CORAL GABLES RETIREMENT SYSTEM
RETIREMENT BOARD AGENDA
THURSDAY, JUNE 30, 2016
9:00 A.M.
POLICE COMMUNITY MEETING ROOM
2801 SALZEDO STREET – POLICE STATION BASEMENT

MEMBERS:	A 15	S 15	O 15	N 15	J 16	F 16	M 16	A 16	M 16	J-9 16	J-30 16	APPOINTED BY:
Andy Gomez	P	P	E	E	P	P	P	P	E	P	P	Mayor Jim Cason
James Gueits	E	P	E	P	P	P	P	E	E	E	P	Vice Mayor C. Quesada
Charles Rigl	P	P	P	P	E	P	E	P	P	P	P	Commissioner Jeanette Slesnick
Michael Gold	E	P	P	P	P	P	P	P	P	P	P	Commissioner Patricia Keon
Rene Alvarez	P	P	P	P	E	P	P	P	P	E	P	Commissioner Vince Lago
Joshua Nunez	P	P	P	E	P	P	P	P	E	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Donald R. Hill	P	E	E	P	P	P	P	P	P	P	E	General Employees
Troy Easley	P	P	P	P	P	E	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	E	Finance Director
Elsa Jaramillo-Velez	P	P	E	P	P	P	P	P	P	E	P	Human Resources Director
Manuel A. Garcia-Linares	P	P	P	P	P	P	P	E	E	P	P	City Manager Appointee
Jacqueline Menendez	P	P	P	P	E	P	P	P	E	E	E	City Manager Appointee

STAFF:
Kimberly Groome, Administrative Manager
Alan Greenfield, Board Attorney
Dave West, The Bogdahn Group
Dan Johnson, The Bogdahn Group

P = Present
E = Excused
A = Absent

GUESTS:
Able Mohica, Tortoise Capital Advisors
Stephan Pang, Tortoise Capital Advisors

Chairperson Hoff calls the meeting to order at 9:03 a.m.

1. Roll call. Ms. Menendez, Mr. Hill and Ms. Gomez were excused. Mr. Garcia-Linares and Mr. Gueits were not present at the start of the meeting. There was a quorum.

2. Discussion of recommendation from the Administrative Manager to send Service Connected Disability applicant, Steven Del Mazo, to Board appointed doctor as mandated in Retirement Ordinance Section 50-231.

   Dr. Gomez asks who decides what the impairment percentage someone receives. Ms. Jaramillo-Velez responds that the doctor makes the decision.

A motion was made by Ms. Jaramillo-Velez and seconded by Mr. Easley to send Mr. Del Mazo to a Board appointed doctor. Motion unanimously approved (8-0).

Chairperson Hoff states that they have to go through this process every time and he would like to entertain a motion from now on to allow the Administrative Manager to be able to send a disability applicant to a Board appointed doctor without receiving approval from the Board.

A motion was made by Mr. Alvarez and seconded by Dr. Gomez to allow the Administrative Manager the authority to send a disability applicant to a Board appointed doctor without having to request approval from the Board. (Motion unanimously approved (8-0).

Mr. Garcia-Linares arrives to the meeting at this time.

3. Presentation of Tortoise Capital Advisors regarding the Direct Opportunities Strategy.

Dave West introduces the representatives from Tortoise Capital Advisors to give the Board an introduction about the MLP investment space.

Able Mohica informs that Tortoise Capital invests in Master Limited Partnerships or MLPs. They know energy has been an interesting portion of the economy lately and back in 2008 they were in about two-thirds oil and today they are in about 20%. They don't invest into oil and gas but they invest into the things that connect it or carry it away. The pipes and the tanks. These are permanent projects. They are not short-lived projects. These are publically traded, securities listed on American stock exchanges which are structured as a partnership.

Mr. Garcia-Linares asks what they are investing in. Mr. Mohica responds that they are investing in the actual pipelines. When a gas company gets the gas out of the ground in the old days, the gas company owned a drill, owned the well, carried it under pipes, refined it and took it to the station. They only got merit for oil and gas in the ground. Eventually it made more sense to sell the pipelines and have them structured to different companies. That is what they are investing in. It is the companies that own the tank and the pipelines. When oil is $40.00 or $140.00 these companies get paid to transport it. The flip side that they have more pipelines today because they are finding oil and gas in places they used to not find it. Where do you usually find domestic oil and gas? In the past it was Texas, Gulf of Mexico and Oklahoma. Today they get a lot of oil and gas from places like Pennsylvania and North Dakota. The new places need more pipelines and that is what is being invested. They get paid every year and they pay out quarterly distributions or yield to the investors. People look at this as a bond but these are equities and you receive that distribution of typically 6% and it grows because as they build the pipeline and as they transport they pass it on to you. Whenever they want to build a new pipeline or buy a new pipeline they have to go back to the capital markets to raise equity. They manage about $15 billion and of that roughly $8 billion is in institutions. The other portion of their business they invest in is mutual funds. When they invest with plans like this they find the best growth and yield. In the end you have a company that is managing critical assets. They get paid on a fee basis and it doesn't matter what the oil price is because they get paid for transport and they are investing with teams they have known for many years. They have been around since 2003 and the industry has grown from a very small $20 billion cap market industry and has gotten as high as $500 billion. It is still a very large industry and continues to be very critical.

Mr. Mohica continues. The places they are finding oil and gas these days are different than they used to be. Before they found big collections of it like a jelly donut so they would stick a straw in it and with the technology they had, the resource ran out and it became more difficult to find fossil oil and gas. Now because of new technology they have found ways to get oil and gas from all different places. It doesn't have to be a jelly donut, it has become a double layered cake and going down to the base where all the original stuff was coming from and being able to find base layers all around. The new way of finding oil and gas allows them to meet more production and more pipes. That is the basic of this. You invest in oil and gas which is one of the biggest sectors of the economy and you can do it in a way that does not depend on the price of oil and gas. The problem every so often is the capital market starts to break up and something happens. In 2000 they had dysfunction, in 2008 they had dysfunction and in 2015 the markets had a problem. These companies get paid on the growth they can show you and the yield they can show you. If you have a company that is not growing they are going to require a higher interest rate and a higher yield. If a company is growing a lot they are going to believe in them and trust them and they are going to pay more yield. That relationship is pretty good. Historically they get paid 6% yield and today they are getting paid 8% yield. The moment of dysfunction is what this fund is trying to capitalize on. They know every so often when the market gets hurt you can step in and something you know is going to turn around but because the capital markets are weak at the moment you can provide alternative financing to them and invest in them directly as opposed to a stock. It is a stable industry that relies on capital markets. They are process driven and methodical. It is a repeatable process. It is all about cash flows. Show me where the pipeline exists, show me where you see additional growth happening and show me who is going to do it.

Steven Pang discusses the investment process. They are very methodical in nature in terms of their investment process. The have proprietary risk models that basically separates all their investments into tiers. These tiers are predicated on the strength of the management team and the quality of the cash flow as an asset footprint. They aren't investing in the oil and gas but are investing in the pipelines. The quality of the cash flow and where these pipelines are located are very strategic and critical in their investment decision process. The management team is also a big piece of the puzzle and they rank their management teams from tier one to tier four. They put a lot of weight in terms of how they have performed in the past and if they delivered on what they said they would. Then they look at the proprietary models. This is the financial analysis. They have proprietary valuation models they look at. The cash flows forecasting forward and how that is played in the distribution growth and yield are two critical aspects to how these companies perform. When they model the cash flows out they look at various sensitivities and various assumptions they make as to what they believed the company can do they can actually deliver. Lastly they look at the valuation models where they combine the qualitative analysis as well as the quantitative side they look at it through a relative valuation basis and compare a particular with their various portfolio companies and assess whether or not it would make a compelling investment. They are very methodical in nature. They look at all aspects of the company before they arrive at their various investment decisions.

Mr. West states that the index for MLPs has about 45 names. Are they looking at names outside the index? Mr. Pang answers affirmatively. Many people look at the Alerian MLP index because it is very well marketed. They used to have 50 names and now they are down to 25 names. There are other ways to benchmark their fund. S&P manages for them which is something called the Tortoise MLP index. They invest inside MLPs. The result is that since inception their performance has been about 15%. They have a very nice asset class beating the benchmark at about 300 basis points and the Alerian index is 11.6%. They believe their index is tougher than the Alerian. They invest in MLP structures as well as their parent companies.

Mr. Pang informs that roughly one-third of their institutional classes are public pension funds. They also have endowments, foundations, Taft-Hartley plans, insurance companies, corporate pension plans and family office. One of the earliest investors in MLPs was high net family office because people were looking for a secure yield which could be passed on to their heirs. The public pension fund clients they have are Cities, Counties, States and public safety groups. They have representation throughout the Country.

Mr. Pang informs that Tortoise Capital is one of the largest investors in MLPs. They tend to be the number one or number two holder of each of the companies they invest in. They are companies that transport gas, natural gas, natural gas liquids and crude. The capital markets are important but every so often something happens to those capital markets and there is dysfunction. The cash flows inside these companies continue to grow. The distributions they pay out continue to grow. In 2015 their companies grew their internal generated cash flow over 20% higher of the previous year. They paid out distributions to investors that grew to 14%. In the short term, oil is down and production is down then all energy is down regardless of what the cash flow says. The price finally finds its way to the cash flow and they find that opportunity. It is called a PIPE or Private Investment in Public Equity. They go in and make a direct investment in these companies and tell them they are going to buy something from them that is going to be unregistered or non-tradeable for a certain amount of time and in 6 months they will register it. The company shows them the deal they are trying to do and Tortoise will invest. Every so often when things break up Private Equity gets interesting. Private Equity usually stays away from their business. Typically it is too sleepy for them. It is too predictable. Private Equity wants to come in and roll the dice. They want leverage and they are going to take risks and they are going to get paid for those risks. That is not what Tortoise does. So far this year Private Equity has made structures called convertible preferreds. Convertible preferreds structure takes more risk because there is more security and you have some sort of conversion at the end. They are making this fund, the investments they have always had, because they are the long term residents of this asset class and unregistered investments and convertibles. They have created a fund that does that.

Mr. Gold asks where they put them. Do they go into the separately managed accounts (SMAs) as part of the overall portfolio? Mr. Pang responds that they have two sides of the business, the institutional side and the retail side. The retail side is the side they manage and they always put them in the closing fund. They have never put them into SMAs because when you do these direct deals you have to be the direct center to the documents. You have to be able to move quickly and you have to have available cash so you can't sometimes be invested and have to sell. In the closing funds they have bank facilities so they can step in quickly and they are the signer and move on. If they did it with the SMAs they would have to chase groups all around the Country and see if they like the deal, if they have money and if they could sign and it was too difficult so they didn't do it. They created this kind of fund because it allows them to bring their investors alongside them and be able to do this kind of investment. Some of these funds they manage are billon dollar funds so even though they have a great investment and have a great return it is hard to move that big ship.

Mr. Mohica adds that this fund will be making both PIPE investments as well as convertibles which are more structured in nature. How they think they can make better returns than their SMAs generally these investments are banks syndicated or direct investments with the company. Typically these investments have a company where they have thousands in terms of financing capability and when you make these investments some information the public is not aware of but what is made public later on in nature. They had a PIPE investment and they had information about the company about a week prior to any public announcement by the company and they were doing this type of financing and they were using the capital they were raising with Tortoise to acquire an additional pipeline. The company approached them directly since Tortoise is a large shareholder for them and asked if they were interested in making this particular investment. They looked at the models for the company and did some internal valuation work and they arrived at the conclusion that it would be a strong investment for their funds. What they were looking to do for the company would be added in allowing them to grow their distribution post of acquisition. They bought unregistered PIPEs from the company which were not tradable but would be registered in 30 days which is a very short lock up and the liquidity timeframe is very short in nature. It allowed them to buy these units at a discount to the current market price of the stock. If you were an investor and wanted to go out and buy these units you would not be able to capture the inherent discount they would be buying ahead of any acquisition. They made the investment at about $100 million closed-end funds and it has been a great investment for them. It has only been about two months but the returns are at 20% so far. A lot of the return was captured with the discount they bought it at as well as the pop they saw in the unit price when they announced the acquisition and they were able to grow their distributions and grow their yield for investors.

Dan Johnson asks if they are buying a discount to the share price what the discount is in that case. Mr. Mohica states that they have scene discounts that vary in nature. In the current market they are in they are seeing discounts from 5% to 10% of the current trading price. That discount can vary based on a number of factors like if it is privately negotiated with banks or if it is for a riskier company that discount would be wider but if it is a company that is highly traded that discount maybe tighter. They have generally scene 5% to 10% in the current market.

Mr. Pang states that on the other side of the spectrum they can make preferred investments which are more structured in nature and they may be slightly riskier in the fact that there may be more hair on the balance sheet and access to public capital is more bare. They made an investment of the nature in Targa Resources which is a gathering processing company with assets primarily in Texas as well as in the mid-continent. This company was a little more levered than some of the other investments in the portfolio. There was a structure they came up with that allowed them to take more risk and they were buying a preferred security. If you think of a company's capital structure, preferreds sit higher than equity. If the company were to go bankrupt the preferreds shareholders would be paid before equity shareholders. Being higher in the capital structure they felt was enough to reward them for the additional risk they were taking. They also got equity warrants which give you extra shares and if the company's stock price appreciates they get the option to exercise these warrants and buy more shares of the company at a discounted share price which allows them to capture more equity upside. It has also been over a 20% return for them. It has been three months since they made that investment.

Mr. Gueits arrived to the meeting at this time.

Mr. West asks for them to explain what the end game is with the convertible preferreds. Mr. Mohica informs that they buy partnership units and they hold them and eventually liquidate them. When they go into convertible preferreds you are buying something that typically has a preference so it is more bond-like and you are going to hold it and they are going to repay you but because it has a conversional warrant they are going to turn into equity at the end. They believe those things are typically going to have a two to three year period. When they invest in a normal unit it is liquid right away. Another reason they have not put these preferreds before in their SMAs is they always wanted the ability to be liquid instantly but there is a price for that. The companies want to issue equity and the capital market conditions are not good so if they issue their units today and it is trading at 10% they have to pay distributions at 10% forever and if they can find a way to have a structure that they are going to promise to pay at 8% and they are going to give the option to have warrants to convert into units later on. So you get passed the bad capital market time and they are going to save money and if the pop happens later on then it most likely will happen during better capital market times. It is good for the company and it is also good for them.

Mr. Mohica explains that this is a four year fund. You are locked in for four years and they have the ability to extend for one more year. It is actually a five year investment because you want to make sure that some of these convertibles they buy have time to convert. They eventually will get out of everything and at the end of the fund they will have cash back to the investor. They will not have to be forever investors unless they want to. Many times they invest in a private company that has no real market and every company they invest in has a liquid public market it just happens that the structure they have are not publically traded so at the end of the five years they will help find a buyer in the event at the conclusion of the five years they will not shut the illiquid securities at the investor and go away. Mr. West informs that originally that was the deal breaker for them because the fund had the ability to physically put securities back. With the agreed upon terms and negotiation that it will be taken care of and additionally Tortoise has agreed to sign on as fiduciaries which would make that fiduciary role more important in putting the client's interest first in the ultimate liquidation of those securities.

Dr. Gomez asks if the companies they invest in are all U.S. based. Mr. Mohica answers affirmatively. Dr. Gomez asks what percentage of those companies invests internationally. Mr. Pang informs that almost all of their assets are in the U.S. Of the MLP model, they can't own too many assets that are international because of the MLP tax treatment. So about 95% of their assets are in the U.S. Mr. Mohica adds that the MLP structure says that as long as they generate 90% of the cash flow from qualified activities which is transport, distribution, processing and storage of natural resources then they are able to not pay taxes at the end. The only place where MLPs will have foreign activity will be in Mexico and Canada but the parameters are pretty tight.

Mr. Gold asks if this fund will be specific through mid-stream. Mr. Pang states that they have the ability to do more than just MLPs. They have the ability to go 1/3 into other things across energy platform. They are primarily mid-stream because that is their expertise.

Mr. Mohica states that the way this fund is structured is they have one closing with two stages. It closes by July 29th and the fee on this is 75 basis points plus a 5% carry after preference to the investor. There is a later closing and that closes by September 15th and the fee on that is 100 basis points and a 10% carry. It makes a difference if you close on July 29th versus closing on September 15th. Their first closing was last week and they closed at $75 million. Their goal is $250 million and they are already at $200 million.

Mr. West asks for them to explain the fee structure. Also if the market recovers, the need for this type of financing and this product will go away so if the system were to pledge a certain amount of money how are they calling the capital and how is the fee structure on the call of capital and how if the opportunity goes away what happens to the investment and the pledge of the assets. Mr. Mohica explains when they invest in a private equity fund typically you get paid on the commitment. If you are raising a $500 million fund and an investor is going to pledge $20 million private equity will charge on the pledge regardless how they call it. That is not the case here. They will only charge by the investment capital so if they don't draw and invest that money the investor doesn't pay the fee. They have been doing this over a long time course of business. They are doing these deals with or without this fund. We like that this fund allows their investors to be able to participate. At this moment in time it is a good way to invest and if the opportunity goes away they will not want to do the deal. If they would be better off just investing in their standard separately managed account without a lock-up and without the higher fee they will come back to the Board and tell you that. They are not going to make investments that otherwise would not be competitive. The way the call the money is that there are 5 business days to submit the funds but they are going to expand that time period. Normally it is similar to private equity is that you call the money and it comes in and if they can deploy it then they will likely create a bank facility so if they need to invest quickly they can do so.

Mr. Gold asks for them to explain private equity in case the other Board members are not familiar with the fees. Mr. Mohica states that in a normal process if you were in a separately managed account with them they would pay a flat fee which is typically 75 basis points. You would come in and invest their money; they would look at the account on a quarterly basis, figure out the size of the account and charge them on a quarterly basis. Any private equity tends to have a carry which is that the manager shares in that payment. Typically private equity charges a 2% fee with a 20% carry which means for every $100 of gain and there is $200 of value at the end you get your $100 back and the private equity fund would get 20% of the extra $100 and the investor would get $80. Hopefully they invested in something with a higher return so it was worth it. In this case they would take 5%. The preferred return means it was a 7% preference and the preference works that you get your money back then the next 7% belongs to the investor. If the fund ends up with a return of up to 7% the manager walks away with just their management fee and the investor walks away with 7%. Past that 7% you have to get back to equalized and it is all annualized. You get back to even and if you leave with 10% at that point it is if the preferred did not exist. It is a protection to the investor that they will at least get their 7% but once you get over that 7% everything gets back to the return.

Mr. Johnson asks if they are seeing that some energy companies are still on the verge of going to go bankrupt and how do they evaluate the winners and losers. Mr. Pang thinks that in terms of bankruptcies in February and March the price of oil was in the 20s there was more risk and fear in the market and a couple of things have happened since and the prices of oil have rebounded significantly from its lows and they have seen capital markets remain open for the guys who are looking for oil and gas. So the ones who were the most at risk to go bankrupt have been able to hit the capital markets and raise moneys to help them pay down the debt. They have seen a lot of counter party risk in the sector and he thinks a lot of it has dissipated and go away given some of the rebound they have seen in the commodity market. In terms of picking winners and losers there are good investments and bad investments and they have turned down an investment that was in this space on the convertible side and they turned it down because they did not think it was a compelling investment. In terms of current deal flow, they think an active deal flow remains despite the improvements they have seen in oil prices there is still a lot of dislocation in the MLP capital markets and as a result they have seen these private offerings come to them. Mr. Johnson asks what the additional financing is being used for by those companies. Mr. Pang states that the companies with a healthy balance sheet allows them to grow their distributions and enhance their cash flows going forward and there are challenged companies it allows them to de-lever and they are coming to investors like Tortoise. Mr. Mohica states that the pipe building industry is pretty slow moving. It is tough to build a pipeline. You got to permit it, you got to build it and you got to find people to transport on it so you have to keep planting seeds all the way along. If you have a period for a time you stop doing that then you have a period down the road where you don’t have the harvest. Just because the capital markets are week these companies are still finding good deals they keep doing. You want to let them continue in that process and not have them have a bare spot here or a bare spot there.

Dr. Gomez states that they said that 95% is U.S. based and 5% is Mexico and Canada and nothing overseas. Do they foresee down the line in the next year expanding overseas? Mr.

Mohica responds that it would not be for this fund. Mr. Rigl clarifies that they are locked in for 4 years. Mr. Mohica replies that he would assume five years. He informs that they have an 18 month investment period which means they have to deploy the money and if they have not deployed that money within 18 months and they can keep some back-up like 20% invested but if not they are released from that obligation. Mr. Garcia-Linares asks if the 5 years begins once the money is deployed. Mr. Mohica explains that the five years begins at the first closing so if they invest they are stepping into a fund that already exists because they closed last Friday and that is when the 5 years begins. Mr. Johnson asks what their expected rate of return will be. Mr. Mohica informs that they expect about 15% return but they believe the return for this fund is about 20%. There is a little more risk but a higher return.

Mr. Greenfield states that he is not familiar with the securities law but asks that once this converts does it become registered and then payable. Mr. Pang answers affirmatively. Mr. Garcia-Linares asks Mr. Greenfield if he has any legal questions. Mr. Greenfield informs that he does not. Chairperson Hoff asks if he has read over the paperwork. Mr. Greenfield replies that he has read over the documents. Mr. Garcia-Linares asks if they have any problems being able to go forward. Mr. Greenfield responds that the documents do not contain anything he believes is illegal but as an individual if he was looking to invest in this investment he would not invest in it. Because he wouldn't invest in any limited partnership unless he knew the general partner and knew him so well that I would be willing to put my money into his hands because the general partner has complete authority to do anything and everything. Here the Board has put The Bogdahn Group the condition of investigating and bringing back to the Board what they believe is the integrity or the ability of the general partner and they know the general partner. Secondly, this transaction is not registered with the SEC or any other regulatory agency. Thirdly, the general partner has complete authority to do everything and anything. It goes back to the integrity of the general partner. They have told them what they are going to invest in and the parameters of that investment. Based upon the vetting that The Bogdahn Group has done they feel the general partner will not stray. There is nothing illegal about it. Mr. Garcia-Linares asks if there is anything in the City Ordinance or Florida Statutes that prohibits them from going into this investment. Mr. Greenfield replies that there is nothing that prohibits them from investing in this product. They will have a side letter that indicates they will be fiduciaries and also that at the time the fund ends if there are securities left then they will act as the fund's agent and sell any leftover securities left in the investment.

Chairperson Hoff asks for the consultants to give the Board the investment consideration. Mr. West explains that the purpose of introducing this special opportunity The Bogdahn Group on an ongoing basis as they see and identify unique opportunities and they find a way that their clients can invest and think this is a reasonable enough opportunity here to go forward and put it in front of the Board. This fund is similar to the PIMCO DiSCO II fund which buys senior and distressed credit and in keeping with their ongoing opportunities in the portfolio and trying to keep that mix correctly the thought was they consider utilizing this opportunity to start to sunset out some of the investment in the DiSCO II since that expected return continues to go down. Mr. Garcia-Linares asks how much money they are recommending they invest in this product. Mr. West states that because this is a concentrated investment it is focused on mid-stream, it is energy, commodity oriented and because the investment itself are convertible preferreds there is going to be a limited number of companies that were participating in it so it is going to be a concentrated investment. Because of the concentrated nature of this special opportunity they felt it was appropriate to allocate 2.5% which approximates to about $8.5 million. That is the focus behind it. They are aware that it happens to come in a form of a private equity offering. As a separate assignment they are currently working on reviewing private equity strategies and will have a primer together so they can go through the education. That is another decision and discussion they will have to will be well diversified product recommendation. It is a completely separate strategy they want to educate everyone on. This is a standalone situation that they saw as a unique oppportunistic way to play the distress that is in the MLP market now. It happens to come in a form of a private equity.

Dr. Gomez asks about the public pension plans that have invested in this fund. Mr. West points out that the Oklahoma Firefighters just invested in the plan at 2% and the City of Lakeland has also invested in it. Mr. Johnson informs that Tortoise shared a sampling of their clients. Their firm did not go out and recommend investing in MLPs for the last five or six years and they never really felt comfortable in making that type of investment. This fund does have an exposure to the underling commodity, oil prices and MLP market prices there is something different. There is a private structure between the Private Investment Public Equity where they are purchasing energy prices that are distressed and then they are negotiating a discount below that so that is why this opportunity is presented now. Then the other one is the preferred convertible where you are getting a guaranteed income and you are higher on the credit structure than the equity positions and you also get the equity upside to have the ability to convert into the equity prices. This opportunity is very unique and it is not for every investor. The City of Lakeland is very large and only their clients who have large plans are looking at this opportunity. They felt because of this Board's astute action in moving quickly and being rewarded for a very similar investment with DiSCO II where you were going with the biggest bond player and taking advantage of dislocated market prices in the bond world back in 2010 and you have been compensated for it, the same holds true that Tortoise being one of the biggest providers of MLPs investments, these PIPEs are not securities that are offered and they are going to Tortoise as one of the largest investors and telling them they are offers coming up first and they can take them or pass on it. Mr. West informs that Tortoise already has a working relationship with these investment companies that they have already vetted. Now they have the ability to provide financing during these distressed periods of time.

Mr. Garcia-Linares states that because Ms. Gomez is not at the meeting and she wears the hat of the Trustee and also as a member of the Board is she okay with going forward with this investment. Ms. Groome responds that she was not informed of any issue Ms. Gomez had with this investment. Mr. Garcia-Linares asks if anyone from the City knows. Ms. Jaramillo-Velez states that she does not know. That would be a violation of the Sunshine Law. Mr. Gold thinks that they are probably the right manager to do something like this. What they need to think of is if this is enough money for it to be compelling for the Board. If they are going to invest $8.5 million even at 20% IRR in a best case scenario is probably $14 or $15 million five years from now. So is this investment really enough to move the needle and secondly are they trying to move the needle with something esoteric that maybe they should invest $10 million or $12 million into something that comes next. He thinks those are more of the Board's concerns than if these are the right people to do that. He thinks they are the right guys and it will probably be a good investment. He thinks they are a year late but thinks that the public opportunities come from great distress. They aren't going after debt but they are going after people who are still in business and trying to raise equity. He thinks 20% returns are aspirational and thinks it is probably more like 12% or 15% but those are still great returns. He thinks for this fund if they want to decide if they want to have this niche to serve this purpose for us or do they want to continue the education and look at something else. Mr. Gueits asks what else is out there that they can show the Board in the near term. The DiSCO II money has to be put to work.

Mr. West states that the next area they would be looking to review is the broad private equity space. He thinks that Mr. Gold's comments are taken but this is a unique situation they have identified that looks interesting enough to capture some potential upside from a very distressed base. Mr. Easley asks what kind of return they are getting on the money that will just be sitting on reserve to be called. Mr. West informs that they are going to leave the asset allocation as it is so if they want to be specific they are suggesting taking some of the profit off the Disco fund so whatever the DiSCO II fund earns in the interim allowing for that notice liquidity window for Disco that is what they will be earning for better or worse until they liquidate for the capital call.

Ms. Groome informs that she just called Ms. Gomez and Ms. Gomez indicated that she had no concerns regarding the investment if it was favorable with the consultants.

A motion was made by Mr. Garcia-Linares and seconded by Dr. Gomez to invest $8 million

Discussion:

Mr. Gold asks that if they commit $8 million and they call $3 million in 18 months do they have an extra $5 million to invest in other alternatives. Mr. West answers affirmatively. They are viewing the portfolio holistically so they can dynamically take money from other areas.

Motion approved (9-1) with Ms. Jaramillo-Velez dissenting.

4. Public Comment.
   There was no public comment.

5. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, August 11, 2016 at 8:00 a.m. in the Police Community Meeting Room, Police Station Basement, 2801 Salzedo Street, Coral Gables, FL.

Meeting adjourned at 10:26 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER