

CORAL GABLES RETIREMENT SYSTEM  
 Minutes of September 8, 2016  
 Police Community Meeting Room  
 2801 Salzedo Street – Police Station Basement  
 8:00 a.m.

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

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

P = Present  
 E = Excused  
 A = Absent

GUESTS:  
 Craig Leen, City Attorney

Chairperson Hoff calls the meeting to order at 8:07 a.m.

1. Roll call. All are in attendance with the exception of Mr. Garcia-Linares, Mr. Gueits, Dr. Gomez, and Ms. Menendez who are excused. Ms. Gomez was not in attendance during roll call. There was a quorum.
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 special meeting minutes of June 30, 2016.
- 2B. The Administrative Manager recommends approval of the Retirement Board meeting minutes of August 11, 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 \$2,300,000.00 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 August for the September 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 August 7, 2016 in the amount of \$168,330.21 was submitted for deposit on August 18, 2016.
    - Payroll ending date August 21, 2016 the amount of \$167,535.40 was submitted for deposit on June 16, 2016.
  3. Copy of the detailed expense spreadsheets for the month of August 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 August 1, 2016.
- 2D. The Administrative Manager recommends approval for the following invoice:
  1. Goldstein Schechter Koch invoice #20425463 for out of pocket expenses on September 30, 2015 audit services in the amount of \$2,500.00.
  2. Gabriel Roeder Smith & Company invoice #423863 for actuarial services during the month of July 2016 in the amount of \$3,150.00
  3. The City of Coral Gables invoice #301413 for the rental of City's public facilities in the amount of \$1,479.00 (\$499.00/month) and general liability insurance in the amount of \$972.00 (\$324.00/month) for the months of July thru September 2016.

**A motion was made by Mr. Troy Easley and seconded by Mr. Rene Alvarez to approve the consent agenda. Motion unanimously approved (9-0).**

Chairperson Hoff combines items 3 and 4 for discussion.

3. Items from the Board attorney.
4. The Administrative Manager recommends approval of the BDO (formerly Goldstein Schechter Koch) 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.

Alan Greenfield reports that he does not have much to report. He believes that due to the high volume of activity from the previous months there has been a major decrease of activity for the month of August. There was an overpayment to a deceased retiree and a claim was placed in Volusia County. If there are funds available, the monies will be received. The claim is roughly in the amount of \$3,000.00. There was another claim that was collected on last month roughly in the amount of \$4,000.00.

Regarding BDO, the auditors, they sent in an engagement letter. He has read it and has come to the conclusion that it is vastly different from the audit letter that was received last year from Goldstein Schechter Koch before they became BDO. There are several items in the letter that he does not recommend to be agreed to. He will contact the BDO representative that the Board has been working with and discuss with him the letter. He will advise the Board at the next meeting the results of their discussion. He hopes to achieve an acceptable audit letter from the discussion. Chairperson Hoff asks if the delay will cause problems for the audit. Ms. Groome responds that there should be no problems for the audit since it is still September and there is no work that can be done until the middle of October.

Diana Gomez arrives at this time.

Mr. Rigl states that BDO is a huge accounting firm. They are the fifth largest in the world. He looked at them and they are a billion dollar company and 15% of that is volume in the United States and the rest is international. This plan is a little fish in a big pond. He is sure they are a reputable company but they are big. Chairman Hoff thinks that if they can't come to an agreement they can do an RFP for a new auditor. Mr. Greenfield believes they can come to an agreement when he points out his concerns in the letter. Mr. Rigl points out that in the letter adds that some of the portions of the agreement do apply such as the ability to outsource services without the board's agreement. Mr. Greenfield informs that it was never an agreement with GSK before. Mr. Alvarez asks if this is an RFP. Ms. Groome responds that GSK was by RFP and they were recently bought out by BDO. Mr. Alvarez asks if they need a new RFP. Mr. Gold asks if there is a City policy that dictates any action. Chairperson Hoff answers normally because it is technically a buy out the Board would just roll over with the new company but they are changing the terms of conditions. Ms. Groome believes they are on their

third year in the contract with GSK. Chairperson Hoff asks Mr. Greenfield if he will have a resolution by the next board meeting. Mr. Greenfield believes he will.

**This item will be revisited at the October 13, 2016 Board meeting once Mr. Greenfield reaches out to BDO and resolved the Engagement Letter.**

5. Investment Issues.

Dave West reviews the August performance report. The August numbers came in very close to the estimates made in July. The shortfall in the estimate was due to active managers. Active management had closed the underperformance gap pretty nicely in the June quarter. During the month of August markets and active management loss some of that momentum but they ended up in positive numbers. With a couple of weeks left in the quarter he believes that the numbers are in good shape.

Mr. West reports on the returns for the month. The total fund net was 7.65% fiscal year to date. The gross calculation was at 8.42%. Eagle came in about even fiscal year to date. MD Sass was at 7.22%. The S&P 500 index with no manager risk was at 15.5%. Winslow was still behind at 9.81% and Wells Capital was also behind at 9.89%. The S&P 400 index was probably the best dedicated asset allocation decision at 16.14% with no manager risk. The international equity index fund was at 8.22%. RBC was at 5.25% and WCM International was at 13.45%. Richmond Capital and JK Milne were both near their bench marks and PIMCO DISCO II returns continue to soften at 6.70% which was better than the fixed income. They did not receive numbers for real estate or for Titan to report for the end of August. BlackRock was up 2.87% and PIMCO TacOps was up 5%. The asset allocation is right on and they are overweight and underweight in the right areas.

Mr. West informs that the total fund opened at \$343,830,858. There had one distribution of \$2,300,000 and contributions were \$14,673. Investment management fees were \$186,287. Other administration expenses paid out were \$4,398. For the month the income earned was \$239,989 and the appreciation was \$131,277. They closed the month at \$341,736,112.

Mr. West advises that in the upcoming month they have a lot of money moving and a lot of capital redemptions that have been in queues. A lot of money is about to be paid out. A couple of months ago they discussed the need to relook at the asset allocation with a more updated print right around the time that money will come due to make sure they are allocating what they need to allocate most efficiently. They are a little underweight in domestic equity. They are materially underweight in domestic fixed income. They are overweight in the opportunistic income and materially overweight in real estate. There will be \$8 million dollars coming in from the DISCO redemption on October 1, 2016. The previous recommendation that was approved remains the same. They will use those dollars to fund the Tortoise investment. They are not going to get the capital call from Tortoise all in one chunk of money so they need an interim holding place for those funds. That was one of the reasons they established the Northern Trust bond index fund so they

can move in and out of that fund with no cost or transaction cost. Their first recommendation is to move the \$8 million when it comes in on October 1<sup>st</sup> into the bond index fund. That will be the holding place and will get the domestic fixed income up a little higher and as the Tortoise capital call comes in they will pull from that index fund. They should be receiving the full \$7.5 million from JP Morgan on October 1, 2016 also. The second recommendation is to get the equity allocation back up to target and fund both index funds using the JP Morgan \$7.5 million. The third recommendation is to continue to get the allocation of the domestic fixed income index fund up higher. One of the reasons they wanted to fund this fund is to have another source for Ms. Groome to go to when she needs to raise money as they do every month to make capital distributions. The distribution of \$2.3 million in August was taken out of the equity index funds and they are trying to keep their equity allocation at a higher level and at least at policy targets. That is the reason for funding the Northern Trust fixed income index fund. They need to establish an equal weight for the three domestic income investments. One-third will be allocated to the Northern Trust index fund, one-third allocated to Richmond Capital and one-third allocated to JK Milne. That will get them into a very solid working position and then for distributions going forward Ms. Groome can pull money out of the bond fund rather than the equity fund going forward. Ms. Groome informs that they will also be receiving the City's contribution in October. Mr. West states that when the contribution is made they will allocate the proper allocation between stocks and bonds net of a quarters worth of working capital. That will be their direction when the moneys are deposited. The initial action will get everything in line and when the City contribution comes in they can do the automatic allocation of the 60/40 stocks and bonds allocation to the index funds and put that money to work net of the required working capital for the rest of 2016. Chairperson Hoff asks if they have a recommendation for the City's contribution. Mr. West responds that it would be to allocate to the equity and bond index funds in their operating target which is a 60/40 allocation and invest those moneys in those funds net of what they need to leave for working capital for the next quarter. Mr. Gold asks if they should wait to liquidate Richmond and JK Milne a month in a half instead of taking \$5 million from each of them. Shouldn't they wait a month and a half to use that money to supplement the index part and take \$1 million from each for working capital and then they can fund the index with the City's contribution? Mr. West thinks that is an alternative. They can do the transaction now or wait.

**A motion was made by Mr. Gold and seconded by Mr. Nunez to retain 1/3 for the fixed income funds but start the process with the City's contribution. Motion unanimously approved (9-0).**

6. Old Business.

- a. Full-Time position update. Chairperson Hoff informs that he had a meeting with the City Manager and he came out of that meeting under a certain assumption that basically that she was going to approve the increase of the head count of the City to include a full time position for the Retirement Board. She asked for him to speak to the new Director of Labor Relations and then she pointed out that he

misunderstood. He then had a conference call with the City Manager, the Director of Labor Relations and the City Attorney as recent as 6:00pm last night. The City Manager is not inclined to add to the head count. Her recommendation was that the Retirement Board can employ Ms. Coffy as an employee of the Retirement Board and not as a City of Coral Gables employee. The City Manager told him that it was her vision that since Ms. Groome has been a City employee so long that it would not affect her but in the future the people who work for the Retirement Board will be employees of the Retirement Board. That got into a discussion about benefits. The Board can administer leave time and other types of benefits but the conversation turned to health care. Craig Leen said he was going to come to the meeting today because he is looking into an inter-governmental agreement where Ms. Coffy could be provided health insurance from the City to be able to those benefits. Ms. Jaramillo-Velez points out that there is a problem with that because according to Florida Statute 112, there is a two year governmental maximum in an agreement of that kind. Mr. Rigl asks if Ms. Coffy is hired would that mean only one employee would work for the Board. Chairperson Hoff agrees. Ms. Groome would continue to be a City employee. The City bills the Board for her salary and benefits. Mr. Rigl asks if that would mean that the Board would be responsible for taxes and providing retirement benefits to the employee. Chairperson Hoff states that the Board would have to administer all of that. If the City Attorney tells the Board that they can't do that it is a moot point. If they do have the ability to do it then that is one aspect of it.

Ms. Jaramillo-Velez states that Florida Statute section 112.124 speaks of the two year provision and that it can only be extended for 3 months. Aside from that there is language in the Statute regarding not being a government entity and so there are issues with that because the Pension Board is not a government entity. Ms. Gomez asks if there is the possibility of simply funding insurance as part of the salary. The salary could just be increased to allow the employee to then seek their own benefits. Chairperson Hoff states that they can secure insurance for Ms. Coffy and pay for it. Ms. Coffy informs that she currently pays for her health insurance and she could continue with the insurance she already has.

Mr. Alvarez thinks that Chairperson Hoff should appeal to the Commissioners to have the employee made a city employee. Ms. Gomez states that the City Manager wants to pursue a different model. Diana chimes in that the model of the city manager is a different model. Chairperson Hoff explains that the City Manager was clear that her vision for the future of the Retirement System to include the Administrator but not do that until Ms. Groome retires. However, the future Administrators would be employees or contractors of the Board.

Craig Leen arrives to the meeting. Mr. Leen advises that he has considered the matter and then spoke with Jim Linn the City's pension counsel and Sharon Dixon the City's tax counsel and it is believed that there is a possibility this can be done. The issue would be that Ms. Coffy would be shifted to be an employee

of the Retirement Board and that she would become a full time employee. The idea was that she would receive health insurance through the City's plan and that the Pension Board would reimburse the City for that. From a pension perspective one thing Mr. Linn has to look at if there needs to be an amendment to the Code to allow the Pension Board to have employees. Mr. Greenfield informs that it is in the Code. Ordinance Section 50-88 (d) states: "The retirement board may employ an administrative manager, such agents, such clerical, such other services as counsel, accountants and actuaries as may be required for the purpose of administering the system, at the expense of the retirement system." Mr. Leen informs that they will look at that and Mr. Linn didn't think there would be an impediment. As to the tax issues the substantial relationship between the Board and the City it is likely that the City would be able to provide the insurance for the employee due to the relationship between the Retirement Board and the City. He points out that this type of arrangement is seen very often in governments. He believes it is legally possible.

Ms. Gomez asks if it is an employee of the Board then there is the whole tax issue versus an independent contractor of the Board and a 1099 is created. Chairperson Hoff informs that he spoke with Raquel Elejabarrieta, the Director of Labor Relations, and her concern over a 1099 type situation or a professional service agreement is if Ms. Coffy is performing a service that is not a specialized service like law or consulting, that would be interpreted as office work and she believed this could be an issue. Ms. Jaramillo-Velez explains that an independent contractor works on their own time versus an employee will be set to work a specific time chosen by the employer. Chairperson Hoff states that Ms. Elejabarrieta believed that the service Ms. Coffy would be performing would be too much like an employee and not a specialized service. He thinks their only alternative is to make Ms. Coffy an employee of the Board and start the process. Mr. Leen thinks they would like to establish some sort of inter-governmental type of agreement. Ms. Jaramillo-Velez points out to the Florida Statute 112 she spoke of earlier during the meeting.

Ms. Gomez states that the process of the Board hiring employees must work for the Board because if Ms. Coffy was to leave in a year the Board would be back to creating a model that works. An inter-local agreement may not be necessary. Mr. Leen doesn't know if an inter-local agreement would apply. He was speaking more of an intra-governmental agreement. He believes that a new agreement could be adopted every two years. Mr. Greenfield suggests that Ms. Coffy could form a corporation in contract with the Board and then work for the Board under those terms. This corporation would provide an employee to work. This way it would eliminate the tax issue and healthcare issues. He adds that he believes there should be communication with Ms. Coffy to see what it is she would like to do. Chairperson Hoff informs that he is happy with the work provided by Ms. Coffy but this issue is not about her. This issue is about the position. They are talking about one employee and he doesn't see why it is that big of a deal and in the

scheme of things the City has 800 employees and they are talking about two people. The Board has to make a decision as to what they want to do. He asks Ms. Coffy what she would like to do. Ms. Coffy would like some time to think it over.

Mr. Hill states that they start by employing Ms. Coffy and eventually they can end up employing a Trustee also if they move down that road. Ms. Gomez states that the Code would have to change. Mr. Hill agrees but the Commission changes the Code all the time. Ms. Gomez understands but she wants to make it clear that in the Code the Trustee is the Finance Director. Mr. Nunez asks if they should go to the Commission and bring this issue up to them. Chairperson Hoff believes that the City Manager has discussed this issue with the Commission. She probably pleaded her case. He dealt with the City Manager and now it is up to the appointed Board members to speak to their Commissioners. Mr. Leen thinks that typically the City Manager oversees the City employees and she is operating under her Charter authority. It is more of the issue that the Board wants. Chairperson Hoff replies that they haven't been given a choice as to what the Board wants. They need the services and if the City is not going to continue in the employee benefit program for the Retirement Board then they have to get into the employment business. The City Manager was very clear to him that when Ms. Groome retires the Administrator is not going to be considered for re-employment by the City. The City Manager is not interested in employing anyone from the Retirement Board on the City's books. That is where they are at. Mr. Gold states that if the money comes from the pension to fund the Board employees and if that is the reason they are unfunded fifty years from now, the City has to come up with the difference anyway. They just don't want to pay for it today. The responsibilities are what they have to be concerned about by becoming an employer. At some point the City will pay for it whether directly or not. Chairperson Hoff informs that he also discussed with the City Manager that even though Ms. Coffy would not be a City employee, she would still have access to the City's records that are required for her to do her job. It boils down to employment. Mr. Leen states that is the point he was talking about. There should be some sort of agreement between the Pension Board and the City regarding that or they should amend the Code to indicate the Board's employee would have access to that type of information. If the Pension Board would like to have her full time and the City Manager has indicated it may be possible but would have to be done as an employee of the Pension Board and if not she would remain part-time. If the Board wants her full time then they will have counsel look at this and bring something to the next meeting. Chairperson Hoff thinks it is an issue that has to be addressed and they ask the City Attorney to investigate it. His goal is to make the Retirement System Assistant position a full time and whatever they have to do to make that happen he wants it to happen.

A straw poll was done of Board members to see if they were all in agreement to have the Retirement System Assistant position made a full time position. There was no dissention.

7. New Business.  
There was no new business.
8. Public Comment.  
There was no public comment.
9. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, October 13, 2016 at 8:00 a.m. in the Youth Center Auditorium, 405 University Drive, Coral Gables, FL.

Meeting adjourned at 9:14 a.m.

APPROVED

RANDY HOFF  
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME  
ADMINISTRATIVE MANAGER