

CORAL GABLES RETIREMENT SYSTEM

Minutes of October 9, 2014
Youth Center Theater/Auditorium
405 University Drive
8:00 a.m.

MEMBERS:	N	J	F	M	A-10	A-18	M	J	A	S	O	APPOINTED BY:
	13	14	14	14	14	14	14	14	14	14	14	
Andy Gomez	P	P	P	E	E	P	P	P	P	E	E	Mayor Jim Cason
Manuel A. Garcia-Linares	P	P	P	P	P	E	E	P	P	P	E	Vice Mayor William H. Kerdyk, Jr.
Bob Campbell	E	P	E	P	E	E	E	E	P	P		Commissioner Patricia Keon
Appt. Needed	-	-	-	-	-	-	-	-	-	-	-	Commissioner Vince Lago
James Gueits	P	P	P	P	P	P	P	P	P	P	P	Commissioner Frank C. Quesada
Joshua Nunez	E	P	E	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	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	City Manager Appointee
Pete Chircut	-	-	-	-	-	-	-	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
Takiyah Bryan, Retirement System Assistant
Janette Frevola, Police Department
Al Frevola, Conrad & Scherer
Mike Frevola, Police Department
John Baublitz, Fraternal Order of Police
James Skinner, Retiree/Resident

Chairperson James Gueits calls the meeting to order at 8:16 a.m. There was a quorum present. Dr. Gomez and Mr. Garcia-Linares were excused. Ms. Gomez and Mr. Easley were 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 September 18, 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, on October 1, 2014 there was a deposit in the amount of \$24,151,856.00 from the City of Coral Gables to the Coral Gables Retirement Fund's bank account at SunTrust Bank representing the full amount of the City's 2014-2015 fiscal year contribution. The \$24,151,856.00 was transferred to the Northern Trust Cash Account on October 3, 2014.
2. For the Board's information, there was a transfer in the amount of \$2,700,000.00 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 September for the October 2014 benefit payments.
3. For the Board's information, the following employees terminated their employment with the City and were paid back their retirement contributions:
 - Bryan Lajo, Parking Meter Mechanic, Parking Department
 - Eduardo Rodriguez, Police Officer, Police Department
4. For the Board's information:
 - Alina Suarez-Garcia entered the DROP on October 1, 2009 and left the DROP on September 30, 2014. She received her first retirement monthly benefit on October 1, 2014 and was affected by the IRS 415(b) limits for the 2014 year.
5. 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.

6. A copy of the detailed expense spreadsheet for the month of September 2014 is attached for the Board's information.
7. For the Board's information, a letter is attached dated September 23, 2014 from Richmond Capital stating that they are in compliance with Florida Statute 215.473.
8. For the Board's information, a letter dated September 12, 2014 is attached from the State of Florida informing that the 2013 State Annual Report was reviewed and approved.
9. For the Board's information the Northern Trust Securities Lending Summary Earnings Statement for August 2014 is attached.
10. For the Board's information the Northern Trust class actions report for the 3rd quarter of 2014 is attached.
11. A copy of the September 2014 FPPTA Newsletter is attached for the Board's information.

2C. The Administrative Manager recommends approval for the following invoices:

1. GRS invoice #409513 dated September 12, 2014 for actuarial consulting services rendered during the month of August 2014 in the amount of \$2,724.00.

A motion was made by Mr. Hoff and seconded by Mr. Campbell to approve the consent agenda. Motion unanimously approved (8-0).

3. The Administrative Manager recommends sending Service Connected Disability applicant Janette Frevola to a Board appointed doctor as mandated in Retirement Ordinance Section 50-231 and Florida Statute 185.18(4). (*Agenda Item 4*).

Craig Leen, City Attorney, informs that this matter relates to a settlement and an application that is before the Board today which the City supports. Al Frevola informs that Janette Frevola is his client and his sister-in-law who works for the City as a Police Officer. On May 2, 2012 when Ms. Frevola was working out on-duty at the gym at the Police Station she injured her right ankle and was receiving treatment for it. That treatment continued and she remained on-duty. On November 13, 2012 while chasing a suspect, she went over a wall and came down on the other side, landed and injured her ankle more which resulted in surgery. The surgery was not as successful as hoped and she went through a long period of rehabilitation therapy. The result of that was she still has ankle problems. On top of that because of the compensation of walking with a boot and other issues she injured her hip. One of the reasons why they are before this Board at the last minute is there has been a lot of working with the City and the City Attorney

trying to resolve a lot of the issues related to her injuries and paperwork related to that. They finally got that resolved about two weeks ago right around the time Ms. Frevola went into surgery on her hip which is why she is in a walker. They reached an agreement with the City that the injury occurred on the job and that Ms. Frevola would qualify for disability. The Retirement System has been provided with all the medical records from her doctors and they are asking the Board to approve her disability today as part of an overall settlement with Ms. Frevola that was reached with the help of Mr. Leen. This includes waiving any further requirements for medical review. He believes there is some precedent for that.

Ms. Gomez arrived to the meeting at this time.

Mr. Leen informs that this matter relates to a settlement they have reached with Ms. Frevola. He has studied this matter and has reviewed all the materials including the doctor's opinions that were supplied to the Board. He has spoken with Ms. Frevola and her counsel. It is his opinion that she does qualify for this disability pension. He thinks the Board should grant it to her and grant any waivers that are necessary so it can proceed on an expedited basis. He would request that they do that. He believes the Board can do that but ultimately he would defer to the Board Attorney. It is his understanding that the Board's past practice was to waive an Independent Medical Evaluation in appropriate circumstances and he thinks those circumstances are here. They also have a couple of opinions from doctors that are in the record and you have a matter where the City has been very involved and has been able to scrutinize this and reach a resolution that they think is fair for all parties. Part of that is the disability pension. He has also given his own opinion in the record that he believes she is entitled to it and he thinks she has the type of injury that is work related that would justify it.

Chairperson Gueits would like to hear from the Board Attorney. Mr. Greenfield states that he discussed the matter with the Administrative Manager. Ms. Groome has recommended that the disability be granted subject to the claimant being examined by an Independent Medical Examiner. The ordinance, as well as Section 185 of the Florida Statutes, has the same language that says the claimant shall present themselves for an independent medical examination as part of their getting the disability. It says "shall" and not "may" which makes it mandatory. As Mr. Leen has told the Board there has been circumstances where the Board has waived the requirement for an independent medical examination. Obviously, if an employee came in with a loss of a limb you would hardly find any reason to send that employee to a doctor to see if they really lost a limb. There are some obvious conditions that you could waive. There are other conditions that you may or may not want to waive depending on the circumstances of the injury. In one instance the person was without any financial resources so the Board granted the disability but the person still was examined. The Board has always tried to be compassionate and listen to reasoning to why they should waive the normal circumstances. Mr. Campbell states that it sounded like there have been multiple medical evaluations. Is the issue that the evaluations were not independent? Could those multiple medication examinations be the same as an independent medical examination? Mr. Greenfield doesn't think so.

Mr. Leen explains that the issue about this case has been whether it was work related and not that she was injured. He thinks it is undisputed and clear that for purposes of this proceeding they would be willing to stipulate that she was injured. That is what he is doing for purposes of this proceeding. It is his opinion. He thinks that the State Statute requires an examination of a duly qualified physical or surgeon to be selected by the Board of Trustees for that purpose. He thinks that based on past practice there is a stipulation or agreement that the Board could accept one medication evaluation they have already chosen because there is no dispute. He believes that would satisfy the Code too. The City elected not to have its own IME as part of the settlement. He believes the Board has the discrepancy to grant the disability retirement. Ultimately, he does defer to the Board Attorney.

Mr. Greenfield believes that there is no doubt that she was injured. The recommendation of the Administrative Manager is to grant the disability. That is not the problem. The problem is that the ordinance and the Statute say an employee "shall be examined by an independent medical examiner." The question about whether or not these doctor reports fill that obligation in his opinion is that they do not. He isn't disputing what the doctors are saying but as a precedent they don't take the reports of other doctors and say it is okay even if the City says it is okay and the claimant says it is okay. It is still up to the Board to either waive the necessity or not. It is not a matter that the Board is accepting the reports it is a matter of whether or not the Board wants to waive the necessity for an Independent Medical Examination. Mr. Leen adds that both the ordinance and Statute say that the doctors shall be selected by the Board so they would essentially be accepting what they chose based on the City's position. His opinion is that there is no dispute at all there is an injury here and the issue was whether it was work related. He looked into it and believes it was work related. That is something a doctor will not be able to tell them. Mr. Greenfield thinks the Board should also know that because Ms. Frevola is a police officer there is a different standard in regards to disabilities of police and fire as opposed to general employees. Even though her disability was 5% of the body as a whole and 15% of the lower extremity that is sufficient for police officers and firefighters and it may or may not be sufficient for general employees. There is no doubt that she as a police officer cannot function as a police officer.

Mr. Easley arrives to the meeting.

Ms. Gomez asks if there is any other type of work for her with the City. Chairperson Gueits asks Mr. Leen if that is something he can speak to. Is she completely unable to work in any job? Mr. Leen responds that all of that is tied unto the settlement which completely resolves the issue. They did look at that issue and they resolved it as part of the settlement. Mr. Frevola states that one of the essential functions of a police officer is to physically perform the job in order to effectively protect the public. That is the problem here. As he understands the Code in working with the City on this issue, Ms. Frevola will never be able to be back to the point where she can safely work and protect the public. Chairperson Gueits agrees but that is not the question. He doesn't think there is an issue with whether she can perform the functions of a police officer. The question is

will she have any plans to work in any other capacity. Mr. Easley thinks that is irrelevant. Mr. Leen explains that typically in these settlements both parties' part ways and the whole matter has been resolved. They are happy with the resolution and the City is happy with the resolution. Ms. Gomez asks if the motion would be to grant the disability without an independent evaluation even though the Code says the Board "shall". Mr. Hoff remembers that there have been many times when he has asked about Statute 185 and the Board Attorney has told them that the 185 doesn't apply to the Board. He thinks that bringing up 185 in this instance is like picking and choosing. They have approved many disability applications without having sending the employee to an independent medical exam. Are they going to accept the existing doctor reports or are they going to waive sending the applicant to an independent medical exam and accept the City's opinion? Mr. Greenfield thinks that based upon her condition and based on what she has presented that the Board would accept the fact that she cannot perform duties as a police officer and are going to grant her disability waiving and without requiring an independent medical exam.

A motion was made by Mr. Campbell and seconded by Mr. Hoff to accept the fact that Janette Frevola cannot perform duties as a police officer and approve the service connected disability waiving an Independent Medical Evaluation.

Discussion:

Mr. Kleiman asks what the downside of doing an independent medical review is. As trustees they have to protect the beneficiary as well as the pension as a whole. Mr. Leen believes there is always a downside. Ms. Groome informs that the downside would be to Ms. Frevola because she would have to wait and go to another doctor for another opinion and then come back to the Board for approval. The process takes a long time. Mr. Kleiman asks what the timing is. Ms. Groome responds that it is about two to three months. She points out that Ms. Frevola does have two doctors' opinions saying that she is disabled as a police officer due to her injury on the job. Mr. Frevola explains that this was all part of rather extensive discussions and negotiations with the City. Because of some of the timing issues involved and compensation issues and workman's comp related issues and deadlines for trials, they discussed amongst themselves doing it this way as an expedient way to do something that they all think is eventuality anyway. They respectfully request that the Board vote in favor of the motion. They didn't come before the Board and ask them to do something that hasn't been done before. It will help Ms. Frevola a lot because she has been through a very tough time. He knows that is not something the Board is supposed to consider but they have been through this for quite a while and they really appreciate what the City Attorney has done for them. The City Attorney has been an ally for them and they are requesting that the Board approve the motion. Mr. Leen comments that there is no question that there is competent, substantial evidence in the file allowing the Board to act and if this was ever challenged it would be upheld. There is no question at all that they have that competent, substantial evidence and there is a history to this matter. It has been going on for a while and this is bringing closure. He thinks it is a good and fair settlement.

Ms. Gomez states that her only concern is that the doctors were not chosen by the City or the Board. It gives her pause that an independent doctor may have a different finding. Chairperson Gueits asks if Ms. Frevola will be required to submit annually for disability. Ms. Groome answers affirmatively.

The motion was restated:

A motion was made by Mr. Campbell and seconded by Mr. Hoff to accept the fact that Janette Frevola cannot perform duties as a police officer and approve the service connected disability waiving an Independent Medical Evaluation.

Discussion:

Mr. Kleiman doesn't believe they should make a decision today based on things the way they did them before. They have to protect the beneficiaries and the pension. He doesn't see a downside if she truly is disabled. He doesn't see the downside of giving her the approval now and letting her start collecting the disability and go for an independent evaluation. Mr. Easley believes that history is important because if they are inconsistent in how they apply things then they are subject to issues being brought back up. He understands there are some clear cut cases and he thinks this is pretty clear cut and the City Attorney feels comfortable with it. There are two different evaluations submitted to the Board. Mr. Kleiman didn't say to disregard history he was saying that the ordinance says "shall". Mr. Leen responds that the ordinance does not say the Board shall send the applicant for an IME it says a physician selected by the Board. Ultimately, he gave his opinion and did the interpretations for the City and has looked at this and he is entrusted and ultimately answerable for his opinion. The Board has discretion. Ms. Frevola is here. He does not want her to have to stand up and speak about this. It has been a very emotional and difficult case. She is claiming significant damages. This could compound that. He thinks the question is not whether she cannot have another job with the City it is basically if there is sufficient evidence in the record to make this finding today. If they don't think so then they should do the independent medical exam but if they do think so then he suggests the Board approve the disability.

Mr. Greenfield doesn't think they have to do anything more than follow the recommendation of the Administrative Manager and the recommendation is that this person is disabled. She then brings attention to the fact what the ordinance states is mandatory but the Board has been told that even though it says mandatory or shall that there are circumstances where the Board can waive an independent medical exam. It is up to the Board to determine whether or not, in this case and in each individual case, they exercise their responsibility to waive the necessity for the independent medical examiner. They have heard from the City Attorney and Mr. Frevola. They have heard reasons why they should waive it. They have made a motion that it should be granted and that there be a waiver of the independent medical examiner. It is up to the Board to say either yes or no based upon what they have heard. Mr. Chircut states that the City Attorney also said the Board can choose one of the medical decisions. Ms. Groome informs that the motion states that the Board is accepting the doctors' opinions given to the Board by the applicant and then waiving the independent medical evaluation and accepting the

doctors' opinions. Mr. Greenfield explains that they are not accepting the doctors' opinions as the Board's independent medical examiner. They are accepting the fact that she is disabled and recognize that she cannot work in her occupation as a police officer and based upon the medical evidence that she has presented they believe that a waiver of the necessity for independent medical examination is warranted.

The question was called.

Motion approved (8-2) with Ms. Gomez and Mr. Kleiman dissenting.

4. Items from the Board attorney.

Mr. Greenfield informs that there has been no activity for him to report on to the Board.

5. Investment Issues.

Dave West reports that last Friday Bill Gross announced that he was leaving PIMCO and going to work for Janus. The Bogdahn Group coordinated their research team and came up with an action plan and opinion and sent it out to their clients. Their recommendation to all their clients is to seek better opportunities or terminate participation in those funds that were directly managed by Bill Gross. They put on watch all other PIMCO products. This program does not have any funds that are directly under the guidance or portfolio management of Bill Gross. Their recommended action plan for this fund is to maintain the two fund positions they have and if there are any changes they will be timely in their communication. Basically, the reorganization plan at PIMCO is they have elevated six of the individuals that were leading the other strategies so the portfolio manager in charge of directing the fund's investments have been elevated to the six person CIO structure so they went from a single dictatorship to a six person team. Because the primary portfolio manager left and because they are changing the process is the primary reason for them making the recommendation to terminate the Bill Gross funds. Away from that, PIMCO remains an extraordinarily deep team and they have full confidence that the other funds will continue to be managed appropriately and that they will continue to see good returns coming from those funds. That was their recommendation as of that Friday and PIMCO won't release the asset flow but he thinks around \$24 billion went out of the total firm fund. There is no question there is major money flow leaving PIMCO. They participated in a meeting with the PIMCO portfolio managers on the fund's products. They discussed the liquidity situation at PIMCO and intentionally or by default they had moved all the PIMCO portfolios to a more liquid type of investment structure so they are in very good position to make any liquidity redemption requirements. Unofficially, PIMCO is one of the primary purchasers of treasuries and mortgage securities and a go-to firm for the TALF and various bail-out programs and it may very well be but they won't know until about six months down the road they set something up with the Treasury because the QE ends in October and they have been buying back about \$10 billion a month in US Government Securities. It may be possible that they may purchase those securities from the PIMCO portfolios if there are liquidity issues. To date they are not seeing anything detrimental there. That is the PIMCO update.

Chairperson Gueits asks if there is any exposure in the fund's fixed income products even though Bill Gross may not have been the direct manager. Mr. West responds that there may be redemptions from the other PIMCO products. Chairperson Gueits asks if they have any liquidity in the DiSCO or the TacOp funds. Mr. West replies that both the funds have been under the guidance of a separate team. They have liquidity in the diversified income fund. Since they are dealing with a publically traded mutual fund in this case it is a security but it is not an individual security which price is subject to pressure because of excessive selling. They will continue to monitor this issue very closely and if any changes are needed they will contact the Board immediately with any recommended actions they should be taking.

Mr. West reviews the September performance. The fund earned 9.16% net of fees at the end of the fiscal year which is in excess of the required actuarial return. The equity allocation was a little lighter than the peer group and the international equity allocation was a little heavier than the peer group. They did have some problems from a performance standpoint from their international equity managers and that has been rectified and the international managers have been replaced. That was the primary source of any potential return and hopefully that has been remedied. The real estate allocation has been successful and was up 14%.

Chairperson Gueits asks what is going on with Wells Capital. They did not perform well in the fiscal year. Mr. West responds that they will have a complete report for the Board when they review the quarterly report at the next meeting. Mr. Easley asks if disparity will be enough to bring back the offset of the loss for the year. Have they been talking with Bogdahn? Mr. West responds affirmatively. The performance is very disappointing. Historically they have done a good job. With the data in hand they will spend some time next month with more detail.

Mr. Hoff asks if they have looked into the JP Morgan infrastructure fund. Mr. West replies that they have looked at infrastructure and as far as investing in the infrastructure space they have gravitated to other opportunities. They have found that when you actually calculate the investment rate of return of the infrastructure fund if you are invested for the full ten year period of time for that fund. They found that the return is more backend loaded and on the front end it could be a little disappointing in what the numbers are but when you take the internal rate of return over the full period of time they find the backend loaded nature of it makes that type of investment less interesting to them than some of the other alternatives they have directed this Board to. They haven't taken it off as an option but it is not a priority to them when there are more opportunities out there. The second issue is the lock up. He is not sure those types of investments are appropriate here and they try to bring forward investments that don't have a lock up. If there is a lock up they find investments that have a very limited lock up.

Mr. Chircut asks if there is a benchmark for the JP Morgan fund. Mr. West informs that the benchmark rate of return is not available yet. They use the NCREIF benchmark which is a compilation of other similar funds and that benchmark is released with a bit of a drag with the data. They are fortunate that the JP Morgan organization provides them

with monthly values to report when the majority of other real estate funds can only give out quarterly values. They will have the index performance number in the quarterly report. He doesn't anticipate any changes in the returns.

Mr. Leen informs that he must leave the meeting. In regards to the two lawsuits that he has been reporting to the Board on, next month he will come to the Board with a report. Not much has been happening in the two cases. They are still pending. They may look at doing mediation in the COLA case. Chairperson Gueits asks if the mediation has been scheduled by the Court. Mr. Leen informs that it has not and he most likely will be bringing it up at the Commission meeting on Tuesday. Chairperson Gueits asks what stage are they in for the cases. Mr. Leen responds that in the COLA case the pleadings are closed and in the Nyhart case there is a motion to strike pending related to the affirmative defenses. He should have a full report for the Board on both cases next month. Neither case has moved into depositions or set for trial.

Mr. West reviews the cash flow for the month. They opened with \$340,876,668. They had one transfer going out for the payment of benefits in the amount of \$2,700,000. The contributions for the month were \$30,431. Other expenses were \$46,973. Income earned for the month was \$418,451. The depreciation for the month of September was \$5,762,459. The total amount in the fund at 9/30/2014 was \$332,816,072. On a fiscal year basis the income earned on the year was \$8.5 million and the appreciation earned from investments was \$23.6 million. So basically \$32.1 million from investments net of investment fees go into the fund. With the new GASB reporting this will be done on a market value basis and not the actuarial value of assets so this is a nice improvement in the funding ratio.

Mr. West speaks to their action plan going forward. They would like to be involved with the GRS report and part of that discussion will be on the rate of return assumption. They would like to integrate a discussion on the expectation going forward of what is the objective of the investment program. They know they are supposed to meet the required rate of return assumption that is determined but there can be secondary objectives in the investment program. They would like to take that opportunity to revisit what their true objectives are so they are sure for their part that they are giving the right recommendations and have the right risk profile set up for the portfolio. Also the timing into that given the fact that the alternative investments they have in the fund have done extraordinary well. They have received way above average expected returns from a long term average perspective and that has helped offset their exposure to equity. At this point looking at the market opportunities and what has transpired they are almost a little painted into the corner and they have to have a discussion. He thinks it forces the issue with a need to increase the equity allocation if they are going to continue getting these types of returns going forward. It is most likely not going to come from the alternatives they currently have in the fund that have worked so well for them to date. They would like to integrate that discussion with the actuarial report. Also included in that, they are prepared to schedule a special meeting with the Investment Committee and present the alternative that they introduced at the last Investment Committee. There are some opportunities available and they are prepared to go forward with that. It all ties together

and it is timely to do this in conjunction with the actuarial report and the experience study.

Mr. Easley asks about the international funds. It was mentioned earlier that Europe had an issue. The IMF came out and gave a negative report about everything south of the border. What can they do about their international funds? What do they see the Board can do as far as the international funds? The outlook on international is bad as the dollar gets stronger. Mr. West responds that there are two issues on the table. The first is the manager performance. The managers that were in place lagged severely in performance. They took appropriate action in terminating those managers over the course of the year and replacing them with WCM and RBC. They have confidence in both managers. The second issue on the table is with respect to investing and that is what allocation is appropriate for the international equities. Looking at the way the market cycle historically transitions and if past is precedent usually the US equity markets rally and recover in anticipation of the US economy doing well and corporate America doing well. Clearly that has happened. You can argue maybe they are in the seventh inning of the US recovery. If you go back to the global picture typically European and other foreign economies follow the US from a timeline perspective and those markets start to rally based on the expectation that those economies are going to recover. Right now there is so much pessimism on the European recovery. They have essentially implemented a QE program and it is a little different there given their bank structure is different than in the US but they are essentially invoking on an asset buy back program to get bad assets off the bank books. One of the things is to try and reliquify the banks and that is one of the things that the PIMCO product has been excellent in picking up on. They know those banks are liquidating and trying to get their balance sheets into compliance. Extraordinary measures are being taken over there to try and get them going. He thinks it is fair to say that foreign markets returns have not been good. On a relative value basis, foreign equities appear to provide value right now and if you view pessimism is a good thing you have to have pessimism for the markets to rally. There is plenty of room for positive surprise going forward. They advocate maintaining international allocation but unfortunately it worked against them last year. They think at some point the international equities will become the favored place to be looking at the big cycle issue.

Mr. Chircut thinks that if anyone wants to go to Europe this would be the time to go. It is cheaper to go to Europe so their economy will pick up. Probably next year you will see that. The IMF is always wrong. They have not been right in the past couple of years. He thinks they should look a little more into the international equities because the US probably is near the top. He thinks Europe will have a lot more to gain. Chairperson Gueits believes that the question for the Committee for the New Year is what the proper target allocations in international equities should be and where do you take it from. If you raise your allocation you have to take it from another part. That is a discussion that the Committee could look at with greater detail. Mr. West comments that is a discussion they would like to have on what are the secondary expectations for the investment program. They need to address the investment allocations and do it in conjunction with the actuarial expectations. GRS will have to present their report first and then they need

to tie their discussion back to the GRS presentation so they are all integrated appropriately.

Mr. Campbell states that they need to have the big picture from GRS and then they need to look at the whole actuarial process and the key assumptions. If he heard the actuary right, the new mortality table is going to be adopted and it is a \$40 million hit to the unfunded which may be slightly larger than the investment gain this year. That might mean they go backwards despite the investment gain. He thinks they need to take a good look at their assumptions and their amortization periods because maybe it is not good business to hang out the \$200 million funded on a \$500 million liability versus having some strategy to chip away at it. They need to make sure that the actuarial assumptions are correct and that the amortization periods are appropriate so that hopefully every year they chip away at the unfunded and it goes down. They can't do anything about history but somehow they have let the unfunded go from \$10 million to \$200 million and their obligation as Board members is to do something about it. They have to have a steady game plan or philosophy about the unfunded and what they are planning to do about it. You can't fix it in five or ten years but at least that will do something every year that they feel like they have made a forward step. Chairperson Gueits thinks that changing assumptions will have a great effect on that. Mr. West states that the rate of return assumption has a lot behind how that is derived and the balancing of a number of factors. Then there will need to be a philosophical discussion on what is the secondary mandate of the investment program. Are they going to use investments? Are they going to take more risk potentially over the longer term to close that gap and use the investments as a means of chipping away at the funded deficit or do they want to maintain a conservative investment profile with risk aversion being their primary objective? All that will happen around the actuarial required rate of return wherever it is set. They need to establish a comfort level around the investment program.

6. Old Business.
There was no old business.

7. New Business.
Ms. Gomez informs that recently the City Commission passed an ordinance changing the pension plan to allow for additional representatives on the Investment Committee since they have a larger Board.

A motion was made by Ms. Gomez and seconded by Mr. Hoff to nominate Mr. Chircut and Mr. Easley to the Investment Committee. Motion unanimously approved (10-0).

Mr. Easley apologizes for being late.

Ms. Groome informs that there is information on the Northern Trust securities lending program in the Board's information. After speaking with Mr. West she will invite a representative from Northern Trust to come and speak before the Board in November so they can make a recommendation as to which new program the Board should go into.

regarding the securities lending. Chairperson Gueits points out that he did read the information and that Northern Trust was terminating the program the fund is in currently. Mr. West explains that the Board needs to be aware that the program that currently exists has been terminated. It forces a decision from the Board. If they continue the securities lending program they will need to decide which option is most suitable with the fund and if the Board wants to continue with the program. Chairperson Gueits thinks it is an attractive program. They will have to look at what has changed and how the fund has benefited from the program. That is a deeper discussion they need to have with Northern Trust. Mr. West informs that is a recommendation coming from Northern Trust as the purveyor of that service. Chairperson Gueits asks when they would be scheduled to come before the Board. Ms. Groome responds that it will be at the November Board meeting. She thinks they need to make the change before January 2015.

8. Public Comment.

Mr. Hoff recognizes James Skinner. Mr. Skinner informs that he is a resident of the City and a member of the Retirement System attends the Board meetings to be informed of the Board's working decisions.

9. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, November 13, 2014 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 9:48 a.m.

APPROVED

JAMES GUEITS
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER