

CORAL GABLES RETIREMENT SYSTEM
 Minutes of February 9, 2017
 University of Miami Newman Alumni Center
 6200 San Amaro Drive
 4th Floor Conference Room
 8:00 A.M.

MEMBERS:	F	M	A	M	J	A	S	O	N	J	F	APPOINTED BY:
	16	16	16	16	16	16	16	16	16	17	17	
Andy Gomez	P	P	P	E	P	P	E	P	P	P	P	Mayor Jim Cason
James Gueits	P	P	E	E	E	E	P	P	P	E	P	Vice Mayor C. Quesada
Charles Rigl	E	E	P	P	P	P	P	P	P	P	P	Commissioner Jeanette Slesnick
Michael Gold	P	P	P	P	P	P	P	P	P	P	P	Commissioner Patricia Keon
Rene Alvarez	P	P	P	P	E	E	P	E	P	E	P	Commissioner Vince Lago
Joshua Nunez	P	P	E	P	E	P	P	P	P	E	E	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Carlos Fleites	-	-	-	-	-	-	-	-	-	P	P	General Employees
Troy Easley	P	E	P	E	P	P	P	P	E	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Karla Green, Interim	-	-	-	-	-	-	-	-	-	P	E	Human Resources Director
Manuel A. Garcia-Linares	P	P	E	E	P	E	E	P	P	P	P	City Manager Appointee
Pete Chircut	-	-	-	-	-	-	-	P	P	E	P	City Manager Appointee

STAFF:
 Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan Greenfield, Board Attorney
 Dave West, &Co.

P = Present
 E = Excused
 A = Absent

GUESTS:
 Orlando Munoz, Disability Retiree
 John Baublitz, FOP

Chairperson Gomez calls the meeting to order at 8:08 a.m.

1. Roll call.

All Board members were in attendance except Mr. Chircut and Mr. Gueits. Mr. Greenfield was stuck in traffic and running late.

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 January 9, 2017.

2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.

1. For the Board's information, there was a transfer in the amount of \$3,600,000.00 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 January for the February 2017 benefit payments.
2. For the Board's information:
 - William Cate, Police Department, passed away on January 13, 2017. He retired with service connected disability on October 15, 1980. His spouse began receiving 50% of his benefit on February 1, 2017. This benefit is for her lifetime.
3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date January 8, 2017 in the amount of \$180,718.10 was submitted for deposit on January 13, 2017.
 - Payroll ending date January 22, 2017 in the amount of \$177,546.40 was submitted for deposit on January 27, 2017.
4. Copy of the detailed expense spreadsheets for the month of January 2017 is attached for the Board's information.
5. Attached for the Board's information is a report from the GRS Death Check website showing that no death records were found from the current list of retirees' Social Security numbers as of February 1, 2017.

6. A copy of an Impact Statement letter dated January 11, 2017 from Gabriel Roeder Smith regarding an ordinance change removing the City's Human Resources Director from the Board and adding the City's Director of Labor Relations and Risk Management to the Board is attached for the Board's information.

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

1. GRS invoice #426879 dated January 4, 2017 for actuarial consulting services for the month of December 2016 in the amount of \$6,541.00.
2. BDO invoice #000752375 dated January 13, 2017 for audit reporting ending 9/30/2016 in the amount of \$10,924.00.
3. The City of Coral Gables invoice #311902 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 January thru March 2017.

A motion was made to by Mr. Garcia-Linares and seconded by Mr. Easley to approve the Consent Agenda. Motion unanimously approved (10-0).

3. Comments from Retirement Board Chairperson.

Chairperson Gomez states that he added this item to the Agenda so if there is anything the Chairperson is working on or would like to inform the Board about it can be done under this item. At the last meeting he received approval from the Board to speak with the City Manager. He had a very cordial and welcoming meeting with the City Manager. They discussed many issues. Most of the Board members who have gone to visit the Retirement Office you see the conditions of where they work. They have tentatively started the discussion of possibly moving the Retirement office down the street to the 457 building next to the credit union. The City is looking at space to lease and hopefully it will work out. He will keep the Board posted on how that goes. Secondly, it has been about a year since there have been the discussing the issue of a full-time position for Ms. Coffy. He made a number of phone calls to other Retirement Systems in the State of Florida and one of the things he found out was most of the cities with pension boards hire their own employees. This City is unique because they have an actual City employee working for the Board. He has made up his mind prior to the meeting that the City has a very strong opinion and he understands it. He thinks they need to move forward. He instructed the Board Attorney to develop a draft of a contract to hire Ms. Coffy as a full-time employee as a consultant or a contractor.

Mr. Chircut arrives to the meeting at this time.

Chairperson Gomez informs that he would like to get full approval from the Board today to hire Ms. Coffy and finalize the contract between counsel, the Vice-Chairperson,

himself and Ms. Groome in terms of salary, benefits and a starting date. Mr. Rigl asks if Ms. Coffy would be an employee or a consultant of the Board. Chairperson Gomez explains that she would be an independent contractor. Mr. Garcia-Linares asks if she will have benefits. Chairperson Gomez responds that they will negotiate the benefits. Mr. Hoff suggests that due to the Sunshine Law that the Vice-Chairperson should not be part of the negotiations

A motion was made by Mr. Garcia-Linares and seconded by Mr. Gold that Chairperson Gomez, Mr. Greenfield and Ms. Groome negotiate a contract for the independent contracted position. Motion unanimously approved (11-0).

Chairperson Gomez continues. He will be attending and speaking to the City Commission at their next meeting on February 14th to discuss the funding formula. He encourages the Board members to attend. They have been given a time certain of 9:45 a.m.

4. Discussion of Request for Proposals for 2017 of the Custody Bank and Board Attorney. This item was tabled. (*Agenda Item 8*).
5. Presentation of the draft 2015-2016 audit report by BDO.

Ms. Groome informs that Clement Johns of BDO requested that this item be deferred until the March meeting. Ms. Gomez informs that will cause a problem for her Department because the City's auditors need an approved report before issuing the Financial Statement of the City. She wants to present that to the Commission at their March 28th meeting and the auditors have to have it completed by the first week of March. Ms. Gomez recommends that they meet earlier in March and suggests March 2nd. The Board members agree to change the meeting to March 2nd.

6. Investment Issues. (*Agenda Item 9*).

Dave West explains the name change. They are excited to announce that The Bogdahn Group is officially now AndCo. The company emblem is also the company's name. The whole purpose of the name change is they are an extension of the client and wanted a name to communicate their whole philosophy of clients first. Everything about the firm is an extension of the client.

There are two things to address today. He has a very summary recap of the quarterly report as far as manager rankings and then a nice update for January. The active managers had a tough environment during this quarter because there was a 180 shift in the investment theme of the marketplace and they need to give the active management time to make adjustments. When they look at the January numbers they are going to happy that they applied a little patience.

Mr. Greenfield arrives to the meeting at this time. Mr. Greenfield thanks everyone for their well wishes and support. It has been a very difficult time and with the help of God and his friends he is here.

Mr. West continues. There are some manager performances being flagged with several managers. They did see some challenges with the active manager community as a whole. He thinks they need to grant some patience as they do see a turn in January with the managers. Their position is with this shift it appears the market has left the quest for dividends and has returned to the quest of finding good company fundamentals. They are hopeful that if this investment trend continues that the active/passive cycle will rollover and the environment should be conducive for active managers to add value going forward.

Chairperson Gomez requests that they go back to the Board Attorney items and then continue the investment issues after that.

7. Attendance of Attorney Jason Fox on behalf of disability retiree Orlando Munoz regarding the calculation of Mr. Munoz's monthly retirement amount. Mr. Munoz's monthly amount was calculated by pensionable pay and Mr. Munoz is questioning whether the monthly disability amount should be calculated by pensionable pay instead of believes that is incorrect according to the Ordinance. (*Agenda Item 6*)

Mr. Greenfield reports that he had a conference call with Craig Leen, Ms. Groome and Jim Linn. They discussed in detail the question of the use of pensionable earnings versus total compensation in the calculation of the amount of money due to Mr. Munoz. Both Mr. Leen and Mr. Linn agreed that the interpretation taken from the ordinance by himself and the Board's actuary were correct. They properly calculated that it should be pensionable earnings. However, Mr. Leen pointed out that the Board were not a part of the negotiations between the bargaining unit and the City and that there was never any intent on the part of the City to change the disability ordinance and that in the drafting of the ordinance there was a mistake made which caused the confusion and the City says it should be total earnings and not pensionable. That is what they believed was the case when they went to the Commission and they ratified the contract. They did not believe they were changing the total earnings for disability calculations. From the view point of the City, it is the City's recommendation and now that they explained they made a mistake and that they did not intend to change the ordinance and some effort will be made in the future to bring the ordinance into compliance with the way it should be.

Mr. Garcia-Linares asks who this applies to. Mr. Greenfield responds that it applies to Police and Fire. He spoke with Mr. Fox and advised him that it was not necessary for him to come to the meeting and make a trip from Tampa. He explained to him what was discussed with the City Attorney and City's pension attorney. He told him that the recommendation to the Board would be they have the Administrative Manager calculate Mr. Munoz's pay in accordance to his total earnings and not his pensionable earnings. He

informed Mr. Fox that he did not know for certain if the Board would agree to it because it is simply a recommendation. Mr. Fox advised that he believed the Board would follow the recommendation and so he did not come to the meeting.

A motion was made by Mr. Hoff and seconded by Mr. Easley to follow the recommendation of the Board Attorney and retroactively apply it. Motion unanimously approved (10-0).

Ms. Groome asks if this also applies to Mr. Del Mazo.

A motion was made by Mr. Hoff and seconded by Mr. Easley to direct the Administrative Manager to interpret the Code as per the Board Attorney's discussion on any and all future cases. Motion unanimously approved (10-0)

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

Mr. Greenfield informs that during this past month he has not been very active as his surgery was exactly one month today. Chairperson Gomez states that earlier this morning they discussed hiring Ms. Coffy as an independent contractor. He appreciates that Mr. Greenfield drafted the contract.

9. Request from Orlando Munoz for approval of the return of his contributions on the purchase of other public employee service time in the amount of \$48,578.15. Mr. Munoz was approved for Service Connected Disability retirement on August 9, 2007 and will no longer need to continue the purchase of his service buy back since disability retirement is not calculated based upon service time. (*Agenda Item 7*)

Ms. Groome explains that when Mr. Munoz was an active police officer he was able to purchase other public employer previous service time after his five years and he was able to purchase the five additional years. However now that he is on disability retirement and because disability retirement does not take into account how many years of service an employee had with the City. They have done this in the past for other disability retirees and Mr. Munoz is requesting to be reimbursed those funds.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to approve the return Mr. Munoz's contributions of the other public employee service time. Motion unanimously approved (11-0)

10. Investment Issues. (Continued)

Mr. West continues his report. He asks if anyone has any questions regarding the manager compliance. Mr. Gold states that they are doing their research and keeping track of more than the managers they currently have. Are there other managers in the same space that wouldn't have as many tick marks? Are they watching other managers in the

same field they have looked at in the past few years that may have done well? He wants to have a sense of the managers they are looking at and the field they are competing in when they look at the peer group analysis. When is it worth it to look at the peers? Mr. West answers affirmatively that they are looking at other managers. Their review is manager specific and they are looking at the universe and the opportunity cost in staying with the managers that may be passing muster or they are comfortable with. There might be other strategies they are comfortable with and might provide a better opportunity. They feel that the managers in place have good long term track records. One of the things they are trying to do is understand that manager's cycle and their particular head winds and tail winds. Eagle and MD Sass are their value managers and they are rotating historically when one is ahead the other is behind but net/net both individually have accumulated dollars in advance of the benchmark nicely. They are comfortable with that plan and in their case they don't feel they should be making any changes. They try and take a longer term and intermediate term in making that qualitative assessment. They are comfortable with the manager line-up. There is one that stands out in this analysis as well. They met on Monday with the lead portfolio manager going through the strategy and they came away from that meeting more conflicted to staying with this strategy. The performance has really tried patience and they came away concluding that if they were to come forward with an opportunistic replacement. They have gone through the whole universe and their opinion the growth manager universe completely lax a lot of opportunity and completely lax other better options to go to. Performance in this whole space has been really problematic. If they were to come in and get to the point they needed to terminate Wells as a manager they would suggest to terminated both growth managers and go into passive even though the other growth manager is doing well. They would be making a philosophical commitment on their statements.

Mr. Chircut asks when they decide to terminate a manager. Mr. West explains that in the case of Wells they don't assign a specific timeline. Each situation is unique and each situation requires that they open the hood and take a close look at what is going on. The Investment Policy combines check lists as definitive measurement points that are designed to keep them objective. The four quarters of underperformance creates a flag and you have the three and five year rolling periods which are designed to raise flags to force them to make sure to do a deep dive and inform the Board that they are having discussions on it. In the case of Wells and all managers, what they are doing is going in and making sure the manager is consistent with what they are doing, that there are no changes in personnel, and they believe that consistency will ultimately result in better returns than the index going forward. Specifically in the case of Wells, the manager is a growth manager and was hired to identify companies that are going to grow faster than the benchmark and specifically those companies that are going to have positive earnings surprises. They went in and concluded their batting average for the last 15 years has been around 85%. Recently it has been in the low 80%. They have been very successful in their research process in taking those companies that have a positive earnings surprise. They have made some mistakes in their stock selection but as far as the main thing they have been trying to do and have been extremely successful in that. When they take a

look at the market place you have to look at what transpired and what worked and what didn't work in the market place. They broke down the market into two areas. They looked at all the fastest growing companies or companies they should be identifying and what the stock performance was and they were in the bottom quartile for the last two years. The market had no interest in those types of companies so all those stocks in the appropriate index were ranked in the bottom quartile for price performance. The slowest growing companies ranked in the top quartile for performance. While they were nailing it and successful in their process of identifying fast growers, the market place was more interested in slow growing stock and that is what has driven investment returns up until the recent election. They have been successful with the strategy but the market cycle lately has not been favoring those types of characteristics and typically longer term it does. That gives them confidence that the strategy is working and they know the market is full cycle and earnings growth will eventually be a driver of stock prices as it historically has been. That has given them confidence to stay with the strategy. That is their explanation for Wells so you can see how it is difficult to apply a definitive time line on it. You have to see what the manager is doing and compare it to what is happening in the market place.

Mr. West reviews the January performance report. Market returns were positive in January. They have seen a little recovery in the bond market. They added 1.8% for the month. The one year number is 12.65% and fiscal year 2.96%. All the active managers except MD Sass did well. Eagle was up 2.83% versus .6% for the value index. MD Sass underperformed a little. The S&P 500 was up 1.9% and they are capturing that with the index fund. The Winslow large cap growth was at 5.50% above the benchmark and Wells Capital also had a strong month at 5.8% ahead of the benchmark. They are allocated to mid-cap stocks which performed well up 1.68%. International equities rallied for the month also. The index fund was up 3.5%. RBC was flat on the period and WCM was ahead of the benchmark at 4.48%. Fixed income had a non-event month. The bond market and the managers all came in around 20 basis points. The DiSCO II fund should continue to prosper. They had 1% for the month and the fund is annualizing at 11.47%. They are still getting nice returns from that. The Real Estate funds continue along at a steady clip. They are slowing down a little on the year over year annualized rate of return at 7.9% and 9.47% for the Special Situation fund. Real estate should be a beneficiary of sustained economic growth environment especially if it does become inflationary that would be a real asset. BlackRock multi-asset income was up 1.29%. The TacOps fund was up .7%. The hedge fund had flat returns and Tortoise was flat on the month. The Tortoise fund has been very slow to release statement data and Ms. Groome has been very diligent contacting them to get those numbers out. They can't fully complete the quarterly report to give the final calendar rate of return of the plan until all the manager data is finalized and submitted. Tortoise has been very slow in reporting but the fund is prospering.

They opened the month at \$355,709,319. They had contributions of \$970. Distributions were at \$3,600,000. Investment management fees paid by the custodian for the month

were \$366,302. Other administrative expenses paid were \$15,741. Investment earnings are broken down into income which was \$256,013 and appreciation at \$6,582,976. They closed the month of January with \$358,567,236.

Mr. Gueits arrives to the meeting at this time.

Mr. Gueits asks how the Tortoise fund is doing. Mr. West informs that the Tortoise fund is on the right track. There were two pieces of investment activity during the month. MLPs have performed well and the Tortoise fund continues to benefit optimistically. They are on track to get the returns they were expecting on the fund.

Chairperson Gomez informs that when he spoke with the different administrators of the pension plans, they are doing pretty good in comparison with other plans. Sometimes you become complacent to where you are and if they are funded at 60% they still have a huge liability. He keeps that in the back of his mind and he thinks that is an issue. They still have 40% out there. Mr. Gold states that the returns are not going to make up for it. Chairperson Gomez agrees. This is a City that just received a triple rated bond rating and they are doing good. At the same time they have a fiduciary responsibility to the employees and the citizens.

11. Old Business.

Ms. Groome reminds the Board of the penalty received from the IRS for the 2014 year. She explains that an updated statement from the IRS was recently received charging additional interest on that year. The amount was \$41.99 and it was paid. The IRS recalculated the interest and she wanted to inform the Board regarding this issue.

12. New Business.

Chairperson Gomez reminds the Board members that the meeting has been re-scheduled for March 2nd. Ms. Groome asks if the Board would like the next meeting at this location. The Board members agree to schedule the meeting back at University of Miami.

Mr. West advises that he is happy to attend the March 2nd meeting but being on the 2nd of March, they will not have any investment numbers available. The Board agrees that Mr. West does not need to attend the meeting in March.

Mr. Greenfield informs that the auditors at his Board meeting for the Aventura Police Pension fund, they were informed that the average funding around the State is about 76% funded. Mr. Gold states that in general being 100% funded is probably not the goal. It doesn't make sense to be 100% funded.

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13. Public Comment.

There was no public comment.

14. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, March 2, 2017 at 8:00 a.m. in the Youth Center Auditorium, 405 University Drive, Coral Gables, FL.

Meeting adjourned at 9:14 a.m.

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER