

CORAL GABLES RETIREMENT SYSTEM

Minutes of October 13, 2016

Youth Center Theater/Auditorium

405 University Drive

Immediately after the Investment Committee meeting

MEMBERS:	O	N	J	F	M	A	M	J	A	S	O	APPOINTED BY:
	15	15	16	16	16	16	16	16	16	16	16	
Andy Gomez	E	E	P	P	P	P	E	P	P	E	P	Mayor Jim Cason
James Gueits	E	P	P	P	P	E	E	E	E	P	P	Vice Mayor C. Quesada
Charles Rigl	P	P	E	P	E	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	E	P	P	P	P	E	E	P	E	Commissioner Vince Lago
Joshua Nunez	P	E	P	P	E	P	E	P	P	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Donald R. Hill	E	P	P	P	P	P	P	P	P	P	P	General Employees
Troy Easley	P	P	P	E	P	P	E	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Elsa	E	P	P	P	P	P	P	E	P	P	P	Human Resources Director
Jaramillo-Velez												
Manuel A. Garcia-Linares	P	P	P	P	P	E	E	P	E	E	P	City Manager Appointee
Pete Chircut	-	-	-	-	-	-	-	-	-	-	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan Greenfield, Board Attorney
 Pete Strong, Gabriel Roeder Smith
 Dave West, The Bogdahn Group
 Daniel Johnson, The Bogdahn Group

P = Present
 E = Excused
 A = Absent

GUESTS:

Craig Leen, City Attorney

Chairperson Hoff calls the meeting to order at 9:25 a.m.

Chairperson Hoff asks for Craig Leen, City Attorney, to address the Board. Craig Leen informs that he is before the Board to address the matter discussed at the last Board meeting in reference to whether or not the Board could hire an employee. At the last meeting he informed that he believed the Board could do so but needed to do further research with Jim Lynn and Sharon Dixon. He has come back to advise the Board what they have found. There are three possible ways to hire a full time employee. The first option is hire an employee of the Board. This would require the Board to become an employer and be responsible for payroll taxes, social security, workmen's comp, etc. One of the things that was asked is if the employee could participate in the City's health care plan. What they found there was that the employee may not be able to

participate in the City's health care plan due to multiple employment welfare arrangement. That is a situation where you have multiple employees trying to use the same health plan. There are very limited exceptions where you can allow that. The Pension Board is established by the City Charter and the City Commission has oversight of the Board and they also have independence. They can be sued and have their own fiduciary duties to the pension on the other hand the Commission can review the decisions of the Board modified for cause. His view is they can do it but they want to do more analysis of that issue whether an employee of the Board can participate in the City's health care. Special council does not recommend this because there are a lot of complications involved with the Board having employees and if it is only going to be one employee it may not be worth it. But it has been determined it is feasible for the Board to have an employee. The one issue will be the health insurance. If the employee does not qualify for the City health insurance they can be reimbursed by the Board. The next option is that the Board can contract the employee services through a professional organization. The employee would be an employee of contracting organization and receiving their benefits from the organization. This is what has been recommended. The third option is for the employee to be hired as a City employee. Chairperson Hoff reminds that the third option is not an option since the City Manager does not want to hire another employee for the Board as a City Employee.

Chairperson Hoff asks if Ms. Gomez would like to address that. Ms. Gomez explains that at the time of the budget, the City Manager did not want to add the position to the head count. She thought there were other things that needed to be done. The reason to bring Ms. Coffy on board was because there was a need for additional help. They talked about entering the budgeting process and the budgeting process she will not add the head count to. Chairperson Hoff informs that the City Manager's contingent was the future of the City; she sees the Retirement Board with no indication at all to separate Ms. Groome from the City but Ms. Groome will be the last City employee for the Retirement Board. The City Manager's goal is to separate the Retirement Board from the City and to have employees of the Retirement Board work for the Retirement Board rather than having them work for the City. On the issue of health care, if they can address that issue, that is the only reservation. Ms. Groome asks if the Board could reimburse the employee for the insurance she has through the marketplace if she is made a full time employee and cannot use the City's insurance. Chairperson Hoff believes given the fact that making Ms. Coffy a City employee is not an option then they can negotiate the benefits for her and in the future when Ms. Groome retires and the Board has to hire a new Administrator for the plan, the Board will become an employer. Ms. Gomez points out that the Board could hire a third-party administrator. Mr. Garcia-Linares suggests that some research should be done to see how other cities handle this issue. He was just thinking that one of the reasons people work for the City is to receive City benefits. Why would someone work for the pension fund and get less money with no benefits? Chairperson Hoff states that one of the main things people want to work for the City is to be part of the pension plan. Ms. Coffy is willing to forgo being enrolled in a pension but based on what they have now and the position the Board is in they need to decide on what they want to do.

Mr. Garcia-Linares thinks this is something that needs to be looked at in long term. Ms. Groome will not be employed forever by the City and it sounds to him that the Board is being pushed into being an employer and having to hire a third party administrator. It sounds like the City Manager would prefer a third-party administrator and they are being forced to a third-party administrator

at some point in time. Mr. Gold asks what the options are for the Board at this point. Chairperson Hoff replies that the Board can either make Ms. Coffy an employee or contracting it out. Mr. Leen doesn't think it would require the City's participation for the second option. The issue is still the health insurance. He believes that the person could participate and they have asked for outside counsel for an opinion. He will be going to speak to the City Manager now and asks the Board if they have a general thought or would like to speak about this issue some more. The main question for the Board is whether or not the Board wants to become an employer. Ms. Jaramillo-Velez asks if they can discuss with outside counsel if they can give specific benefits to the employees of the Retirement System. Can the Board institute a 401K or something like that as one of the benefits? If the Board does become an employer what benefits could they offer their employees? Mr. Garcia-Linares states that it sounds to him that for one employee they are going to significantly increase the Board's risk and cost to do this. At the end of the day, the City will have to fund it anyway. He thinks they should talk to the City Manager again and ask to make the Assistant a City Employee. The Board is going to have to deal with any issue that comes out with regard to becoming an employer. Ms. Gomez thinks the idea was to move to a third-party administrator. If an employee is working for the Board then they should not be a City Employee. Mr. Garcia-Linares thinks that what is really going on is the City would like to move to a third-party administrator.

Mr. Leen explains that by law, the Code says the Administrator is a City Employee who answers to the Board. Because the relationship with the Retirement Board is unique the Administrator remains a City employee but answers to the Board. That is true with any Board. The Board provides direction and the Administrator follows the Board's direction. It is possible his office could provide legal representation and he doesn't think there would be a conflict between the City and the Board. Chairperson Hoff asks if the Board would like to reapproach the City Manager with the assistance of Mr. Leen to see if she would reconsider her decision. Mr. Leen asks what the Board would like him to ask of her. Chairperson Hoff responds that the situation should be explained that it is going to create an additional burden on the Board and if she would reconsider making Ms. Coffy a City employee working for the Board. If she says no then the Board has no choice and they go back and figure out what approach they can do. Given the additional information they have just found out maybe she will reconsider. Mr. Hill points out that they will also have to consider the cost implications of having to hire their own labor attorney or create a whole new retirement system. In the end the City will be funding it anyway. Why would the City want to burden itself with more cost by making the Board hire employees and becoming an employer? Mr. Gold states that it is an efficient cost by having an employee hired by the City in its existing infrastructure is more efficient than having the Board becoming an employer. Chairperson Hoff asks Mr. Leen if he could communicate his conversation before the next Board meeting with either Ms. Groome or Ms. Gomez so they can share it with the Board.

Mr. Gold leaves the meeting at this time.

Mr. Leen addresses the Board on the COLA lawsuit. Discovery is almost complete and the City is finalizing their Summary of Judgement. Once it is filed he will give Mr. Greenfield a copy. They feel their decision is reasonable and well thought out. When they file it with the Court then

they most likely will give one more effort to try and resolve the matter. Otherwise they will go forward with the hearing and he will keep the Board informed on the matter.

1. Roll Call.

Chairperson Hoff informs that Ms. Menendez has resigned her position on the Board due to her continued work at the University of Miami. Pete Chircut has again been appointed by the City Manager. He states for the record that Mr. Gold was present at the start of the Regular Board meeting but had to leave. Mr. Alvarez was excused.

Mike Chickillo, President of the Local 1210 IAFF, addresses the Board. He asks for permission to use the actuary to price out information for negotiation purposes.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to allow the Local 1210 IAFF to consult with the Board's actuary. Motion unanimously approved (11-0).

Mr. Chickillo brings up a second issue. In the last negotiation, there was a lot that was changed regarding the retirement for firefighters. They had their averages changed from a three-year average, to a four-year average and then finally to a five-year average. When doing so, the firefighters who retired in the 2013/2014 year had a four-year average. They had a problem come up with the language in the Code regarding the four-year average. There was a clause put in the contract that said the pension is frozen on the date of September 30, 2013 and then again on September 30, 2014. They had firefighters who went in during the 2013/2014 year had to wait for their certifications a year after they went into the DROP. He would like for the firefighters who were affected by the four-year average cap of September 30, 2014 to be able to step back their retirement. They went in a year early so they could get a four-year average but were not aware the four-year average was capped as of September 30, 2014. The City is not giving them a choice so he has brought it before the Board. Mr. Garcia-Linares asks Mr. Greenfield if this issue is in the Board's jurisdiction or not. Mr. Greenfield informs that they don't have anything to do with the contract. It is a shame they are not involved before the contract is finalized but if they feel it is important to come to the Board later it would be nice to know what is going on. Once the contract is entered into they can't change it. There is a circumstance when they did not have an actuary and the firefighters did not know what the situation was and they found out later so they are asking the Board to consider that issue. Mr. Chickillo states that when someone goes to retire it should be clear to the person who puts their paperwork in, and this is unique to this two-year period, that they are going into a three-year, four-year or five-year average DROP and it was not clear those guys would not have gone into the DROP at that time. If there is no cost to the City he would like to see if it is possible to price it out if they can step out of the DROP. He doesn't know if they will but he has to tell them something because they feel they were wronged because of the circumstances that the City fired the Board's actuary and that the Board did not have an actuary so the firefighters did not get their final certification for a few years after they entered the DROP. Mr. Greenfield informs that the DROP is irrevocable but in the past they had a circumstance where a mistake was made and they rectified that mistake allowing the employee to get out of the DROP. Mr. Garcia-Linares asks Mr. Greenfield to investigate this issue and come back to the Board at the next meeting regarding what the Board can do.

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 Report of the Administrative Manager.

1. For the Board's information, on October 3, 2016 there was a deposit in the amount of \$22,945,743.00 and \$3,273,396.00 (\$26,219,130.00 total) from the City of Coral Gables to the Coral Gables Retirement Fund's bank account at SunTrust Bank for the City's annual retirement contribution and additional funding for the unfunded liability. The full amount will be transferred to the Northern Trust Cash Account.
2. For the Board's information, there was a transfer in the amount of \$2,600,000.00 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 September for the October 2016 benefit payments.
3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date September 4, 2016 in the amount of \$167,932.07 was submitted for deposit on September 9, 2016.
 - Payroll ending date September 18, 2016 the amount of \$172,182.83 was submitted for deposit on September 23, 2016.
4. Copy of the detailed expense spreadsheet for the month of September 2016 is attached for the Board's information.
5. A copy of a letter dated September 22, 2016 from the Bureau State of Florida Municipal Police Officers' and Firefighters' Retirement Trust Funds informing that the 2015 Annual Report was approved.
6. 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 October 1, 2016.
7. For the Board's information, copies of an ordinance amending Section 50-27 of the Retirement Ordinance regarding extending the deadline to purchase prior military service or prior public service by two years for

Firefighters hired on April 14, 2011 and the Impact Statement prepared by Gabriel Roeder Smith are attached.

8. A copy of an email regarding the receipt of the Nyhart Settlement for the Retirement System is attached for the Board's information.
9. Attached is a copy of a letter dated October 1, 2016 from the City of Coral Gables Finance Director regarding the application of additional annual payments to pay down the unfunded liability.
10. A copy of the October 2016 FPPTA Newsletter is attached for the Board's information.

2B. The Administrative Manager recommends approval for the following invoice:

1. Gabriel Roeder Smith & Company invoice #424280 for actuarial services during the month of August 2016 in the amount of \$2,535.00.
2. The Bogdahn Group invoice #19421 dated September 26, 2016 for Performance Evaluation and Consulting Services from July to September 2016 in the amount of \$36,250.00.

A motion was made by Dr. Gomez and seconded by Mr. Hill to approve the consent agenda. Motion unanimously approved (11-0).

3. Items from the Board attorney.
Mr. Greenfield informs that he does not have much to report. They received the BDO Engagement letter which is the next item.
4. The Administrative Manager recommends approval of the BDO audit and engagement letters for the year ending September 30, 2016 audit allowing payment of retainer fee in the amount of \$4,800.00 to be paid prior to commencement of preliminary work. Mr. Greenfield reports on the BDO engagement letter. He took last year's engagement letter and compared it to this year's engagement letter. It took a while to go through. He sent a number of requests for changes to BDO and they were able to work things out. It is still the same people they dealt with at GSK.

Dr. Gomez left the meeting at this time.

Mr. Garcia-Linares asks Ms. Gomez if she is comfortable with using BDO. Ms. Gomez replies that she does not have an issue with BDO and that they are capable of doing the audit. They can consider doing an RFP after this year's audit. Ms. Groome informs that she is still dealing with the same people she has dealt with in the past.

A motion was made by Ms. Gomez and seconded by Mr. Nunez approving the BDO engagement letter. Motion unanimously approved (10-0).

Chairperson Hoff had to leave the meeting at this time. He appoints Mr. Gueits as acting Chairperson for the rest of the meeting.

5. Investment Issues.

Dave West reports on the investments. For the month of September the fund net for the end of the fiscal year was 8.44%. That puts their three-year annual return at 6.43% and the five-year annual return at 9.88%. The asset allocation target policy they were running was at 10.22%. The active managers really struggled this year and the equity came in at 9.5% when it should have come in at 15%. They do have a material allocation to indexing so they were able to offset the active manager shortfall for the year.

Mr. Nunez left the meeting at this time.

Mr. West informs that they opened the fiscal year at \$326,887,914. Contributions were at \$27,969,279. Pension distributions were at \$42,150,281. Management fees were \$2,623,044 and other expenses were \$186,622. Income from the real estate bonds and stock dividends were \$9,717,250. The appreciation was \$20,644,894. The year closed at \$340,359,391.

Mr. West states that they need to rebalance to the policy. They want to make sure the equity allocation is maintained at least maintained at the target. Then they need to make sure that the funding of the bond index fund gets done. They have approximately \$41 million to put to work right away. Based on the current numbers in rebalancing to policy they recommend sending \$4 million to MD Sass, \$7.5 million into the S&P 500 index fund, \$15 million into the S&P 400 index fund and the balance would go to the bond index fund.

A motion was made by Mr. Hill and seconded by Mr. Easley to rebalance the fund back to policy. Motion unanimously approved (8-0).

6. Old Business.

a. Full-Time position update. This item was discussed at the beginning of the meeting.

7. New Business.

a. Wall Street Journal Subscription. Ms. Groome informs that they need to renew the Wall Street Journal subscription. She will poll the Board members to see who would like to receive the newspaper.

8. Public Comment.

There was no public comment.

9. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, November 10, 2016 at 8:00 a.m. in the Youth Center Auditorium, 405 University Drive, Coral Gables, FL.

Meeting adjourned at 10:36 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER