

CORAL GABLES RETIREMENT SYSTEM
 Minutes of August 10, 2017
 University of Miami Newman Alumni Center
 6200 San Amaro Drive
 4th Floor Conference Room
 8:00 a.m.

MEMBERS:	A	S	O	N	J	F	M	A	M	J	A	APPOINTED BY:
	16	16	16	16	17	17	17	17	17	17	17	
Andy Gomez	P	E	P	P	P	P	P	P	P	P	P	Mayor Raul Valdes-Fauli
James Gueits	E	P	P	P	E	P	E	P	P	P	P	Vice Mayor C. Quesada
Javier Baños	-	-	-	-	-	-	-	-	-	-	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	E	P	E	P	E	Commissioner Patricia Keon
Rene Alvarez	E	P	E	P	E	P	P	P	P	P	P	Commissioner Vince Lago
Joshua Nunez	P	P	P	P	E	E	E	E	P	E	P	Police Representative
Tom Zelenak	-	-	-	-	-	-	-	-	-	-	P	Member at Large
Carlos Fleites	-	-	-	-	P	P	P	P	P	P	P	General Employees
Troy Easley	P	E	P	P	E	P	P	E	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	E	P	P	P	E	Finance Director
Raquel Elejabarrieta	-	-	-	-	-	-	P	P	P	P	P	Labor Relations and Risk Management
Manuel A. Garcia-Linares	E	E	P	P	P	P	P	E	P	E	P	City Manager Appointee
Pete Chircut	-	-	P	E	P	P	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan Greenfield, Board Attorney
 Dave West, AndCo Consulting
 Pete Strong, Gabriel Roeder Smith

P = Present
 E = Excused
 A = Absent

GUEST:

1. Roll call.

Chairperson Gomez calls the meeting to order at 8:02 a.m. All Board members were in attendance except Mr. Gold and Ms. Gomez who were excused. Mr. Nunez and Mr. Garcia-Linares were not in attendance at the start of the meeting.

Chairperson Gomez introduces two new Board members; Tom Zelenak and Javier Baños. He asks for both members to give a brief introduction of themselves. Tom Zelenak introduces himself. He has been a firefighter with Coral Gables for almost 30 years. Prior to being on this Board, he served as Chairperson of the Firefighter Pension Trust which is the supplemental Board. He has a wife and four kids and is happy to be serving on this Board. Javier Baños

introduces himself. He is a lawyer and a CPA. He has two children and has been a resident of Coral Gables since 2011. Prior to being appointed to the Board, he served as a member and the Chairperson for the City of South Miami Pension Board from 2008 to 2012. He also served on the Civil Service Board for the City of Miami. Chairperson Gomez expresses that both members will bring a lot of knowledge and experience to this Board. He informs that he was coerced to come back from retirement temporarily. He mentions this because he watches Ms. Groome and Ms. Coffy bring all the materials for the Board meeting up to the fourth floor conference room. If the conference room in his building across the street has ample enough parking space perhaps they can use that room instead as it will make it a lot easier for the both of them. He thanks them for the work that they do and for preparing for the Board meetings.

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 Retirement Board meeting minutes for June 8, 2017.
- 2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.
- 2C. The Administrative Manager recommends approval for the following invoice:
 - 1. Gabriel Roeder Smith & Company invoice #431007 for actuarial services during the month of May 2017 in the amount of \$8,642.00.
 - 2. Gabriel Roeder Smith & Company invoice #431578 for actuarial services during the month of June 2017 in the amount of \$11,204.00.
 - 3. AndCo Consulting, LLC invoice #21942 dated June 15, 2017 for Performance Evaluation and Consulting Services from April to June 2017 in the amount of \$36,250.00.
 - 4. The City of Coral Gables invoice #330679 for the rental of City's public facilities in the amount of \$1,665.25 (\$555.08/month) and general liability insurance in the amount of \$985.75 (\$328.58/month) for the months of July thru September 2017.
 - 5. The City of Coral Gables invoice for period from October 1, 2016 to March 31, 2017 in the amount of \$267,572.09 for expenses of the retirement system paid out of the general ledger account of the City.

- 2D. The Administrative Manager recommends approval of the following Retirement Benefit Certifications:
- a. DROP Benefits: Edward Garcia (Police), Kenneth Larkin (General/Excluded) and German Perez (Firefighter).

A motion was made by Mr. Baños and seconded by Mr. Alvarez to approve the Consent Agenda. Motion unanimously approved (9-0).

3. Comments from Retirement Board Chairperson.

Chairperson Gomez advises that he has very little to report. Charles Rigl, the previous Board appointee of Commissioner Jeanette Slesnick, could not be at the meeting. However, he did send Chairperson Gomez a letter that was very nice expressing his pleasure of having served on the Board. There is a plaque that was created and it will be sent out to him. Chairperson Gomez adds that he did meet with Mayor Valdes-Fauli to brief him on the joint meeting and to advise him of what some of the ideas were. He adds that there are two agenda items, Items 6 and 9 that are to be further discussed. Item 6 is the continuation of the joint meeting discussion regarding the cost of living assumption which was requested by Commissioner Quesada and the Item 9 is the continuation of the joint meeting discussion regarding the rate of return assumption.

4. Attendance of Northern Trust Asset Management Director, Ashley Hartman Alson, review of the Northern Trust index funds. (*Agenda Item 5*).

Ashley Hartman Alson introduces herself. She joined Northern Trust in April and spent the majority of her career at MR. GUEITS Morgan. She and Ms. Groome worked together a few years back when she was an asset manager for MR. GUEITS Morgan. At Northern Trust she specifically deals with public plans in the southeast. She comes from a public fund household. Her father was a firefighter and her mother was a teacher so she is really excited to be focusing on public funds. She starts with the monthly investment report advising that their job is to track the monthly index. There are four different mandates. The S&P 500 and the S&P 400 mid-cap funds are tracking the benchmark. The ACWI ex-US Fund is doing a bit better than the index and the Aggregate Bond fund is tracking the index as well. She informs that she will not go into detail unless there are any questions. Her plan was to give an overview on the firm and an update on assets.

Dave West states that the main issue was tracking and the results. Northern Trust is doing a great job but the greater issue is the Board would like to make sure they are competitively priced with the index funds because there are other alternatives available. Mr. Baños asks what discounts have the Retirement System received. Mr. West replies that it depends on each particular fund but they are receiving the most competitive offerings.

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

Mr. West continues. He did not come prepared specifically to answer that question but he can obtain the information and have it for the next meeting. Ms. Alson agrees that she doesn't know the individual pricing off the top of her head but she can very easily put that together and get that for each mandate. She will send the information to Ms. Groome to give the information to the Board members. Mr. Chircut asks if the cash flow is in a money market. Ms. Alson tries to clarify the question by asking if he is referring to the cash flow that sweeps from the custody group. Mr. Chircut answers affirmatively. Ms. Alson answers that she is guessing that they are sweeping to a collective stiff fund which is very similar to a money market fund. She informs that she can go back with the custody group to obtain this information and also provide that to Ms. Groome. She advises that the custody group will be presenting at the next Board meeting.

Ms. Alson continues her presentation. She gives an update on the Northern Trust Asset Management. It has been a very exciting year as they have crossed over the trillion dollar assets under management mark. That was a big milestone. The Coral Gables Retirement System has the index mandates with Northern Trust. It is right in line with what Northern Trust does and it is a huge part of their business. There is an even breakdown between equity and fixed income and it is nice to have the diversity there. She is aware that AndCo is the System's financial advisor but she makes the Board aware of some of the other services that Northern Trust provides. They have an alternative boutique called 50 South Capital which is fully owned Northern Trust and they do things like hedge funds and fund of funds and they recently just launched a new credit fund. She advises that 50 South Capital is great for public funds because there is no charge on carried interest and strategies; there is just a flat fee. They also have factor investing on the equity side which is a nice blend. It is known to be both active and passive management and it allows getting exposure to very specific factors like value and small cap.

Ms. Alson brings her presentation to a close and advises that she would like to answer any questions the Board members may have. Mr. Baños asks if the review process with Northern Trust is due to them under performing or because they are simply doing a presentation. Mr. West explains that Northern Trust is at the meeting for their annual review. Ms. Groome adds that every year the Northern Trust comes to the Board for an annual presentation. Ms. Alson advises that the custody colleagues were unable to make it to this meeting. Chairperson Gomez thanks Ms. Alson for attending the meeting.

5. Items from the Board attorney. (*Agenda Item 4*)

Alan Greenfield reports that it has been relatively quiet in July. There are a few things to bring to the Boards attention. Only six Board members have returned the evaluations for Ms. Groome so he has not been able to finalize her evaluation. Chairperson Gomez asks for a reminder to be sent out.

Mr. Greenfield states that he does not know what the status is on the rental space. Mr. Gueits asks what happened with the landlord. Mr. Greenfield replies that he has been in touch with the realtor and the signed letter of intent. The only objection he had was that he did not believe a deposit was needed as the Retirement Board is a public entity. He asked that the requirement of the security deposit be waived. The realtor replied that the attorney and or the landlord was not

sure that the Board was a public entity and that the Retirement Board can enter into a lease. MR. Gueits asks who the attorney is. Mr. Greenfield responds that he would have to obtain the information and get back to Mr. Gueits. He points out that in the Charter the Retirement Board is constituted as a part of the City of Coral Gables as the ordinance points out. There is no reason to question entering into the lease. Chairperson Gomez adds that there is also the issue of the contract wanting the lease for a three year duration. Mr. Garcia-Linares asks if the City has any space. Chairperson Gomez replies that he has had this conversation with the City Manager including this request to enter into an agreement. Mr. Garcia-Linares states that any money spent in the end comes out of the City's pocket overall and currently they are spending \$550.00 in rent. It will continue to make the City have to increase their contributions. Chairperson Gomez believes that the space the Retirement Office is in now is not conducive to do any business and recently the air conditioner broke for almost two months.

Mr. Gueits comments that the problem is that office space in the City of Coral Gables is not getting any cheaper. If the Retirement System is going to rent a space from a third party there are not a lot of options. Ms. Elejabarrieta explains that the current location of the new space is right next to City Hall and this is ideal to where the Retirement Office should be located. Mr. Javier recommends that the search be expanded and include other adjacent property. Chairperson Gomez asks for Mr. Gueits to assist in the finalizing of the rental space. Mr. Garcia-Linares asks what the monthly rent will be. Ms. Groome answers that is roughly around \$1,400.00 a month. Mr. Garcia-Linares asks Mr. Chircut if makes since that the Retirement System will spend additional money on rent when the City is already over contributing in order to make up for the deficit. He thinks that Mr. Chircut should speak to Ms. Gomez about this. Mr. Baños comments that this may become such a contentious issue that outsourcing may have to become an option. Chairperson Gomez advises that he and Mr. Greenfield need to have further conversations and from there he will speak with Ms. Gomez on some issues and then take it up with the City Manager. Mr. Gueits asks if looking at rental spaces further away from City Hall will be an option. Ms. Groome explains that she has found a few private rentals going for as low as \$27 and \$28 a square foot. Mr. Gueits recommends looking into privately rented spaces and having further discussion on the spaces found at the next Board meeting. Chairperson Gomez reassures the Board that he has spoken to the City Manager and they have agreed that the Retirement Office will not be moved until a space has been found. Mr. Garcia-Linares asks how much space does the Retirement Office needs. Ms. Groome responds that the current space being looked at is about 535 square feet. Chairperson Gomez requests for Ms. Groome to do a search of spaces near City Hall that are available.

Mr. Nunez arrives to the meeting at this time.

Chairperson Gomez expresses his disappointment that City Attorney Craig Leen is not present at the meeting. He informs that he made multiple attempts to reach Mr. Leen and was not successful and Mr. Leen has failed to return any of his calls. Most of the members of the Board are volunteers who are also very busy and he is very tired of leaving messages requesting for Mr. Leen to return his phone calls.

Chairperson Gomez asks Mr. Greenfield as to why the COLA agreement has taken such a long time and why is the Retirement Board lacking information on the status of the resolution for the lawsuit. Mr. Greenfield advises that the City has chosen to not have the Retirement System involved into the details of the COLA lawsuit. He continues informing that the Board could not participate in the mediation, or hear what was going on. He advises that he did read the settlement agreement and made comments about it and they answered certain questions that the Board had but he has no idea of what is going on internally between the City and the attorney. Mr. Garcia-Linares asks if the Retirement Board is a party. Mr. Greenfield replies that the Board is not a party. There are only two members that are a part of the party and one was a Police Officer and the other a Teamster.

Chairperson Gomez feels that there should be some communication between the Retirement System and the Retirees regarding the COLA settlement as it is just unfair to keep them in the dark. He asks Mr. Greenfield if there is something that can be told to the retirees on the status of this settlement. Mr. Greenfield replies that he will contact both Craig Leen and Ron Cohen for their perspective. Mr. Zelenak asks how many retirees have passed away since the lawsuit began. Ms. Groome replies that it is a large number to estimate. Mr. Zelenak states that those members will not have seen the increase of the COLA and it's a shame that this COLA lawsuit has taken this long to be rectified. Mr. Easley asks Ms. Groome for a ball park number on deaths since the lawsuit. Ms. Groome estimates that there were about a hundred deaths. Mr. Gueits asks if those persons will be entitled to claim any of those funds. Ms. Groome answers that as per her knowledge they will not. She was told that the settlement would not be sent to the survivors of any retiree who passed away and choose the normal retirement form of benefit.

Mr. Baños asks what the Board's exposure is on any of this and will the Board have to provide the check. Mr. Greenfield replies that the Board has no exposure. Mr. Gueits states that the City is going to pay for any liability that is to come from the results of the COLA. Pete Strong, the Board's actuary, informs that the COLA will increase the liability of the plan which will be factored into the contribution requirement. Chairperson Gomez asks Mr. Greenfield to convey to the City Attorney and others the concerns of the Board given the Retirement System's responsibility to retirees and the Retirement System has that responsibility to its people to be fair and to at least be able to have proper information to provide to the retirees. Mr. Greenfield adds that it is in essence with the Board that we be kept abreast of what they will be doing.

6. Continuation of the joint meeting discussion regarding the cost of living assumption.

Chairperson Gomez advises that Commissioner Quesada brought up the COLA at the joint meeting in June and wanted the Board to have a discussion regarding pre-funding the COLA versus funding the COLA when a COLA is triggered. Mr. Strong states that since the lawsuit there has been discussion of whether a COLA will be regularly granted and if a COLA will be regularly granted should funds be set aside specifically for that purpose. There has been discussion on if an assumption should be made to an extent of what those future COLA's will be. The purpose would be to stop the immediate increase of the unfunded liability if the COLA is regularly granted and to him that is actuarially prudent to do so. By having the assumption in advance you are taking future COLA's into consideration otherwise anytime a COLA is

granted you immediately increase the unfunded liability. It could be treated as any other assumption. He gives the example of disability rates we assume that a certain population will become disabled this year. If no one becomes disabled then there is a slight experience gain. If there is more disability cases than projected then there is an experience loss for that year. Over time it should average out but you are recognizing the issue in advance instead of only when there is time to pay. In the past COLAs have not been recognized in advance. That is a large part of the reason why the plan is at an unfunded ratio of 61% instead of at 51%. Each time a COLA was granted it increased the unfunded liability and accumulating five to ten of those over ten to fifteen years it adds a lot to the unfunded liability. If this was recognized as far back as 1990 the unfunded liability could have been a lot less than what it is today. He also believes that the lawsuit may have not even occurred because it would have been recognized early on. Currently, prefunding the COLA is not required. Chairperson Gomez asks if it is legal. Mr. Strong replies that if there is a pattern of similar reoccurring COLAs then for GASB accounting purposes they require the pattern of the COLAs be recognized.

Ms. Elejabarrieta thinks this conversation is a bit premature as no one knows what is to come from the settlement. Chairperson Gomez agrees and adds that instead of reacting he would like to be proactive in discussing it. He is aware that public entities do not like to show that there are extra funds sitting around to be used and he understands that. Ms. Groome explains that the item was placed on the agenda because Commissioner Quesada requested that the Board discuss it. He was interested in knowing the position of the members of the Board regarding the matter. Chairperson Gomez believes this issue will be taken up very shortly down the line and so he reiterates being proactive instead of reactive.

Mr. Baños states that if there is a liability that arises and there is a likelihood the liability is long term then there has to be some provisions made. If there are decisions that will affect the pockets of the City then may be the City will be more motivated in adding the Retirement Board into the conversation. His perspective is that he is a representative of a fund and primarily he is there to protect the fund. He wants to be assured that employees thirty to forty years from now have a pension. This plan is the most unfunded plan in the entire State and they do not have the luxury to take assumptions that may end up hurting them in the end. He thinks the Board should be very careful as to not make decisions that could be more problematic to the fund. He thinks they should collectively come to an agreement and advise the City as to what that agreement is. The Board is not involved with the discussions until they are advised otherwise and the decision made by the Board should be in the best interest of the Retirement System. Mr. Garcia-Linares adds that this is something he has been saying for years but the City will not allow for the Retirement Board to make those decisions. Mr. Baños comments that this is not a City decision but a Retirement Board decision. What happens in regards to the assumptions and how they structure the assumed rates of return is exclusively up to the Board unless it is overruled by the City Commission. Mr. Gueits points out that this is exactly why the lawsuit occurred in the first place because the City Commission overruled the Retirement Board's decision to grant the COLA.

Mr. Garcia-Linares states that at one time it was adversarial but now the City and the Retirement Board are trying to work with each other. The City has agreed to put additional

money aside to assist the system. His concern is how the COLA issue will affect the process they have made and if it is not properly funded will it continuously affect the progress made each year. Mr. Baños states that he will put a motion forward to inform the City Commission and the Manager through a letter from the Retirement System stating effective X date the Board is going to create an assumption for the COLA unless the Board is advised otherwise and see what the reaction will be.

Chairperson Gomez states that when he became a member of the Board he became aware that there was a lot of animosity between the City and the Retirement System. He wanted to know why and how it could be improved. He believes that the relationship and communication has improved a great deal and given the progress that has been made and some of the progress the elected officials have made he does not want to add to any animosity at this moment. He would prefer to continue this discussion to see how this issue can be handled. This item is on the agenda because a Commissioner asked for it to be and prefers to continue the discussion with the Board members and with the City. Mr. Chircut agrees that they have come a long way. The City has decided to not only to fund the normal cost but also over fund it a little over \$3 million for the next seventeen years. If the Board agrees to what Mr. Baños is saying then that liability will immediately increase more. Mr. Strong points out that it would increase to as much as \$40 million. Mr. Garcia-Linares asks how the COLA settlement is expected to affect the unfunded liability. Mr. Strong responds that without recognizing future COLAs it will increase the unfunded liability by \$14 million. Ms. Elejabarrieta thinks that the Board should wait to make a decision until the settlement is finalized. There are a lot of assumptions that are being made without knowing what the City is actually going to do. Mr. Strong states that if the City is willing to immediately fund a COLA if it is granted that would immediately remove the liability. Mr. Baños asks for the item to be continued for discussion at the next meeting so the City Attorney and other personal can be present to complete the discussion. Mr. Easley agrees that the discussion should be continued at the next Board meeting because he would like to wait for Ms. Gomez's input. Mr. Gueits doesn't believe Commissioner Quesada expected for the Board to have a vote. Mr. Garcia-Linares believes the Board's stand is that they do not want to go back on the progress that has been made and he wants the City to understand what they are getting into. Mr. Gueits comments that the City and the Board definitely need better communication. Mr. Zelenak asks if all the appointed persons on the Board report back to their Commissioners to make sure they are aware of the Board's concerns. Chairperson Gomez replies that the Mayor is aware because he has spoken to him on the matter.

7. Request of Administrative Manager to search for and access an organization that provides death check services. Gabriel Roeder Smith has discontinued this service for their clients due to increased compliance requirements.

Ms. Groome informs the Board that there was a death check system that was being used through the actuary and notification was received that they will no longer be providing that service to their customers. Mr. Strong announces that it was a corporate decision and the service was causing liability issues. The Social Security Administration keeps increasing the price and so it was decided that they will no longer provide the service to their clients. Ms. Groome states that this service is needed due to retiree payroll issues. She explains that it is the

way for the Retirement Office to check and verify if the System has been informed of deaths so overpayment issues do not occur. Mr. Garcia-Linares suggests that Ms. Groome get a quote from the two companies that were recommended to her by GRS and then bring back to the Board.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Baños to direct the Administrative Manager to obtain quotes for the death check service. Motion unanimously approved (11-0).

8. The Administrative Manager requests approval of the furnishing budget for new office space. This Agenda item was deferred.

Mr. Baños left the meeting at this time.

9. Investment Issues.
 - a. Investment Performance Review

Dave West reports on the investments. He begins with the performance review ending July 31, 2017. They had another productive month. As of fiscal year to date the total fund is at 12.58%. He informs that the fund is already a couple of months into exceeding the actuarial assumption rate of 7.75%. The Fund is in a fantastic situation. The total fund policy and asset allocation with no fees index was at 8% and they have been able to add significant value above and beyond the policy benchmark. This was due to the overweight and underweight asset allocation and active managers are continuing to emerge and are adding value. This has been a great time for investment managers. Eagle Capital fiscal year to date was at 21.83% versus the benchmark at 13.30%. MD Sass large cap was up 17.99% versus the benchmark at 13.30%. Winslow Large cap was up 18.85% versus the benchmark at 18.21%. Wells Capital was at 17.78% and they are catching up to the benchmark which was at 17.95%. He reports on the international funds. The Northern Trust ACWI fiscal year to date was at 17.09% versus the benchmark at 17.28%. RBC International fund was up 20.27% versus the benchmark at 17.28%. WCM was the only fund under performing at 13.84% with the benchmark at 17.28%. The managers did execute and bring very nice value to the table. Looking at the domestic fixed income bonds have been a detractor and have taken away money in their effort to move forward. What has given these high digit returns is the over allocations to the other alternative areas. PIMCO Disco II was up at 13.43%. In real estate the JP Morgan Strategic Property Fund fiscal year to date was up 6.47%. The JP Morgan Special Situation was up 7.93%. All except the hedge fund of funds have brought in some pretty nice returns. Black Rock was up 7.11%. PIMCO Tactical was up 9.90%. The Titan fund was up 2.6% and the Tortoise Fund was up 3.01%. Mr. West advises that no manager change is recommended at this time.

Mr. West reviews the cash flow for the fiscal year to date ending July 31, 2017. The total fund opened at \$340,507,367. There was \$26,221,142 in contributions and \$37,550,000 in distributions. There was \$1,765,031 in management fees and \$151,314 in other expenses. There

was income of \$7,111,227 and appreciation of \$38,092,911. The fund closed at \$372,466,302 net of fees.

Mr. Gueits asks what the current return was for the year. Mr. West replies that it is 12.58% fiscal year to date. Mr. Gueits wonders if this is going to be another COLA year. Mr. West expects that the rate of return will be over 10%. Mr. Gueits asks Mr. Greenfield if the ordinance was changed. Mr. Greenfield replies that the way the COLA is currently written there won't be a COLA. Mr. Strong explains that the way the ordinance is written is that even if the COLA is triggered it won't be paid because the cumulative loss.

Mr. West reviews the quarterly report ending June 30, 2017. The total fund fiscal year to date return was at 10.85% and ranked the fund in the top 4th percentile in the Country. Mr. West informs that 96% of the other trustee community out there would much rather be looking at our reports. The three-year rolling number for period ending in June was 7.3% and that is top 2nd percentile. Then the five-year rolling number was in the 7th percentile. Everything they have been doing together has worked. He adds that with the quarterly book he always addresses compliance and peer grouping and he doesn't have any suggestions or recommendations.

b. Continuation of the joint meeting discussion regarding the rate of return assumption.

Chairperson Gomez states that they have had this discussion before but needed to be more philosophical. Mr. West comments that from the investment side of the equation they are comfortable that over the proper measurement period the current rate of return of 7.75% can be achieved. When they went through all of this previously it was because they reduced their return expectations and they do not meet the desired probability outcome in that forecasting model. That is the reason why they have moved so many funds from fixed income and put them into other aspects. The important point is that it does not matter whether they are at a 7% or 8% assumption because those times they missed using the smoothed calculation were so far off that it did not matter and that was because there was a market correction during those periods of time. Assuming the normal cycle historically they have made the number.

Mr. Strong thinks it significantly matters whether the assumption rate is at 7% or 8%. That is a huge difference on the liability and so depending on how close you hit the number determines what the long term accumulative average return is. Your long term accumulative average is 7% then 8% is a hugely different number after a 20 year accumulation. Mr. West explains that from the actuarial standpoint it does make a difference but from just the investment standpoint it does not.

Mr. Strong advises from an actuarial standpoint you want to assume what you're really going to get not in just one year but over the next 20 to 25 years because if you're wrong just half a percent of the cumulative of 25 years you are talking about 10% to 15% of the assets. This is also a 10% to 15% difference in the funded ratio. The models are created by experts in the field and because the models are showing that future expected returns are going to be lower that needs to be taken into account. There is a model that has shown that somewhere between 7% and 7.75% is the sweet spot. Mr. Gueits states that he does not believe that anyone disagrees

with moving the assumption rate lower. He feels it is a matter of how fast and when to do it. Mr. Garcia-Linares asks if there was a proposed legislation from the State. Mr. Strong answers that there was a proposal but it did not pass. The proposal was going to require for plans to look at their long-term rate of return forward looking projections based on the plans asset allocation and target getting to that rate assumption. It would be forced onto everybody just like the mortality assumption. He believes that it will probably resurface. There is the possibility that the State could force everyone to target the 50th percentile and that would be roughly 7%.

Mr. West believes this decision should definitely be made at the right time. The most important aspect is definitely moving the rate. Lowering it is taking a more conservative position and there is nothing wrong with that as long as they can afford the consequences expense wise. Mr. Gueits thinks it will probably be prudent to reduce the assumption at some point. He does not believe this is a question for this year and maybe this should be a question for next year depending on the COLA. Chairperson Gomez informs that he is glad they are having a healthy discussion and are aware of what the issues are. Mr. Strong states that right now the FRS has brought down their assumption rate a total of fifteen basis points and their actuaries are recommending targeting 7%. His expectation is they will continue to lower it in five to ten basis point increments. Mr. Gueits comments that maybe they could lower their assumption rate by ten basis points but the question is when they would do that. Mr. Garcia-Linares recommends that they should continue the discussion after September 30th. Once a decision or update has been made with the COLA then that will be determining factor of what if anything can be done. Chairperson Gomez agrees. Mr. Strong suggests they mimic what CalPERS has done which is to pass a resolution policy of how they would reduce their investment return assumption. Every time they exceed the expected return assumption, whatever they gain is applied towards the increase in liability associated with bringing down the investment return assumption. Mr. Chircut comments that there are so many issues currently on the table and the Board needs to be careful in trying to resolve too many different issues at one time.

10. Old Business.

Chairperson Gomez advises that he is aware that Mr. Easley had a few things he wanted to bring up. Mr. Easley comments that he had been looking into securities monitoring law firms. He knows that Northern Trust does provide this service and he wanted to hear more about it when Northern Trust comes to the next Board meeting. Ms. Groome adds that she also knows through email communication that Mr. Baños is also interested in looking into that service. Mr. Garcia-Linares states that they looked into this service once before and those firms want their clients to be the lead plaintiffs which then puts additional obligations on this Board by doing so. Mr. Greenfield informs that the Board has had firms with this service come in and do presentations. They do a fine service and they do not charge for it however they do expect that if there is a legal right to sue and the Board at the time agreed that they did not want to get involved in the lead plaintiff because it would take time, effort and energy and the amount a lead plaintiff would get over what the others would get would be so small that it wouldn't compensate for the effort. Mr. Easley states that he has looked into it again and the Board doesn't have to be the lead plaintiff. If it is a free service he just doesn't see the hesitation especially when it pertains to international funds with all the things that are currently going on.

He thinks that the Board can simply entertain a few questions with Northern Trust when they visit at the next Board meeting. Mr. Garcia-Linares remembers when the Board was involved with a lawsuit in the past and it was a hassle for all the Board members. Chairperson Gomez advises that the Board should hear what Northern Trust will present and see if it is something that may interest the Board.

Mr. Easley informs that he has been in deep discussion with Mr. West about the Board's position and allocation to domestic fixed income. He has been very verbal and he doesn't agree in having such large amount of assets in domestic fixed income. He believes they need to be more aggressive because a lot of money has been left of the table by being so heavily invested in fixed income. He would like for Mr. West to look into what other Boards have done in Florida in regards to their investments and bring that to the next Board meeting for further discussion. Mr. West advises that he can answer the question right now. In a perfect world the asset allocation should be almost close to 100% accurate but it is not a perfect world and they are subject to scrutiny and volatility. If you compare this fund with other funds as to the asset allocation in international fixed income the median exposure in public systems is 28% and the Coral Gables fund is at 18%. In comparison to other funds this fund is a lot lower in the bond allocation. There should be some rebalancing coming up however he is reluctant to reduce the fixed allocation any further than what has been done.

11. New Business.

Ms. Groome informs the Board that the August Federal Income tax for retirees was paid a day late so there most likely will be a fine. Chairperson Gomez explains that Ms. Groome informed him about this and he appreciates bringing it to his attention and to the Board's attention. He told Ms. Groome that they all make mistakes and they all learn from their mistakes. Part of his issue he has with the Retirement Office is that there is so much paperwork and with today's technology that is an issue plus the office was so under staffed for such a long period of time. They did speak about this and he does not believe that this will be an issue that will continue to happen. How much will the fine be? Ms. Groome believes it will be around \$3,700.00. Mr. Chircut asks if there is something that has been put in place for this not to happen again. Ms. Groome responds that Ms. Coffy has put a reminder on her calendar to double check and make sure that the taxes get paid on time.

Chairperson Gomez informs that he will be out of town for the next scheduled meeting on September 14th. He does not want to mess with everyone's schedule to try and reschedule the meeting. The majority of the Board members were available on September 21st. Chairperson Gomez asks Ms. Groome to email the Board members regarding the change in the meeting date.

12. Public Comment.

There was no public comment.

13. Adjournment.

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The next scheduled regular Retirement Board meeting is set for Thursday, September 28, 2017 at 8:00 a.m. and will be located at the Institute for Cuban and Cuban-American Studies, University of Miami, 1531 Brescia Avenue, Coral Gables, FL 33134

Meeting adjourned at 10:17 a.m.

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER