

CORAL GABLES RETIREMENT SYSTEM
Minutes of January 13, 2011
Police Community Meeting Room
2801 Salzedo Street – Police Station Basement
8:00 a.m.

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

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

GUESTS:
Richard Sicking, Esq.

Chairperson Tom Huston calls the meeting to order at 8:12 a.m. There was a quorum present. Mr. Hoff and Mr. DiGiacomo were excused.

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

Chairperson Huston points out that the history of the Retirement Board is to alternate nominations of Chairperson between elected Board members and appointed Board members. Chairperson Huston informs that he has served as Chairperson for two years and now it is time to nominate an elected Board member as Chairperson to the Retirement Board.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Geraci to nominate Mr. Easley as chairperson. Mr. Easley thinks that it would be in the whole Board’s best interest to defer the voting on the Chairperson because two of the four elected employees of the City are not present at this meeting. Mr. Geraci

states that in all due respect of the other gentlemen who are elected to this Board that Mr. Easley has been stellar over the years as a member of this Board and has gotten his job done correctly as a Board member. He thinks the Board should move forward at this meeting. Mr. Easley appreciates the comment. He explains that the reason he is hesitant about taking the position is not due to the fact that he does not want the position nor because he feels uncomfortable in fulfilling the position but because he wants to be able to dedicate himself 100% to the position and to the Board. He is in the process of moving into a new home and is in transition between two counties. The situation has become a very arduous part of his life and that is why he suggested deferring the item until next month. He thinks that being the Chairperson of the Board is a very important role. He does appreciate the nomination. Mr. Naclerio appreciates Mr. Easley's personal situation. He believes that the rest of the Board members will give Mr. Easley support as Chairperson. Mr. Easley appreciates the support but would still like to defer this issue until the February Board meeting.

Mr. Greenfield informs that there is nothing in the ordinance that states that the decision has to be at the first meeting of the year. He believes that under these circumstances where two of the elected Board members are not present that it would be prudent to put the election off at a time that those members are present. The only think he could think of is that the position of Chairperson at this meeting is more ministerial and procedure relative to the Robert's Rules of Order and there is nothing that the outgoing Chairperson would be doing as Chairman that would be violating the intent of the ordinance.

Mr. Garcia-Linares states that based on Mr. Greenfield's advice he makes the following motion.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley that the Board defer items 2, 3, and 4 until the next meeting.

Discussion:

Mr. Naclerio thinks that the members who are not at the meeting could have made their preferences known to the Administrative Manager before the meeting. Mr. Geraci states that he has been to training events with Mr. Easley and knows that he has embraced the process. He has also been to training events with Mr. Space who has also embraced the process and has become certified. He can't think of two better candidates to chair or co-chair this Board. Mr. Space points out that he will probably not be on the Board after May because Commissioner Withers is off the Commission. He asks not to be nominated. Mr. Easley would like to address the point that there are elections coming up and that some Board members will be off the Board. He thinks this is an issue they need to talk about.

Motion unanimously approved (7-0).

3. Election of a Vice-Chairman for the Retirement Board [Retirement Ordinance Section 50-88(b)]. **Deferred (see Item 2).**
4. Election of Investment Committee members [Retirement Ordinance Section 50-121]. **Deferred (see Item 2).**
5. Disability reviews: The Administrative Manager recommends approval of the continued disability benefits for George Brown, Miguel Cancel and Tyra Hearn. *(Agenda Item 10).*

Richard Sicking, attorney for Miguel Cancel, requests a waiver from future yearly reviews for disability benefits for Mr. Cancel. Mr. Cancel is one of the police officers who was in a terrible car accident. Mr. Cancel has a mangled hand and organic brain damage. He is asking for the annual review to be waived so Mr. Cancel does not have to go through the expense of paying a doctor to complete a report explaining that he is still disabled because of his injuries from the accident.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to waive the annual reviews for Mr. Cancel. Motion unanimously approved (7-0).

6. Approval of the Retirement Board meeting minutes for November 3, 2010. *(Agenda Item 5).*

A motion was made by Mr. Easley and seconded by Mr. Space to approve the meeting minutes of November 3, 2010. Motion unanimously approved (7-0).

7. Approval of the Retirement Board Executive Summary minutes for November 3, 2010. *(Agenda Item 6.)*

A motion was made by Mr. Easley and seconded by Mr. Garcia-Linares to approve the Executive Summary minutes of November 3, 2010. Motion unanimously approved (7-0).

8. Items from the Board attorney. *(Agenda Item 7).*
Mr. Greenfield reports that things have been quiet for the last couple of months. He and Ms. Groome have been working on a variety of matters relative to getting the investment with the managed futures in place so they can timely fund. Nothing has occurred that they need to bring to the attention of the Board.

Mr. Naclerio states that in traveling around Coral Gables during this election season the number one item on the lists of the candidates running for office is the pension and how terrible the shape of the pension is. One person said that this was the worst pension in the State of Florida. His question has to do with the new changes in the ordinance and the litigation that was filed. He is still waiting for a

presentation to find out what these changes were and what the litigation is about. Has any presentation been scheduled for the Board so they can understand the changes in the plan? Mr. Greenfield responds that they have talked about this and Ms. Groome gave the Board the summary of changes in her Administrative Report. Mr. Linn from Tallahassee was going to be coming in to make a presentation to the Board. Mr. Naclerio thinks they need to know about the changes to the ordinance so they can have an informed opinion when someone comes up to them and asks about the pension plan.

Mr. Nelson explains that two meetings ago the Board asked for a summary of changes to the retirement ordinance. In this month's Administrative Report there is an outline of all the changes to the pension plan which was prepared by Mr. Linn who is an attorney from Tallahassee. Mr. Linn prepared the ordinance which was approved by the Commission in September. The change to the retirement ordinance only affects the general employees and the excluded employees and does not affect police or fire. The monetary effect for one year saved the City an annual funding amount of \$3,369,000. The outline of the changes is significant and is broken into two parts. The most important is whether you are vested or not vested. If you are vested you have ten years of service or more with the City. It provides that vested employees can retire under the same rules, Rule of 70, which were in effect before the change to the ordinance. For those who are not vested, under ten years, their normal retirement changes to the Rule of 80. Another significant change is that the general employees union increased their contributions from 5% to 10% effective October 1, 2010. The excluded employees have contributed 10% to the fund since 2009. The most important change is the multiplier effect. Everyone keeps the 3% multiplier up to October 1, 2010 and after October 1, 2010 the multiplier changes depending on the employee category. The multiplier is the factor for each year of service. Previously it was 3% for each year of service and now it has changed to 2.25% for each year of service. It takes more time to reach the maximum percent of 75%. Before it took 25 years of service to reach 75% and now it will take more years of service to reach that percentage. The benefits accrued prior to October 1, 2010 cannot be taken away. If you were vested you maintain your highest three year average of compensation prior to October 1, 2010 and after October 1, 2010 the average changes to a five year average. If the five year average is greater than the three year average when you retire then you receive the highest average of the two. If you were not vested as of October 1, 2010 your average would be a five year average only. The other provisions changed the disability calculation, the eligibility for DROP and the definition of compensation does not include overtime any longer. All these changes are only for the general and excluded employees.

Mr. Naclerio asks how many employees are affected by this change in the ordinance. Mr. Nelson responds that it is approximately 500 employees. He explains that the general employees negotiated and in May 2010 there was an impasse hearing which was heard by a Special Master who rendered a report to

the City Commission. The City Commission then held a special hearing in August 2010 to determine the basis of the Special Master's report. The Commission heard testimony from the General Employees Union and the management of the City and rendered their own independent decision. As a result of that this retirement ordinance came about and was approved. That takes them up to today and they are abiding by the new changes in the ordinance. In the meantime the General Employees Union has filed a lawsuit to interpret what was imposed by the Commission in August. He does not know the merits of the case or the background of the case. Mr. Naclerio asks when the contracts for Police and Fire expire. Mr. Nelson answers that the police contract expired September 30, 2009. They have been without a contract for a year and a half with the police and they are presently in negotiations. The firefighters have a contract through September 30, 2011 so after that date they will start negotiations with the firefighters.

Mr. Geraci understood there was some negotiations about employees and their vacation and sick time and whether they could accumulate it and take it in the last year of their retirement cycle and increase their final average. Has that been changed? Mr. Nelson explains that there are changes to the sick and annual leave accrual. The accumulated sick and annual leave is not included in the final average for retirement. Employees are still allowed to accrue sick and annual leave however selling of annual leave is no longer allowed.

Mr. Naclerio asks what the employees got for giving up some of their benefits. Mr. Nelson responds that the City had to get a handle on the cost of the pension. There were no concessions granted to the general employees or excluded employees and there was no pay raise. Mr. Greenfield adds that the employees did not give up their benefits. These changes were imposed by the Commission. That is why there is litigation pending. Mr. Naclerio states that this review has been very helpful. Why did they have to beg and plead for this information? Mr. Nelson explains that the information for the summary was prepared by Mr. Linn and there was a lot of interpretation of what was granted by the Commission so it was a matter of caution. Because they are still in litigation he did not want anything explained that may be misinterpreted. Mr. Garcia-Linares does not think it is necessary anymore for Mr. Linn to make a presentation. Mr. Naclerio asks for this lawsuit to be part of the legal report so the Board can have an idea what is going on with it. Mr. Greenfield replies that he can check with the City's counsel as to where they are on the litigation. Mr. Garcia-Linares asks for Mr. Greenfield to request a quarterly report to be provided to the Board from the City's counsel. Mr. Greenfield informs he will do that.

Mr. Easley feels that although he is an employee who is not affected by these changes he does talk to other general and excluded employees and these changes were kind of like a shot in the gut to them. He thinks that the employees should have had an idea of what some of the changes were going to be. A lot of the employees were negatively affected and those employees were making decisions

for either retirement or their career path based on what was in place when they became employees. He understands that the City had to take certain actions but he also thinks that the employees who serve their time as City employees should be given some type of respect and made aware of changes like changing the selling of annual leave.

Mr. Space asks Mr. Greenfield if there is some type of monitoring system they use to monitor class actions. Mr. Greenfield informs that the only monitoring they have is through Northern Trust. Mr. Space knows that there are some companies that can monitor that type of thing for the fund. Mr. Greenfield explains that they have had some law firms offer that service to the Board at no cost and the Board has turned them down. Mr. Garcia-Linares suggests that Ms. Groome contact Northern Trust and make sure they are still monitoring the class actions and to continue sending the reports to the Board. As long as someone is monitoring for them they don't need to hire a law firm. To sign up with one of these law firms there was a requirement that they agree to be one of the plaintiffs in bringing one of the actions and the Board did not want that. That is his recollection. Mr. Nelson recommends that someone from Northern Trust come down and present the report and what they are doing regarding the class actions. Then the Board can make a decision on whether they should supplement that with another firm. Maybe it is time that they do that. There is a lot of litigation out there and maybe they are losing money.

Mr. Garcia-Linares asks about the contract they were negotiating for the managed futures. Ms. Groome informs that it is still in process. Mr. Greenfield adds that they were not contracts but subscription agreements because they are going into a pool type of arrangement.

9. Report of Administrative Manager. (*Agenda Item 8*).
A motion to accept the following items of the Administrative Manager's report without discussion was made by Mr. Garcia-Linares and seconded by Mr. Space. Motion unanimously approved (7-0).
 1. For the Board's information, there was a transfer in the amount of \$2,950,000.00 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 November 2010 for the December 2010 benefit payments.
 2. For the Board's information, there was a transfer in the amount of \$2,000,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of December 2010 for the January 2011 benefit payments.

3. For the Board's information:
 - Richard Naue of the Police Department entered the DROP on December 1, 2002 and left the DROP on November 30, 2010. He received his first retirement benefit on December 1, 2010.
 - Daniel Acosta of the Automotive Department entered the DROP on January 1, 2006 and left the DROP on December 31, 2010. He received his first retirement benefit on January 1, 2011.
 - Octavio Torres of the Finance Department entered the DROP on January 1, 2006 and left the DROP on December 31, 2010. He received his first retirement benefit on January 1, 2010.
 - Jose Meitin of the Public Works Department passed away on October 28, 2010. He retired on June 1, 1997 with Option 2B-75%. His beneficiary began receiving post-survivor benefits on November 1, 2010 and will receive those benefits for her lifetime.
 - Miguel Quinones of the Parking Department passed away on December 15, 2010. He retired on May 1, 1998 with No Option. His benefits have ceased.
4. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date October 10, 2010 in the amount of \$124,411.05 was submitted for deposit on November 19, 2010.
 - Payroll ending date October 24, 2010 in the amount of \$129,300.07 was submitted for deposit on November 19, 2010.
 - Payroll ending date November 7, 2010 in the amount of \$126,334.96 was submitted for deposit on November 19, 2010.
 - Payroll ending date November 21, 2010 in the amount of \$129,627.84 was submitted for deposit on December 1, 2010.
 - Payroll ending date December 5, 2010 in the amount of \$133,444.21 was submitted for deposit on December 13, 2010.
 - Payroll ending date December 19, 2010 in the amount of \$125,504.92 was submitted for deposit on December 28, 2010.
 - Payroll ending date January 2, 2011 in the amount of \$136,525.97 was submitted for deposit on January 7, 2011.
5. Copies of the detailed expense spreadsheets for the months of November 2010 and December 2010 are attached for the Board's information.
6. Copies of the Summary Earnings Statements from the Northern Trust Securities Lending Division for billing period October 1, 2010 to October 31, 2010 and November 1, 2010 to November 30, 2010 is attached for the Board's information.

7. Attached for the Board's information are the Statements of Pending Transactions and Assets as of October 31, 2010 and November 30, 2010 from JP Morgan.
8. Attached for the Board's information are the Statement of Settled Transactions from October 1, 2010 to October 31, 2010 and November 1, 2010 to November 30, 2010 from JP Morgan.
9. A copy of the November 30, 2010 Commission Recapture Statement from Knight Capital Group is attached for the Board's information.
10. For the Board's information a copy of the Commission Analysis prepared by Knight for the third quarter 2010 is attached.
11. A copy of a letter dated November 11, 2010 from Stanley Holcombe and Associates is attached regarding the 2011 COLA for the Retirement System.
12. For the Board's information a copy of the outline for the new pension ordinance effective 9/30/2010 is attached.
13. A copy of a letter dated November 8, 2010 from James Crosland of Bryant Miller and Olive is attached regarding the settlement of the Firefighters' Union grievance concerning the 2% recalculation to the pension of 14 firefighters' participating in the DROP.
14. A copy of the Election Results for the General Employee member of the Retirement Board is attached for the Board's information.
15. The Berwyn Group Death Check Verification Services dated December 10, 2010 is attached for the Board's information.
16. A copy of a Miami Herald article dated January 2, 2011 regarding Governor Rick Scott and the Florida Retirement System is attached for the Board's information.
17. A copy of the November 2010 and December 2010 Florida Public Pension Trustees Association monthly E-newsletter is attached for the Board's information.
18. A copy of the December 2010 NCPERS Newsletter "The Monitor" is attached for the Board's information.
19. Information on the National Conference on Public Employee Retirement Systems (NCPERS) Annual Legislative Conference in Washington, D.C.

from January 30, 2011 through February 1, 2011 is attached for the Board's information.

20. Information on the Commonfund Forum 2011 in Orlando, FL from March 12, 2011 through March 15, 2011 is attached for the Board's information.
 21. Information on the International Foundation's 57th Annual Employee Benefits Conference in New Orleans, LA from October 30, 2011 through November 2, 2011 is attached for the Board's information.
 22. Copies of the City Beautiful e-News newsletters giving the latest news and information about the City of Coral Gables are included for the Board's information.
10. Employee Benefits: (*Agenda Item 9*)
(The Administrative Manager recommends approval of the following Employee Benefits.)

Retirement Benefits:

Retirement application of Patricia Rodriguez of the Police Department, 22 years, Option 2B-75%, effective July 1, 2010.

RESOLUTION 3141
A RESOLUTION GRANTING
NORMAL RETIREMENT BENEFITS
TO
PATRICIA RODRIGUEZ

WHEREAS, Patricia Rodriguez has applied for retirement effective July 1, 2010, and,

WHEREAS, Patricia Rodriguez requests to take Option 2B-75% with her last working day June 30, 2010.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE CORAL GABLES RETIREMENT SYSTEM;

That the Custodian of the Coral Gables Retirement System, is hereby authorized to pay Patricia Rodriguez retirement benefits under Option 2B-75% as certified by the Actuary, the first day of every month, beginning July 1, 2010 and continuing as long as the pensioner or beneficiary shall receive benefits in accordance with the conditions of the option selected.

A motion to approve Ms. Rodriguez's retirement application was made by Mr. Naclerio and seconded by Mr. Space. Motion unanimously approved (7-0).

Retirement application of Blanca Carmona of the Parking Department, 4 years, 1 month (age 65), No Option, effective November 1, 2010.

RESOLUTION 3142
A RESOLUTION GRANTING
NORMAL RETIREMENT BENEFITS
TO
BLANCA CARMONA

WHEREAS, Blanca Carmona has applied for retirement effective November 1, 2010, and,

WHEREAS, Blanca Carmona requests to take No Option with her last working day October 29, 2010.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE CORAL GABLES RETIREMENT SYSTEM;

That the Custodian of the Coral Gables Retirement System, is hereby authorized to pay Blanca Carmona retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning November 1, 2010 and continuing as long as the pensioner or beneficiary shall receive benefits in accordance with the conditions of the option selected.

A motion to approve Ms. Carmona's retirement application was made by Mr. Space and seconded by Mr. Garcia-Linares. Motion unanimously approved (7-0).

Retirement application of Elizabeth Hernandez, City Attorney, 18 years, No Option, effective January 1, 2011.

Mr. Greenfield asks if Ms. Groome could request that Ms. Hernandez sign another application again so there is no confusion as to which option she chose for retirement.

RESOLUTION 3143
A RESOLUTION GRANTING
NORMAL RETIREMENT BENEFITS
TO
ELIZABETH HERNANDEZ

WHEREAS, Elizabeth Hernandez has applied for retirement effective January 1, 2011, and,

WHEREAS, Elizabeth Hernandez requests to take No Option with her last working day December 31, 2010.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE CORAL GABLES RETIREMENT SYSTEM;

That the Custodian of the Coral Gables Retirement System, is hereby authorized to pay Elizabeth Hernandez retirement benefits under No Option as certified by the Actuary, the first day of every month, beginning January 1, 2011 and continuing as long as the pensioner or beneficiary shall receive benefits in accordance with the conditions of the option selected.

A motion to approve Ms. Hernandez's retirement application was made by Mr. Garcia-Linares and seconded by Mr. Naclerio. Motion unanimously approved (7-0).

Retirement application of Michael Cotton of the Public Service Department, 21 years, 5 months, Option 2B-50%, effective January 1, 2011.

RESOLUTION 3144
A RESOLUTION GRANTING
NORMAL RETIREMENT BENEFITS
TO
MICHAEL COTTON

WHEREAS, Michael Cotton has applied for retirement effective January 1, 2011, and,

WHEREAS, Michael Cotton requests to take Option 2B-50% with his last working day December 17, 2010.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE CORAL GABLES RETIREMENT SYSTEM;

That the Custodian of the Coral Gables Retirement System, is hereby authorized to pay Michael Cotton retirement benefits under Option 2B-50% as certified by the Actuary, the first day of every month, beginning January 1, 2011 and continuing as long as the pensioner or beneficiary shall receive benefits in accordance with the conditions of the option selected.

A motion to approve Mr. Cotton's retirement application was made by Mr. Space and seconded by Mr. Garcia-Linares. Motion unanimously approved (7-0).

DROP Benefits

DROP application of Michael Chickillo of the Fire Department. Effective date December 1, 2010.

DROP application of Richard Waugh of the Police Department. Effective date December 1, 2010.

DROP application of Daniel Mosquera of the Police Department. Effective date January 1, 2011.

DROP application of Glenn Fortunato of the Fire Department. Effective date January 1, 2011.

DROP application of Tony Jedlinski of the Fire Department. Effective date January 1, 2011.

DROP application of James Simpson of the Police Department. Effective date February 1, 2011.

DROP application of Patrick Moore of the Public Works Department. Effective date March 1, 2011.

DROP application of Marvin Smith of the Public Service Department. Effective date March 1, 2011.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Space to approve all applications for DROP. Motion unanimously approved (7-0).

Vested Retirement Benefits:

Neal de Jesus, Fire Department (19 years, 8 months) effective at age 50, effective date October 1, 2011.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Space to approve Mr. de Jesus' vested retirement applications. Motion unanimously approved (7-0).

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

Application of Joseph Fleres of the Police Department requesting to buy back 1,825 days (5 years) of Other Public Employer Service Time with the City of Miami.

A motion was made by Mr. Space and seconded by Mr. Easley to approve Mr. Fleres' application to purchase other public employer service time with the City of Miami. Motion unanimously approved (7-0).

Application of Emilio Rubido of the Police Department requesting to buy back 1,825 days (5 years) of Other Public Employer Service Time with Dade County Public Schools (FRS).

A motion was made by Mr. Garcia-Linares and seconded by Mr. Hill to approve Mr. Rubido's application to purchase other public employer service time with Dade County Public Schools. Motion unanimously approved (7-0).

11. Disability reviews: The Administrative Manager recommends approval of the continued disability benefits for George Brown, Miguel Cancel and Tyra Hearn. (*Agenda Item 10*).

A motion was made by Mr. Garcia-Linares and seconded by Mr. Space to approve the continued disability benefits for Mr. Brown and Ms. Hearn. Motion unanimously approved (7-0).

12. Submission of bills for approval. (Administrative Manager recommends approval of the following invoices). (*Agenda Item 11*)

The City of Coral Gables invoices for the rental of City's public facilities in the amount of \$1,294.44 (\$431.48/month) and general liability insurance in the amount of \$1,005.24 (\$335.08/month) for the months of October, November and December 2010.

A motion was made by Mr. Naclerio and seconded by Mr. Easley to approve the City of Coral Gables invoice in the total amount of \$2,299.68. Motion unanimously approved (7-0).

The City of Coral Gables invoice for Fiscal Year ending September 30, 2010 for expenses of retirement system paid out of the general ledger account of the City in the amount of \$193,094.90.

Mr. Nelson informs that the invoice is for the accrued amount of the retirement system that was paid out of the general fund. This invoice is a pay back to the general fund for those expenses. Ms. Groome informs that the breakdown of the expenses is included with the invoice.

A motion was made by Mr. Naclerio and seconded by Mr. Easley to approve the City of Coral Gables invoice in the amount of \$193,094.90. Motion unanimously approved (7-0).

The Bogdahn Group invoice no. 5727 dated December 20, 2010 for Performance Evaluation and Consulting Services from October 1, 2010 to December 31, 2010 in the amount of \$33,750.00. This invoice is in accordance with the contract between The Bogdahn Group and Coral Gables Retirement System signed on June 1, 2008.

A motion was made by Mr. Space and seconded by Mr. Easley to approve the Bogdahn Group's invoice in the amount of \$33,750.00. Motion unanimously approved (7-0).

Alan E. Greenfield invoice dated January 10, 2011 for services rendered May 11, 2010 to January 10, 2011 in the amount of \$9,975.00.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Naclerio to approve Alan Greenfield's invoice in the amount of \$9,975.00. Motion unanimously approved (7-0).

13. Investment Issues. (*Agenda Item 12*)

Dave West of The Bogdahn Group reports on December's performance. The month of December was a positive month. On the total fund they picked up \$463,630 in income. The appreciation for the month was \$11,042,587 and that means they netted out a closing number for December of \$268,539,569. For the quarter the income was \$1,170,055 and the total appreciation for the quarter was \$16,338,173. The net rate of return for the quarter was 6.89% and the total equity for the quarter was 10.29%. Domestic equity collective was 12.27% and international equity was 5.68%. The total fixed income portfolio declined .3%. The diversification decision that was made for fixed income continues to help and provided a little offset. The total global bond effort was .68%.

Mr. Naclerio asks what the fund's highest amount was before the debacle of 2007 and how much has the fund recovered since. Mr. West informs that they have a high water mark in the quarterly book but does not have that number now. Mr. Space states that if \$280 million was the high and they are at \$268 million now less \$30 million they put in then they can figure out what the recovery is currently. Mr. Naclerio agrees but they have to look at how much they pay out in benefits also. Are they basically \$12 million down from their high water mark? Mr. Nelson responds that after they take out what they contributed this year they are below their highest mark. Mr. Naclerio thinks that \$12 million is not that big of an amount to be down considering what happened in the investments. Mr. West informs that he would be happy to bring that information to the Board at the next meeting. Mr. Garcia-Linares thinks that is information Ms. Groome needs to put into the annual report for the Commission because that point is very important. The media is writing all these stories about this pension fund and this information is something positive. Mr. Space thinks that what should go into the report is how much money they recovered from investments and not how much money they recovered putting in. Mr. Naclerio would like a report from Mr. West showing their highest asset value, what the value is now and what the spread between the two is. This Board's stewardship of the fund has got it back to close to where the high water mark was. Mr. Easley states that he would also like to see a comparison of this fund and other Florida pension funds.

Mr. West continues. Eagle had a tough month and for the quarter. They came in at 9.54% versus the benchmark of 10.92%. They have been keeping a close tab on MD Sass and they came in at 15.23% which was 4.31% above the benchmark. They feel relieved about this manager considering all the discussions they have had in the last couple of meetings about them. It shows that over time both managers individually are adding value for their part. The S&P fund was up 10.8% and investing in that index fund has proven to be a good decision. The S&P is the source of funds when they invest into the managed futures. Aletheia had a nice quarter and closed up at 11.83%. The Winslow fund ended almost in line with the benchmark for the quarter at 11.69%. Delaware Capital is struggling. They want to focus on them at the next meeting when they get the full attribution as to what is going on there. Baring was up 5.06% versus 6.65% and Thornburg outperformed at 7.89%. The bulk of the contribution came from domestic equity. JK Milne and Richmond were in line with the benchmark down $\frac{3}{4}$ of a percent. The TIPS portfolio came in flat. The PIMCO diversified income fund was basically flat for the quarter and the Templeton fund was up 1.34%. The JP Morgan Strategic Property fund added 4.93% and the Special Situation Property fund added 7.69%.

Mr. Naclerio asks if the consultants are comfortable with the number of managers the fund has currently. Mr. West informs that they are comfortable with the number of managers the fund has. The fund has diversification and a security level with their managers. The managers they have employed would be categorized as relatively concentrated managers. They don't have managers that have 150 to 200 stocks. They are highly concentrated, specialized managers. They think they are getting an additional diversification in that they have managers that are operating under completely different marching assignments which should effectively be smoothing out the return volatility. He doesn't think they want to add additional managers and they are at the optimal allocation as it stands now. Chairperson Huston thinks they should congratulate their consultants on the diversification they have established for this fund because it is beginning to pay off for them now.

Mr. West informs that they had sent out a communication to the Board regarding Aletheia and they also received a communication from Aletheia in response to their recommendation to terminate them as the fund's manager. Their firm has reviewed with research and their Investment Policy Committee and they have come out with a generic, general recommendation that their clients seek alternative investments. The nature of this recommendation suggests that this can be done in the normal course of business. They don't need to get the money immediately transitioned into an index fund and believe this can be done in the normal course of business with manager replacement interviews. The basis for the recommendation is that there are a number of matters of factually distractions out there with some litigation and an ongoing SEC inquiry. They have no inside information and they are not about to make a judgment on the merit of any of the litigation. From their perspective they see an increase level of activity that they

think is potentially distracting to the management of this firm going forward. They have seen a fairly high level of turnover in their personnel. The most significant is the dispute between the two founding partners. They are uncomfortable with the cultural environment at the moment for this firm. This is not a performance issue. They respect Aletheia's efforts to try and retain their client business and they will be meeting with Aletheia again at their request in early February but there will not be a change in their recommendation to terminate them as a manager. They want to have a replacement manager before they terminate the incumbent. They are comfortable doing a replacement in the normal course of business, however if the Board wants to move forward and expedite that they can do a transition to the index fund. Mr. Garcia-Linares suggests that this issue and the issue regarding Delaware go to the current Investment Committee to meet prior to the next Retirement Board meeting and come back with a recommendation.

Mr. Geraci left the meeting at this time.

14. Old Business. (*Agenda Item 13*)

Mr. Space asks how the auditors are doing on this year's report. Ms. Groome informs that she is still working with them getting them the information they request. Mr. Space asks if they will be on time. Ms. Groome responds that they will.

15. New Business. (*Agenda Item 14*)

Mr. Space states that the Retirement System's trustee is also the City's Financial Officer by ordinance. They are going to lose their trustee and City Financial Officer in October of this year because Mr. Nelson is going to retire. Because the new Chief Financial Officer, unless the ordinance is changed, will be the fund's trustee he thinks it is important that this Board, through the Chairperson, send a letter to the City Manager explaining that issue and making sure that they have an input into the investment knowledge of the new City Chief Financial Officer because he will become the fund's trustee. As important as this fund is the trustee needs to be not only a good accountant but a very knowledgeable investment person who knows the investment rules of the pension fund of the State of Florida, etc.

Mr. Nelson informs that he is in the DROP and his DROP ends October 31, 2011. Mr. Garcia-Linares asks if there has been a search for a replacement for his position. Mr. Nelson responds that there hasn't been yet. He doesn't know how far in advance the search will begin or what the transition will be. He does have an Assistant Director who is excellent and whether he will take over in the interim he is not sure. Mr. Garcia-Linares asks if Mr. Nelson will give input as to who should come in after he leaves. Mr. Nelson replies that the decision would be up to the City Manager.

Mr. Space believes that orders could be changed. Does the Board want to have the same thing? As far as he is concerned, Mr. Nelson has done a fine job but they do not know how the next person will be. He thinks there is a discussion and the Board needs to figure out what they want. Mr. Garcia-Linares thinks that a request should be made that the City Manager be invited to the next meeting so they can discuss this issue with him.

Chairperson Huston thinks that another suggestion is that the Board try to get the ordinance changed so Mr. Nelson could stay on as the trustee. Mr. Garcia-Linares suggests that the City Manager come to the next meeting. They have plenty of time for discussion. Chairperson Huston asks Ms. Groome to request the City Manager to come to the next Retirement Board meeting and to let him know that the Board will move the agenda around to accommodate him.

Mr. Easley realizes that the elections are coming soon. He wonders if any of the Board members would mind if the opportunity presents itself for someone from the Board to approach the new Commissioner on behalf of a Board member who wants to continue on the Board and let the new Commissioner know that there is a qualified person already on the Board who knows the history of the retirement system and the Retirement Board. For this Board to make a change out of the amount of people that might be off this Board it might set them back to some extent. It is going to be a significant change to lose that many people. Mr. Garcia-Linares agrees. He points out that Mr. Space just became certified and now has to leave the Board because Commissioner Withers is leaving the Commission. He doesn't know how to fix this situation.

Mr. Greenfield suggests that it would take a change in the ordinance to do what they are suggesting which is to take away from the political scene of this particular Board so when new Commissioners come in could not replace someone unless there was some overriding reason or cause they should be replaced. Mr. Naclerio hears Mr. Easley's point and he is sympathetic to it. It seems to him that two mayoral candidates are running on the theory that this pension plan is all messed up and that it would be pretty difficult for them to reappoint the same members on the Board. Mr. Space thinks the candidates should find out the facts first and see it is not necessarily what they think. Mr. Easley agrees. He thinks they should come to a couple of meetings and observe what takes place and the discussion the Board has on how to continually make the investments of the fund better.

Mr. Space states that once you face the facts it is a different story. Maybe that is something else they can discuss with the City Manager. He thinks that the idea the Chairperson brought up is a great idea to keep Mr. Nelson as the trustee. Mr. Garcia-Linares suggests that Mr. Greenfield come up with something they can present to the Commission to change the ordinance as to the trustee as well as to how people are appointed to this Board.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to have Mr. Greenfield draft a proposed ordinance change for the next meeting. Motion unanimously approved (6-0).

Chairperson Huston asks Mr. Nelson what would be the implications of remaining the trustee even if he was no longer the Finance Director. Mr. Nelson responds that the Board has the right to hire and fire for the administration of this plan. He leaves that up to the Board to do that. The ordinance would have to be changed if they do not want the Finance Director to be the designated trustee to the retirement plan. If the Board were to approach him he would be interested. For 20 years he has worked as Finance Director and trustee and has tried to be very fair to the City and the Retirement System.

Mr. Easley comments that at this meeting they have talked about people approaching them as Board members about the negative image that has been written about the City's pension system. They talked about a website and they are still working on that issue. It wouldn't hurt for them to have an article about the accomplishments this Board has done with the retirement fund. That is why he asked Mr. West about the comparison of other funds. At least they could shed some light on the positive. People need to know they have had a good return and that they are diversified and are within their targets. He thinks it is only fair that they put together some information for an article to show the positives of the fund because so much negativity has been said and is surrounding the pension funds, not only this one but all of them. The residents don't really know the truth. He hasn't seen any candidate running for office with the City that has come to any of their meetings and listened to what is going on.

The next Retirement Board meeting date is set for Thursday, February 10, 2011 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 10:17 a.m.

APPROVED

TOM HUSTON, JR.
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR