comply with this new regulation. When they initially sent the package to clients with the account changes the deadline for client responses was January 23, 2015 for clients to make an election as to which collateral pool option they would like to choose. Then from January until July they will work on transitioning their clients from the existing collateral pools into one of the two new options. The changes to the cash collateral management of all the limitations are based on the type of investment company that may be sponsored by banking financial institutions like Northern Trust and the activities conducted by sponsors in support of any such investment company. The current structure of the basic collateral pool that currently exists is that it is not a registered investment company because it relies on certain exemptions of the Volcker Rule. Because of the basic pool, relying on those few exemptions it isn't considered a registered investment company. However, under the Volcker Rule funds like Private Equity funds and Hedge Funds also rely on those two exemptions and are defined under the term "covered funds". So as of 2015 banking institutions will not be allowed to sponsor the "covered funds" and their current collateral pools fall under the "covered funds" definition. That is why they are changing the collateral pool structure.

Chairperson Gueits states that they are basically going to have two choices. Can the differences between the two choices be explained? Is all this administrative or is there something material they need to be aware of? Mr. Chiderov explains that there are two options. The SL Core Collective STIF and the NILAP. The NILAP is a SEC registered money market fund. The SL Core STIF relies on different exemptions that are not in the scope in the covered fund definition. It is not a registered investment vehicle. In terms of guidelines, the NILAP fund is considered more conservative in terms of acceptable investments that would be allowed under its guidelines. The major difference for the investments that would be allowed comes in the purchase agreements and the collateral that it is taking for the purchase agreements. For example NILAP is considered more conservative because when they invest the cash into the purchase agreements, that cash collateral is generally in the form of US Treasuries and agencies. When they talk about the SL Core STIF they invest in the purchase agreements. Collateral could be US Treasuries and agencies as well as US Equities and debt. The collateral that can be used to collateralize the transaction is a little more expansive therefore it yields a higher yield. That is one of the major differences in terms of the guideline comparisons between the SL Core STIF and NILAP and that is evident in their yield return expectations. For example the NILAP fund is expected to yield about Fed Funds plus 6 basis points versus SL Core STIF to yield Fed Funds plus 16 basis points so there is 10 basis points difference in the return expectations between those two options. As a comparison, the current basic collateral pool has a current expected return of Fed Funds plus 10 basis points.

Chairperson Gueits asks if the higher expected return on the STIF means that the investment would carry a greater risk profile. Why is there such a huge disparity from what they expect? Mr. Chiderov explains that the current statement of the money market investments at the moment is because there are not a lot of places money managers can park cash and get decent returns. The main driver of the yield for the SL Core STIF is the repo rates. When you look at the characteristics of the portfolio, 30% to 40% of portfolios are invested in repo transactions. When you can collateralize those repo traits with collateral other than US Treasuries and other agencies you can demand a little more yield when you are accepting equities or City debt as opposed to only accepting US Treasuries and agencies as collateral. That is where the

perceived risk profile differs. If you are perceiving equities or non-government debt, it is riskier than US government debt as collateral then that is where the risk differs.

Chairperson Gueits asks that under the old securities lending program weren't they including corporate debt. Mr. Chiderov responds that the Basic program currently only accepts US equities. They are under the more conservative program. Chairperson Gueits thinks that is something to take into consideration. The securities lending program is not a big driver for this plan. Mr. Chiderov agrees and informs that it is an isolated product. Mr. Garcia-Linares states that they are dealing with public funds so they have to stay conservative on this. Mr. Chiderov highlights the expenses for the two plans. Given the fact that NILAP is an SEC registered fund it is more expensive to manage. Chairperson Gueits wants to sort out the pros and the cons so they can make a decision. Mr. Chiderov states that the management fees for the NILAP is 3 basis points and the management fee for the SL Core STIF is at .95 basis points. There are two basis points difference and it has to do legally with how the fund is structured and how they can manage that fund.

Mr. Hoff asks Mr. West if they have been through all these programs with Northern Trust. Mr. West answers affirmatively. Mr. Garcia-Linares asks what their other clients are doing. Mr. West informs that they had a conference call with Northern Trust and went over all the changes. Their position is they don't normally make manager recommendations on securities lending. Northern Trust is making their recommendation on their securities lending product. In their opinion Northern Trust is a very well qualified provider for these services so the Board will be looking to them to make the recommendation of the most appropriate investment vehicle for this plan. They did review the structure of the different securities lending vehicles and believe that either structure is suitable for this plan. Their inclination is to go with the SL Core STIF instead of the NILAP fund.

Chairperson Gueits asks how many other institutional clients do they have that have chosen to put their money with the SL Core STIF. Mr. Chiderov informs that right now they are in the process of collecting responses. Chairperson Gueits comments that not everyone has decided so the Board doesn't have to make their decision today. They have to decide by January 23rd. Mr. Greenfield informs that he read over the documents from Northern Trust and in Florida they have a prohibition in investing in certain securities that are called scrutinized securities like they could not invest in Iraq or a Cuban Bank. Will Northern Trust agree in their document that the Board will not violate any of the scrutinized securities? Mr. Chiderov informs that they will not make any investments in the scrutinized securities. Chairperson Gueits hopes that the bank would look out for this fund in that respect. Mr. Chiderov agrees.

Mr. Greenfield states that if they had an investment as a Trustee it is required that "the Trustee may require that the request or notice...be received by the Trustee up to 15 business days before the Valuation Date as of which a withdrawal is to be made, except that, in the case of a withdrawal from a Fund invested in real estate, guaranteed investment contracts issued by insurance companies, or other assets which are not readily marketable the Trustee may require that the request or notice be received by it up to one year before the relevant Valuation Date." He asks for Mr. Chiderov to explain that. Mr. Chiderov informs that regarding that language he will have to defer to their legal department.

Chairperson Gueits brings up a third option which is not to do securities lending at all. If they said no that they are not interested in either one of these plans then the money just sits there and Northern continues to be their custodian and that is it. They have some questions that need to be addressed by personnel in other areas of the bank. Mr. Chircut informs that he is comfortable with the NILAP other than the STIF. Most of this money they are making is coming from equities. Mr. Chiderov agrees. Equities are being lent out. The cash they are taking as collateral is getting reinvested. The investment product they are purchasing are repos which are basically repo holdings or repo trades. The difference between the two options is the collateral they take from those repos. That is what is driving the difference in the yield. The other factors in the portfolio in terms of maturity and credit quality would largely remain the same as they are currently in the basic pool. They are quite similar.

Mr. Easley believes that the volatility is about the same. The risk is about the same. The expenses with NILAP having most conservative return are more expensive. Mr. Chiderov agrees. Mr. Chircut clarifies that the current security lending is the repo from the US Treasury and agencies and does not include any corporate bonds or equity. Mr. Chiderov agrees. Mr. Chircut states that the current one does not have that so they are taking on more risk. Mr. Easley points out that Mr. Chiderov just said both products have the same amount of risk. Mr. Chiderov agrees. The other categories in terms of maturity based, liquidity and limits on overnight liquidity or limits on maximum percentage where they can only purchase 5% of the fund they can place 5% maximum on the entire portfolio. Chairperson Gueits asks how much more risk would they take on for the extra 10 points. Mr. Chiderov states that the SL Core STIF is something they recommend to clients who are eligible for participating in that fund. They are expecting most of their clients to go with that option. Chairperson Gueits asks how large of a pool they are expecting to have. Mr. Chiderov responds that they are expecting to have 150 clients in that pool and the market value is expected to be about \$25 billion versus NILAP with 55 clients and a market value of \$54 million.

Mr. Kleiman arrives to the meeting at this time.

Mr. Chiderov informs that NILAP is a current product that clients can participate in but the SL Core STIF is being set up in the beginning of next year. The guidelines of that fund are similar to the guidelines of their current option that their clients utilize currently. The reason for the creation of it is a different legal structure they have to abide by to comply with the Volker Rule. The intent is to not significantly change the guidelines and the guidelines are meant to stay consistent with the current option. The only major difference they are making here is essentially the legal structure of the vehicle. That is why they have two options for clients. He wants to make a distinction between the repo investments. It is not an unsecured debt. It is secured by collateral. It is a distinction between buying the most secure corporate debt or equity index versus having that as collateral. Mr. Easley states that with more risk they are assuming more collateral from the borrower. Mr. Chiderov explains that they are assuming an extended form of collateral. When they talk about equities they are talking about a basket of equities like the S&P 500 or Russell 2000. It is kind of spread out. They are talking about indices when they talk about equities.

Mr. Chircut asks how often they look at collateral change. Mr. Chiderov responds that it depends on how the actual repo trades are set up. Some repo trades are set up to be an

overnight repo trade so they return the collateral on a next day basis and pay the cash back. Some repo trades can be a week or two weeks out depending on how the trade is set up. If they go a week or two weeks out in maturity they demand higher interest from the counter party. Mr. West explains that the risk is the same for both options. The real risk is the counter-party and their ability to deliver if there are changes in collateral call because the changes in the value of the collateral. The risk is in the counter-party ability to meet that capital requirement. The core risk is really the same for both products. Mr. Chiderov agrees. The risk for the two investment options are just like any other money market fund type vehicles. He wants to reassure them that they have a team of portfolio managers looking into these databases. They do stress testing on these portfolios on a quarterly basis where they take scenario analysis and those scenarios are analyzed on a regular basis. It takes about 500 basis points surprise movement for any of those funds to break the buck on an individual level. They are quite comfortable with the risk levels of those options. They feel both options represent very conservative risk profile and it depends on the Board's comfort level presented in the investment guidelines and whether those investment guidelines are appropriate for the risk they are taking. The Basic Pool, which is the product this fund is currently in, is one of the most conservative options they have for securities lending. There is a potential for an uptake in revenue in the SL Core STIF. It is measured risked. It is a secured debt. It is not something that is purchased as a corporate debt on its own, it is a collateralized transaction. It is short term in nature. They are usually done 7 to 14 days out of maturity.

A motion was made by Mr. Hill and seconded by Mr. Hoff to go into the SL Core STIF securities lending product.

Discussion

Mr. Greenfield asks if Northern Trust invests into these types of funds. Mr. Chiderov responds that they are not allowed to but they can purchase mutual funds that Northern Trust runs. A lot of their mutual funds invest in securities lending. In essence, Northern Trust mutual funds are their own largest clients in securities lending. Northern Trust acts as the Trustee of the collective funds. The trust declaration provides an overarching government and port authority for the local trustee. The specific terms include investment guidelines that are governed by the fund declaration for the securities lending Core STIF fund. The declaration that references real estate and other types of provisions is basically an overarching document that the collective fund trust would be one vehicle underneath that kind of umbrella document. There are fund declarations that are specific for the funds and all the activities in that fund. Chairperson Gueits suggests that they have the legal issues addressed by their attorney. Mr. Hill has moved to approve the SL Core STIF vehicle subject to the Board Attorney's review.

Motion approved (10-2) with Mr. Chircut and Ms. Jaramillo-Velez dissenting.

8. Investment Issues.

Dave West informs that there are four items to discuss at this meeting: the third quarter report, the October monthly performance, an update on PIMCO and a follow-up of scheduling a meeting with the Investment Committee to review the alternative investment options they went through at the previous meeting.

Mr. West informs that the final number for the third quarter net of fees was 9.16% for the year. The primary objective was accomplished well over the actuarial rate of return. From a peer group perspective the public fund peer group median return was 10.06%. The 3-year rate of return was annualized at 3.89% and ahead of benchmark at top 38 percentile. The 5-year rate of return was annualized at 10.34% which puts them at the top 23rd percentile. There are two managers flagging from a performance standpoint. As far as holdings everyone is in compliance with investment policy. These are performance objective criteria that have not been met. The two managers are Wells Capital and Winslow. With both managers they are doing two things. They are going in and making sure the manager is doing what they say and internally what is their success rate in completing that research and getting companies that are performing to their expectations. In the case of Wells they are batting average was a little over 80% which is huge, 80% of their companies reported earnings and surprises to the positive to the upside and that is what they are after through their research. Winslow had a similar batting average results. The second thing they are doing is their investments are going very well. Then they look at what worked in the market during this particular period of time and the market was not rewarding of earnings during this period of time. In their opinion both managers are executing very well in strategies and they need to be patient and let the cycle work itself out because the managers are identifying good companies with positive earning surprise and they want to continuing riding that out. There is a flag so they have to bring the issues up. Those items will be reported. The bottom line recommendation is to stay the course with those managers.

Ms. Gomez asks why the investment consultant's rate of return for the fiscal year different than what the actuary's rate of return is for the fiscal year. Which number should they rely on? Mr. West explains that the actuary is calculating the investment results using the actuarial sciences prescribed methodology and they are calculating investment results per their industry prescribed standard. There is a slight difference in the calculation methodologies so that is the reason why their numbers a different. Both numbers are calculated by industry accepted standards. Mr. Easley asks what percentage they made. Is it 10.5% or 9.6%? Mr. West states that as the investment consultant they would argue that their methodology is the most precise and the most detailed. The actuary's methodology is actually simpler. He believes they don't go into the dollar weighted calculation to the extent that their methodology takes them. It is a little simpler. Mr. Garcia-Linares doesn't think they have had this issue before. Mr. Easley thinks they haven't had this issue before because of the COLA affect. Ms. Groome informs that the actuary is sent specific reports from Northern Trust in order for them to calculate the rate of return as of the fiscal year. The Code indicates that the actuary determines the calculation of the COLA. Mr. Chircut asks if the consultant's calculation include any accrual or appreciation or any losses to that date compared to how the actuary calculates the rate of return. Mr. West informs that they include that information. Ms. Gomez thinks this is something the actuary can explain the difference regarding how they calculate the fund's rate of return versus the way the consultant calculates the rate of return.

Mr. West gives an update on PIMCO. It is estimated that \$48 billion in assets went out and they were primarily from the Bill Gross managed funds. The funds the plan is invested in there were some outflows but they were not materially consequential. The bulk of the asset flow went out of the Bill Gross managed funds. Going back to their previous recommendation to their clients they were recommending if they were in the Bill Gross directed fund that they seek

better alternatives and all other strategies they have put the firm on watch. They are comfortable with staying in the strategies they have in place for this fund. There is minimal impact on the strategies this fund is invested in. It appears that the fund flow spiked and has leveled off. It is their understanding that PIMCO actually attracted three former senior PIMCO people to come back and they are using the Bill Gross salary that is no longer being paid as cash bonuses for their people to ensure that they stay on board. Personnel is one of the issues they continue to watch.

Mr. West reports on the October monthly performance. They are off to a good start for the fiscal year. The fund was up 1.49%. Every active equity managers outperformed. The cyclical theme has resumed with the market taking off again. That is how the managers are position by taking the long term position for a cyclical recovery and stocks reflect that orientation. Hopefully they have had the market correction.

9. Old Business.

Ms. Gomez states that back in the summer they had requested that the auditor prepare and do what they needed to do for GASB 67 and they have not done it. They have reached out a couple of times but haven't heard anything. Chairperson Gueits states that they should stop paying GSK until they finish what the Board requested. Ms. Groome informs that the Board just approved the latest bill. Chairperson Gueits suggests that when the bill is paid to send a letter with the check stating that they were required to have performed this analysis and have failed to do so and to report to the Board immediately and that the Board will not pay any more and consider terminating the firm if they don't complete this analysis.

Ms. Gomez informs that the City Attorney mentioned that the City Commission wanted to have a workshop with the Board and the City has met with their actuary, Mike Tierney, about the assumptions. This Board has directed their actuary, GRS, to review the assumptions and do the Experience Study. The City is asking the Board to consider that GRS not study everything because a lot of things don't need to be studied. So the City has asked that the City's actuary speak with GRS to see if they can share each other's thoughts. The City is requesting that the City's actuary discuss with GRS to see if there is a way to limit the cost of the assumption/Experience Study so they can decide what components really need to be studied versus just studying everything.

Chairperson Gueits asks if GRS charged them a flat fee or is it an hourly fee for the Experience Study. Ms. Gomez responds that the Board gave GRS the authority to charge up to \$30,000.00 for the study. Chairperson Gueits doesn't think they should pay \$30,000.00 for half of a study. Ms. Gomez thinks that the reasoning was for them to talk to see if they can mutually agree. Mr. Hill asks if the Board has to authorize them to talk. Mr. Garcia-Linares states that they have always authorized them to talk. His only concern is in regards to the assumption that the Board always seems to have a disagreement with the City's actuary so he is concerned the City's actuary will try and convince GRS not to study certain things because he doesn't want them to go there. If GRS is the Board's actuary and they say they need to study everything then he would go forward with them studying it all. If they can somehow come to an agreement then he doesn't have a problem with that.

Mr. Easley recalls that the Commissioners want to meet in January or February. Shouldn't they wait until this whole Experience Study is done? Ms. Gomez thinks there are a few topics under discussion. From what she understands, the City Commission wants to look at what they can do with the unfunded liability and where their assumptions are and where they should be with their assumptions. Mr. Garcia-Linares points out that the assumptions may increase the unfunded. Ms. Gomez agrees with that. She thinks that they want to be educated with 401Ks and bonding the unfunded. Mr. Easley thinks it is great that they want to get together with the Board because they have been trying to meet with the Commission for some time. But he thinks they need a working knowledge of all aspects to go forward with it. Is the Pension Obligation Bond the right thing? He thinks it is now but it might not be if they hear from the actuary especially if the actuary thinks it might be a bad idea. Interest rates are very low now and it might be better to pay the bond than to pay the liability. Ms. Gomez states that the workshop is to educate the Commission on those issues. Mr. Kleiman informs that his experience with Pension Obligations Bonds is that is a quick fix with a tremendous downside. If they look at it they really need to be informed. Chairperson Gueits thinks that everyone is receptive to a meeting with the Commission.

Mr. Garcia-Linares left the meeting at this time.

Chairperson Gueits comments that Ms. Groome lost her assistant to a full-time position so that is a piece of information that needs to be discussed because Ms. Groome needs a replacement. Ms. Groome informs that the person she chose as her second choice has already received another job so she would like to start the process over. Mr. Easley thinks this has happened for a good reason and the good reason is that maybe they should not look at a part-time position only because once Ms. Groome gets someone trained it seems like most part-timers are looking for full time jobs. This same thing is probably keep happening until they get someone they can tie in, educate and teach instead of having a revolving door every six months. Ms. Groome agrees but the problem is the full-time position was not approved by the Interim City Manager. Mr. Easley thinks it is something they can take back to the new City Manager and see what she says about the predicament the Retirement Office will have to keep dealing with. Ms. Gomez informs that the head count was not approved by the Interim City Manager. Chairperson Gueits asks if the new City Manager has veto authority. Ms. Gomez responds that no one has veto authority. To add a new position, the new City Manager would have to get approval by the City Commission. Mr. Easley asks that since Ms. Gomez is the Trustee maybe she wouldn't mind approaching that to the City Manager. Ms. Gomez states that if it is something that this Board is going to request then when the City Manager starts if she would consider taking that issue to the City Commission. Mr. Kleiman states that if the City has vacancies the City Manager does have the authority to collapse the vacancy and make it into something else and the head count stays the same. It depends on what the new City Manager wants to do.

Mr. Hoff asks about the Summary Plan Description that was handed out to the Board members. Ms. Groome informs that the Summary Plan Description is being sent out to all the employees and retirees.

Mr. Easley informs that there is an event coming up that the City has for the Board members every year on December 3rd. He thinks everyone should try and attend it.

10. New Business.
 - a. Retirement Board meeting dates for 2015
11. Public Comment.

There was no public comment.
12. Adjournment.

There is no scheduled Retirement Board meeting in December. The next scheduled Retirement Board meeting is set for Thursday, January 8, 2015 at 8:00 a.m. Location to be scheduled.

Meeting adjourned at 10:46 a.m.

APPROVED

JAMES GUEITS
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER