

**MINUTES OF A JOINT EMPLOYEES' SPECIAL RETIREMENT BOARD
AND POLICE RETIREMENT BOARD MEETING
HELD IN THE CONFERENCE ROOM AT CITY HALL ON
WEDNESDAY, FEBRUARY 16, 2011 at 9:30 AM**

I. ROLL CALL: 9:45 AM

A. Employees' Retirement Board:

A meeting was called to order at 9:45 AM.

Those persons present included:

Trustees: Valerie Hurley
Robert Lepa, Vice-Chair
Robert Kahant
Rene Varela, Mayor (9:45 am)

Others: Dixie Martinez, Resource Centers
Tim Nash, Bogdahn
Jay Butterfield, American Realty Advisors
Richelle Hayes, American Realty Advisors
Denise Stake, Cornerstone Real Estate
Joseph Finnigan, Morgan Stanley
Dough Wolsi, ING Clarion Lion Property
Devin Sullivan, Intercontinental Real Estate
Peter Huskel, Intercontinental Real Estate
Members of Public:

B. Police Retirement Board:

A workshop was called to order at 9:45 AM.

Those persons present included:

Trustees: Lt. Dave Moss, Vice-Chair
Rene Varela, Mayor

Others: Dixie Martinez, Resource Centers
Tim Nash, Bogdahn
Jay Butterfield, American Realty Advisors
Richelle Hayes, American Realty Advisors
Denise Stake, Cornerstone Real Estate
Joseph Finnigan, Morgan Stanley
Dough Wolsi, ING Clarion Lion Property
Devin Sullivan, Intercontinental Real Estate
Peter Huskel, Intercontinental Real Estate
Members of the Public:

II. ADDITIONS/DELETIONS/REORDERING:

A. Employees' Retirement Board:

No additions, deletions or reordering to the Agenda were made for the General Employees' Retirement Board.

B. Police Retirement Board:

No additions, deletions or reordering to the Agenda were made for the Police Retirement Board.

C. Employees' and Police Retirement Boards:

III. MANAGER PRESENTATIONS:

a. American Realty Advisors:

Jay Butterfield introduced himself. He provided a snapshot of who they are. He reported that they are one of the largest privately held real estate advisors in the US with \$3.4 billion under management. Richelle Hayes works out of the Florida office. She works with local pension plans in Florida. The firm is privately owned and has never been sold. They focus on real estate and risk control. Their focus is on the multi tenant properties and they believe in a low leverage strategy. Mr. Butterfield reviewed a list of their Florida clients. He reported that market rents are well below long term trends. They target properties that are substantially leased, have limited, or no deferred maintenance and have minimal need for capital expenditures. Their fee schedule is 110 basis points up to \$25 million. They will serve their fiduciary obligations to the Plan.

b. Cornerstone Real Estate Advisors:

Denise Stake introduced herself to the Board. She stated that she has been in real estate for over 20 years. She explained that what sets them apart is their stability, strategy and testing. They are experienced real estate professionals and have managed through up and down market cycles. She explained that research is what drives their difference. She stated that barrier markets have historically performed best over time. It is her belief that through the application of their research findings along with active asset management, a return premium can be achieved. Their maximum leverage is 30%. She reviewed the firm's last 5 years performance. Their fee schedule is 110 basis points for the first \$15 million. They will serve their fiduciary obligations to the Plan.

c. Morgan Stanley Prime Property Fund:

Joseph Finnigan introduced himself to the Board. He stated that the firm has been around since 1991. He reported that the firm has offices globally. They have over 46 billion under management. He briefly explained the background of the PRIME portfolio management. He explained that PRIME is a core strategy, fully specified, open-end commingled equity real estate fund with moderate risk diversified by property type and location designed to provide a stable, income-driven rate of return over the long term with potential for growth of net investment income and appreciation of value. He reviewed the firms sector strategies. Their target leverage is 25% to 35 %. Their asset management fees are 90 basis points per annum of the NAV (as of the beginning of each calendar quarter). They also have an incentive fee for each calendar year which is capped at 45 basis points per annum. They will serve their fiduciary obligations to the Plan

Mayor Varela left the meeting at 11:30 am.

d. ING Clarion Lion Property Fund:

Dough Wolski introduced himself to the Board. He reviewed the fund management team and research group. He reported that as of December 31, 2010 the firms total real estate value was \$4.9 billion with 133 investments. Their leverage ratio is at 45.5% of total assets. He reviewed the property type diversification. He reviewed their largest properties by value. He reviewed the investment performance as of December 31, 2010. He stated that values of institutional quality assets have declined by approximately 32%. He explained that the current real estate recovery is at its very early stages. Their fee schedule is 125 basis points for the first \$10 million. They will serve their fiduciary obligations to the Plan

e. Intercontinental Real Estate Corporation:

Devin Sullivan introduced himself and Mr. Peter Huskle. He reported that they are a real estate firm that started as contractors. He provided an institutional client list. He reviewed the firm's background. He reported that the firm is a multi-disciplinary investment strategy targeting an average annual investment strategy targeting an average annual cash yield of 6% to 8% and total return of 10%. Their portfolio leverage target is 50%. He reported that 255 of the funds assets are appraised each quarter. He reported that the firm has capital commitments signed to date of \$627 million. He reported that their weighted average cost of debt is 5.6%. Their fee schedule is 110 basis points for the first \$25 million. They will serve their fiduciary obligations to the Plan

Mr. Nash reported that Morgan Stanley had an investment minimum of \$5 million and it can not be combined between the Plans. Mr. Nash reviewed in detail the main points presented by each manager. He stated that they are all good options. The Board had a lengthy discussion regarding the presentations.

Action: A motion was made by Mr. Lepa and seconded by Mr. Kahant to invest \$2 million dollars with Intercontinental Real Estate and \$3 million with Cornerstone Real Estate.

Vote: Voice vote showed: AYES: Unanimous. NAYS: None.

VI. ADJOURNMENT:

There being no other business and the next meeting having been previously scheduled for Wednesday, February 23 at 1:30 PM, the General Employees' and Police Board adjourned the meeting at 12:45 p.m.

MINUTES APPROVED: March 23, 2011

Valerie Hurley, Chair Employees' Retirement Board

Randy Collier, Chairman Police Retirement Board

Dixie Martinez, Administrator

Employees' & Police Retirement Boards