

CORAL GABLES RETIREMENT SYSTEM

Minutes of November 10, 2016  
 Youth Center Theater/Auditorium  
 405 University Drive  
 8:00 a.m.

MEMBERS:	N	J	F	M	A	M	J	A	S	O	N	APPOINTED BY:
	15	15	16	16	16	16	16	16	16	16	16	
Andy Gomez	E	P	P	P	P	E	P	P	E	P	P	Mayor Jim Cason
James Gueits	P	P	P	P	E	E	E	E	P	P	P	Vice Mayor C. Quesada
Charles Rigl	P	E	P	E	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	E	P	P	P	P	E	E	P	E	P	Commissioner Vince Lago
Joshua Nunez	E	P	P	E	P	E	P	P	P	P	E	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	E	General Employees
Troy Easley	P	P	P	E	P	E	P	P	P	P	E	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	E	P	P	P	E	Human Resources Director
Manuel A. Garcia-Linares	P	P	P	P	E	E	P	E	E	P	P	City Manager Appointee
Pete Chircut	-	-	-	-	-	-	-	-	-	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager  
 Ornelisa Coffy, Retirement System Assistant  
 Alan Greenfield, Board Attorney  
 Dave West, The Bogdahn Group

P = Present  
 E = Excused  
 A = Absent

Chairperson Hoff calls the meeting to order at 8:19 a.m.

1. Roll call.
2. Mr. Nunez, Mr. Hill and Mr. Easley were excused. Chairperson Hoff informs that Ms. Jaramillo-Velez has resigned her position as the Human Resources Director. He asks if there is an appointee. Ms. Gomez assumes that the Acting Director would be appointed to the Board according to the Code. Ms. Groome comments that she was not informed of who was acting as Human Resources Director.
3. Items from the Board attorney.

Mr. Greenfield reports that there have not been any major issues this month. He was supposed to meet with Pete Strong and another attorney to discuss a few questions about a calculation a disabled retiree received and that meeting was cancelled. At the last meeting, Mr. Garcia-Linares suggested meeting with Mike Chickillo and talk about the

issue Mr. Chickillo had. He spoke with Mr. Chickillo and Mr. Chickillo asked that the issue be deferred because he was not able to attend this meeting.

4. Public Comment. (*Agenda Item 9*).

Mr. Baublitz addresses the Board. He thanks the Board for the work they have done. The Fraternal Order of Police is in negotiations with the City. He has spoken with the City side and they have no problems with the FOP requesting the Board's for using their actuary to cost some items out for the FOP.

**A motion was made by Mr. Garcia-Linares and seconded by Dr. Gomez to approve the use of the Retirement Board's actuary by the FOP. Motion unanimously approved (9-0).**

5. Discussion of the 2017 COLA determination letter submitted by Gabriel Roeder Smith. The net rate of investment return on the market value of assets during the year ending September 30, 2016 was calculated to be 8.4%. Therefore, the cost of living increase is not eligible to be granted on January 1, 2017. (*Agenda Item 5*).

Ms. Groome informs that she put the item on the agenda in case the board wanted to have a discussion on the matter.

Mr. Garcia-Linares asks Mr. Greenfield about the COLA lawsuit status. Mr. Greenfield replies that that the City was going to file a Summary Judgment notice. Ms. Groome informs that another reason why she put it on the agenda is because she receives a lot of phone calls from the retirees and she is looking for direction as to what type of information she can send to them regarding the 2017 COLA. Chairperson Hoff thinks Ms. Groome should use her discretion on how she would like to handle the matter. Ms. Groome informs it is just a generic type of letter informing of whether or not a cost of living was met for the 2017 year. Mr. Garcia-Linares believes that any letter that is drafted should be reviewed by Mr. Greenfield.

6. Consent Agenda. (*Agenda Item 3*)

*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 of September 8, 2016.

- 2B. The Administrative Manager recommends approval of the Retirement Board meeting minutes of October 13, 2016.
- 2C. 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 \$6,200,000.00 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 October for the November 2016 benefit payments.
  2. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
    - Payroll ending date October 2, 2016 in the amount of \$169,369.74 was submitted for deposit on October 12, 2016.
    - Payroll ending date October 16, 2016 the amount of \$168,249.14 was submitted for deposit on October 28, 2016.
  3. Copy of the detailed expense spreadsheet for the month of October 2016 is attached for the Board's information.
  4. 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 November 1, 2016.
- 2D. The Administrative Manager recommends approval for the following invoice:
1. Gabriel Roeder Smith & Company invoice #424992 for actuarial services during the month of September 2016 in the amount of \$5,792.00.
  2. The City of Coral Gables invoice for period ending June 30, 2016 in the amount of \$117,392.70 for expenses of the retirement system paid out of the general ledger account of the City.
  3. The City of Coral Gables invoice #302456 for the rental of City's public facilities in the amount of \$1,665.25 (\$555.08/month) which is an increase of \$186.25 per quarter and general liability insurance in the amount of \$985.75 (\$328.58/month) which is an increase of \$13.75 per quarter for the months of October thru December 2016.

Mr. Rigl questions the amount of \$117,392.70 of the City's invoice. Ms. Groome answers that the correct amounts were not recorded for the 1<sup>st</sup> and 2<sup>nd</sup> quarters and this extra amount for the 3<sup>rd</sup> quarter is a catch-up of the previous quarters.

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

7. Continuation of discussion regarding full-time position for Retirement System Assistant. (*Agenda Item 4*).

Chairperson Hoff states that he was aware that the City Attorney, Craig Leen, was to obtain some information and then return and present it to the Board. He asks Ms. Gomez if she received an update from Mr. Leen. Ms. Gomez informs that she just talked to Mr. Leen a few moments ago and he did not have an update. She and the City Manager spoke and the City Manager understands that the Retirement Office needs more help. They were discussing the possibility of adding an additional part-time employee instead of having an additional full-time employee. The City Manager's idea is to eventually move to a structure that is not City employees for the Retirement System. It seems to be complicated for the Board to become an employer. The City has been using professional part-time help model and it has been working very well. That is what they would like to propose is to hire an additional City part-time employee and then they don't have to get into the model of having a City employee work for the Retirement Board.

Mr. Garcia-Linares asks Ms. Groome how long before she retires. Ms. Groome informs that she expects to enter the DROP in January 2020 and will separate from the City at the end of December 2024. Mr. Garcia-Linares states that for the next nine years they will have to find people who are willing to work part-time without any other benefits. Ms. Gomez adds that they can also hire a pension administration company that can also assist by providing staff. If you hire a new full-time employee the Board is perpetuating the problem for another 25 years because a new employee comes in and stays for 20 to 25 years. Chairperson Hoff asks what Ms. Gomez means about perpetuating a problem. Ms. Gomez informs she misspoke. It will be perpetuating a situation that they have a City employee acting as an administrator to the Board when they report to the Board and it should be a Board employee or contractor. Mr. Garcia-Linares states that the Retirement System pays for the employees. Ms. Gomez comments that employee is still a City employee.

Chairperson Hoff states that they have gone back and forth with this. This is the City Manager's plan to not have employees of the Board as City employees. The Board has to make a decision if they are going to incur the additional cost as the City wants them to do to become an employer. Someone is going to be paying it and the City reminds the Board that they ultimately pay the bill. Dr. Gomez believes that it seems the office has been functioning well running and as they move forward he would like to hear from Ms. Groome how she envisions restructuring the office to make it more functional, what the office's needs are and what that will require. Today they are talking about one additional employee and in the future they may be talking about two additional employees. He asks Ms. Gomez if she could go back to the City and how much it would cost to outsource. Ms. Gomez informs that the City would not be the ones costing the outsourcing but they could go to different City's that outsource for that information.

Mr. Garcia-Linares thinks that one of the benefits that the City has seen from him being on the Board for the number of years he has been on the Board is continuity and he doesn't outsource his services for his office because he doesn't want to be rotating people every three or four months. He would like to hear from someone who uses the outsourcing company and if they have had continuity with that company. Dr. Gomez doesn't want to delay any longer. Ms. Gomez points out that when they started with this a lot of it was because of the workload. They have had part-time employees for years and it works but you have to find the right employee who is looking for part-time employment for their career because it fits in their life or are already retired. They City wants to assist with the workload it is just the issue of the City wanting to move to an outsourcing model. Mr. Gold asks if term limits in the City are eight years. Chairperson Hoff answers affirmatively. Mr. Gold states that no one serving now will be on the Commission at the time Ms. Groome retires and no one will know the City's direction will be at that point. He is partial to say that they have a great employee now and they know what they get when they hire them to say they are going to outsource there are non-quantifiable characteristics that they are discussing that come with hiring part-time employees that may or may not work. There is down time, there is training time and that is a cost to the City and a cost to Ms. Groome and her effectiveness as being the Administrator. He gives that greater weight today. They have been talking about this issue since he has been on the Board.

Mr. Greenfield informs that he is a Trustee of the Aventura Police Retirement Plan and he has been there for about six years and they outsource to Benefits USA. They have had the same person they deal with since he has been a Trustee. That isn't the problem. It depends on the level of service that the Board wants to give to the participants. The participants in the Aventura plan don't have the ability to come in and sit down with someone to talk to and to explain. Benefits USA is up in Lauderhill and their employees are in Aventura. Everything is done by email or correspondence or a member of the FOP is the in-between. The Police Officer will talk to the steward and the steward will take the question to Benefits USA or the Board. Since he has been with Coral Gables, which is almost 30 years, the level of service that the employees of the City of Coral Gables gets is far superior to the level of service that the employees in Aventura get. It depends on what level of service they want to provide to the employees. Outsourcing is not bad. It does the purpose of taking care of the administrative issues that have to be done but it is not that personal as someone coming in looking for explanations. They have personal service they give to the participants. If you want to continue it he would not want to outsource it and if they don't want to continue that level of service you outsource it. Ms. Gomez thinks there are other ways of looking at it. At the end of the day this is the way the City wants to go and they are trying to work with the Board in getting additional assistance. They are trying to make technology advancements. GRS is doing a lot of the calculations. There are a lot of things they are doing to make it easier regarding the workload. Chairperson Hoff believes it is a philosophical difference. As a representative to the City, they have a different opinion and they'll continue to kick the can down the road. Mr. Garcia-Linares doesn't think they have to kick the can down the road. They just heard from Mr. Greenfield personally who is involved with another Board on how

the outsourcing works. Mr. Chircut states that when they outsource you can tell the company what you want them to do. The job will get done and the turnover doesn't matter. Chairperson Hoff disagrees. It makes a big difference because you can have someone come in that is this week's representative and they are a non-friendly person and aren't customer service oriented and then you get someone who goes the extra mile and do things like their personal employees do. Mr. Chircut states that if that is the case you can fire that person. Chairperson Hoff disagrees. They are not their employee; they are an employee of the outsourcing company. Mr. Garcia-Linares comments that the City of Coral Gables is special and that is why they live here. The City does things above and beyond and people expect personal service. Ms. Gomez believes that is true but to say you are not going to get the same service because it is not a City employee so doesn't necessarily agree. She understands because customer service is very important. Dr. Gomez thinks they need to be careful in outsourcing in terms of service to the employees and the retirees because that is important. He would also not want employees or retirees to go to different departments within the City because the outsourcing entity could not handle it all and therefore the City will move things around within different departments. Ms. Gomez states that would not happen. They would go to the administrator. Dr. Gomez thinks they need to deal with the issue they have at hand.

Ms. Groome states that to make the record clear that GRS does not do the calculations for employees; they certify the calculations after the calculation has been done in the Retirement Office. Ms. Gomez points out that they do the Statement of Benefits now. Ms. Groome agrees but that is done after the work has been done in the Retirement Office.

Mr. Gold thinks that what they are talking about now is affective management of the plan and if they say they are going to hire a part-time employee to get 18 more hours a month they may be spending more than they are talking about structuring it for the current part-time person to go full-time and everyone being satisfied. The money comes from somewhere and eventually it will come from the City so why pay more to placate the City's plan for a decade from now. He wants to be compelled into one direction. Mr. Garcia-Linares states that they should get a quote from the outsourcing companies and figure out what it would cost to have a full-time employee versus having two part-time employees. He thinks it will cost more to have an employee of the Board rather than the City.

8. Investment Issues.

Dave West reports on the October performance. He informs that basically the performance in October has been reversed. Post-election market returns are almost back to the all-time highs. They have retraced all the losses in October. There seems to be a shift in the market investment theme which is positive for their active managers. So for October, the total fund for the month declined 1.17%. They had declines in equities and bonds. Everything was negative until they get into their alternative portion of the portfolio. They have moved a lot of money around the last couple of months. All the asset

shifts and allocation strategies have been adjusted. They are on the targets of the asset allocation and they are staying the course with the recent rebalancing and strategy,

Mr. West reviews the performance of quarter ending September 30<sup>th</sup>. The return for fiscal year was 8.57%. If they were passive they would have 10.47% in the total fund policy. Their peer group ranking was in the 59<sup>th</sup> percentile while their asset allocation ranking was in the 22<sup>nd</sup> percentile. They are making all the right decisions regarding the policy but the manager underperformance for the period is significant. The domestic equity collective managers came in at 9.51% and the policy index came in at 14.96%. That equity performance put them in the 79<sup>th</sup> percentile of the equity peer group. The index policy finished in the top 25<sup>th</sup> percentile and the index outperformed 75% of the collective active managers in the universe. Eagle Capital came in at 9.31%. MD Sass came in at 4.9%. They trailed their benchmark finishing in the 97<sup>th</sup> percentile. Their best performers were the index allocations. The S&P 500 was at 15.52%. The S&P 400 was at 15.41%. Wells Capital underperformed their benchmark at 9.44%. Winslow Capital underperformed their benchmark at 10.77%. The international managers and other manager strategies outperformed. The main culprit for the fiscal year underperformance was the domestic equities. From a compliance standpoint they have issues they are forced to address and they have been addressing those issues. Collectively given the nature of the investment environment over the last year in their opinion they need to chalk this up as a period where the tide was against active management. They can't call the shifts when the tide is going to turn and active management will come back into vogue. Looking at how these managers are positioned and at the non-dividend sectors they seem to be reversing performance now and they should be looking at better relative performance in a sharp snapback from all the domestic equity managers post-election. Hopefully that trend continues.

Mr. West informs that The Bogdahn Group will be rebranding and changing the name of the firm. Joe Bogdahn, their founding namesake, tendered all his shares. There are two owners of the firm and they are Mike Welker and himself. Mike Welker is the mass majority controlling managing partner who will be leading the firm into the next decade. In his assumption of that role they have implemented and appointed people in the firm who they feel they can continue the values and firm philosophy they execute on every day. The name change is supposed to be reflective of their fierce commitment to independence and putting clients first. That will be released early January.

9. Old Business.  
There was no old business.
10. New Business.  
Chairperson Hoff expresses his gratitude and appreciation for the time he has been on this Board. In the last eight years they have accomplished amazing things. In all likelihood he will not be on the Board in January and will be time to pass the gavel to Dr. Gomez.
11. Adjournment.

There is no scheduled Retirement Board meeting in December. The next scheduled Retirement Board meeting is set for Monday, January 9, 2017 at 8:00 a.m. Location to be scheduled.

Meeting adjourned at 9:23 a.m.

APPROVED

RANDY HOFF  
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME  
ADMINISTRATIVE MANAGER