

CORAL GABLES RETIREMENT SYSTEM
 Minutes of October 8, 2015
 Youth Center Theater/Auditorium
 405 University Drive
 8:00 a.m.

MEMBERS:	N	J	F	M	A	M	J-11	J-25	A	S	O	APPOINTED BY:
	14	14	14	15	15	15	15	15	15	15	15	
Andy Gomez	P	E	P	P	P	P	P	P	P	P	E	Mayor Jim Cason
James Gueits	P	P	P	P	P	P	P	P	E	P	E	Vice Mayor C. Quesada
Charles Rigl	-	-	-	-	-	-	-	-	P	P	P	Commissioner Jeanette Slesnick
Michael Gold	-	-	-	-	P	P	P	P	E	P	P	Commissioner Patricia Keon
Rene Alvarez	P	P	P	E	P	P	E	E	P	P	P	Commissioner Vince Lago
Joshua Nunez	P	P	P	P	P	P	E	P	P	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	E	P	P	P	P	Member at Large
Donald R. Hill	P	P	P	P	P	P	P	P	P	E	E	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Elsa	P	P	P	P	P	P	P	P	P	P	E	Human Resources Director
Jaramillo-Velez												
Manuel A.	P	P	P	P	P	P	E	P	P	P	P	City Manager Appointee
Garcia-Linares												
Jacqueline	-	-	-	-	-	-	-	-	P	P	P	City Manager Appointee
Menendez												

STAFF:
 Kimberly Groome, Administrative Manager
 Dave West, The Bogdahn Group
 Pete Strong, Gabriel Roeder Smith

P = Present
 E = Excused
 A = Absent

GUESTS:

Chairperson Randy Hoff calls the meeting to order at 8:20 a.m.

1. Roll Call.

Chairperson Hoff calls the meeting to order. Mr. Hill, Ms. Jaramillo-Velez, Mr. Gueits, and Dr. Gomez were excused. Mr. Greenfield was called out of town and was not at this meeting.

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 September 10, 2015.
- 2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.
- 2C. The Administrative Manager recommends approval for the following invoices:
 - 1. GRS invoice #416396 dated September 11, 2015 for actuarial consulting services for the months of July 2015 and August 2015 in the amount of \$14,842.00.
 - 2. The City of Coral Gables invoice for period ending June 30, 2015 in the amount of \$29,450.40 for expenses of the retirement system paid out of the general ledger account of the City.
- 2D. The Administrative Manager recommends of Retirement Benefit Certifications:

Retirement Benefits: Peter Iglesias (General Excluded), Troy Springmyer (General Excluded), Eric Riel (General Excluded), Zilma Osle (General Excluded), Cynthia Dorrel (General Excluded), Susan Franqui (General Excluded), Mary Urgelles (General Excluded).

DROP Benefits: Harold Louis (Firefighter), Thomas Richards III (Firefighter), Wieslaw Janiga (General Excluded), Dallas Brown (General Excluded), Beatriz Mendoza (General Excluded), Lina Hickman (General Excluded), Margarita Berg (General Excluded), Elsa De Bruzos Fuentes (General Excluded), Julia Abrahan (General Excluded), Dona Spain (General Excluded), Walter Foeman (Appointed), Evelyn Mayo-Paz (General Excluded), Dania Rodriguez (General Excluded), Donna Johnson (General/Teamster), Patricia Anne Arocha (General Excluded).

Vested Retirement Benefits: Jacqueline Duffy (General Excluded), Olga Garcia (General Excluded), Gerardo Novo (General Excluded), Edward Claughton III (Police Officer).

Re-certification of DROP due to grandfather clause: Adolfo Sansores (General Excluded), Manuel Lopez (General Excluded), Gerardo Urgelles (General Excluded).

Re-certification of Retirement due to grandfather clause: Victor Goizueta (General Excluded).

A motion to approve the Consent Agenda was made by Mr. Garcia-Linares and seconded by Ms. Menendez. Motion unanimously approved (9-0)

Mr. Garcia-Linares asks for the record if everything is in order in regards to Item 2D. Ms. Groome responds that everything has been verified and she is almost done with all the outstanding certifications.

3. Items from the Board attorney.

Chairperson Hoff informs that Mr. Greenfield submitted the following report:

CORAL GABLES RETIREMENT SYSTEM
BOARD MEETING DATE: OCTOBER 8, 2015
ATTORNEYS REPORT

Members of the Board. Unavoidably, I am unable to attend the meeting today. The following is a thumb nail report of my activities on behalf of the Board, since the September meeting.

1. I was able to successfully negotiate with Titan Advisors a “side letter” agreement which alters and supersedes the provisions of the various subscription agreements relating to the Board’s forthcoming investment with Titan. The Side Letter has been provided to Kim and I believe circulated to you in advance of this meeting. I would ask that the Board give authority to the Chairperson to execute not only the Side Letter but also any other subscription document required to initiate the placement of the investment. I also want to thank Dave West for his assistance.

2. As directed by the Board at the September meeting, I have reviewed and revised the Education Resolution. I believe copies have been circulated to the Board in advance of this meeting, as a part of the Board’s package. I have added to the initial draft language which adopts the City’s travel policy but places the approval process in the hands of the Board as opposed to the necessity of City approval. I would ask the Board for a vote on this Resolution.

3. As to the pending COLA litigation, I am not aware of anything having occurred since the last Board meeting with the exception that (I assume) as a part of the summary judgment process, attorney Ron Cohen sent to me, with a request that I approve Kim giving an Affidavit regarding numerical information as to the number of retirees receiving benefits as of certain dates. The request was sent by me to Craig Leen for his input. He had no objection to giving the Affidavit. Kim was so advised and has been in contact with Mr. Cohen.

4. I have continued to monitor the Clerk’s on-line website. There has been no record activity since April, however, I was informed by City’s counsel that they were working on discovery requests and have been in contact with defendant’s counsel.

5. There has been a flurry of activity with Kim regarding a number of items ranging from an IRS levy on retirement income from a Retiree who allegedly owes a sizeable amount of tax; the hiring of a former city employee on a part time basis and the effect of such on his retirement income benefits. This issue was also a part of the subject of an amendment to the Retirement Ordinance adopted by the City Commission. There were numerous other items none of which need to be brought to the Board for action. Further, the above few items specifically mentioned if for information only and do not require any Board action.
4. Approval of Resolution regarding Board member education. Chairperson Hoff suggests that this item be deferred.
5. Discussion of a letter dated October 1, 2015 from Diana Gomez, Finance Director, regarding the City's plan to send additional funds to the Retirement System for UAL payments and application to the amortization bases.

Ms. Gomez informs that the City of Coral Gables has made a commitment to begin funding the unfunded liability by making additional payments to the system. The City has budgeted around \$26 million and any excess is to be put towards the unfunded liability. The methodology they would like to use is to pay off the losses first and then once they pay off the losses they will move on to either the plan amendments or the assumption changes. The City is asking the Board to pass a resolution stating that when the City does submit the funds it will be utilized in this manner. Chairperson Hoff asks how they came to pick the particular dates for the payoff of losses. Ms. Gomez explains that it is paying the unfunded losses in order. Mr. Garcia-Linares informs that he spoke with Mr. Strong and he has checked and the State has said it was fine. The goal is reduce the unfunded as quickly as possible. What Mr. Strong had said to him was that they should pay the ones that are coming due quicker. Mr. Strong believes that is kind of in line with this proposal and that is to pay off old bases first. What this does is eliminate bases that have a smaller dollar amount and will have a larger payment relevant to the dollar amount. It will bring down the minimum requirement more quickly and you would have more money of the \$26 million going towards accelerating paying down the unfunded. Mr. Rigl asks what the total amount of the unfunded liability is. Mr. Strong responds that it is around \$240 million. It is like making an extra mortgage payment.

Mr. Easley states that they did an Experience Study and they addressed a lot of issues at that time. What are some of the assumptions they can strengthen in the future that would offset the additional contribution from the City? It is a great idea that the City wants to do this but it is with the current administration and things may change in the future. He thinks they have an opportunity to address the outstanding experience issues now to get a good base line and get the fund healthier. Chairperson Hoff informs that he attended a session at the last FPPTA session that was put on by Mr. Strong and another actuary and they went through the funding policy. It was very enlightening. He believes they are ahead of the curve because they have a workshop coming up soon where they will be

looking at making a policy that is going to say to the many members of the future what would go into making an assumption change rather than arbitrarily making those changes. Mr. Strong believes it is a good formal document to have in place. Chairperson Hoff states that this is what Dr. Gomez has been bringing up since the beginning because it formalizes the decisions that they make.

Ms. Gomez states that she will be putting together a resolution to bring to the City Commission formalizing this policy to fund at \$26 million plus CPI index overtime until the unfunded liability is paid off. Resolutions can be changed but it is the intent for the future. She thinks this Commission and administration is very committed to doing this. She thinks putting more money into the plan is probably better than changing the assumptions.

Mr. Garcia-Linares asks if they have already changed the mortality table to comply with the State. Mr. Strong responds that they did and it will be reflected in the next actuarial valuation report. Ms. Gomez informs that for next year's budget she will budget approximately \$26 million to the pension and whatever the difference is. The City needs to show they are doing something for ratings purposes. They are making the minimum requirement plus some.

Mr. Strong thinks they need to do a study on the forward looking realistic investment return assumption for the plan. He is not sure that 7.75% is a good assumption any longer. They will have to do a full portfolio analysis of the expected returns for each asset class. It is probably going to move in the range of 7.5% to 7%. Ms. Gomez asks if it is better to move money into the unfunded or lower the assumed rate of return. Mr. Strong responds that the Actuarial Standards of Practice now requires him as the actuary to sign off as to whether or not the investment returns are reasonable. It is getting harder to sign off on 7.75% as reasonable. That probably needs to come down just to be able to have a range of reasonability. Chairperson Hoff states that is something that could be phased in over a few years. Mr. Strong agrees. Ms. Gomez comments that changing that assumption would absorb some of the extra payments to the plan. Mr. Strong points out that they are going to be generating more losses on top of what they already have if the return assumption is higher than what it should be. Overtime the losses will compound.

Mr. Garcia-Linares appreciates the fact that the City wants to put in additional monies into the plan but he thinks they should do an Experience Study and figure out if there is anything else that needs to be changed. Then they can debate on whether or not it is worth making any changes. Is there anything left that they need to change from the last Experience Study? Mr. Strong answers that they did a comprehensive study last year and all the recommended changes were implemented except for fully implementing the recommended mortality but now it is required by the State and they are going to that table this year. Mr. Garcia-Linares asks for him to bring to the workshop the numbers on doing it this year. Ms. Gomez asks for Mr. Strong to show the difference between putting in extra payments and changing the assumption rate of return. Mr. Easley would also like to see the numbers for changing from 25 years to 20 years for the amortization.

This is the problem we have always had in the past is they generally neglected their assumptions and it wasn't really until the last few years they have brought themselves into the modern age. He thinks they need to stay on top of their assumptions in keeping them close to the experience of the plan.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to approve the letter submitted by the Finance Director regarding the excess payments to the Retirement System. (9-0)

Ms. Gomez states that at the last FPPTA session there was modeling software shown based on the plan's information on if you wanted to change the assumption and all the different factors. It is software to pop in different things and it gives you an idea of what the cost would be and the payment would be and how quickly it can be paid off. She doesn't know if the Board has any kind of interest for that type of modeling software. Mr. Strong informs that it is something that would have to be developed. It was a presentation on actuarial modeling. They put together a spreadsheet where they did a lot of projections first and then load the results into the spreadsheet. Then they had user inputs if you changed an assumption and it would give a revised stream of effective payments. It pulls from the projection results in there and then prorates between the projections. It wouldn't be precise but it gives you an idea of what the affect is. The cost is building the spreadsheet. It depends on how complex you want the spreadsheet to be. Ms. Gomez asks for an estimate of how much it would cost. Another thing she saw was for the employees and it for a DROP versus stay estimator and which one makes more sense. Mr. Strong advises that it is an optimizer for employees to use. It compares if you enter the DROP the comparable benefit would be versus if you don't enter the DROP and continue to work what the benefit would be. They don't have a lot of clients requesting this. It is more popular for their larger State wide clients. Chairperson Hoff asks for Mr. Strong to bring them an estimate on both.

6. Investment Issues.

Dave West reports on the monthly investments. This past month is reminiscent of September 2011 when they were up close to 20% at the June quarter and then the fiscal year just fell apart. The preliminary net number shows the fund at 1.82%. This is obviously very disappointing. He thinks this number will look very good relative to the rest of the community. They are overweight in real estate and real estate has been a huge benefit. International equities have been down pretty significantly. The RBC fund for the year it was 0.84% and the reference bench mark was down 11.78%. WCM was not positive but barely negative down 0.39% versus the same benchmark. They had huge outperformance from those managers who were hired with a history of having good downside protection during bear market periods. The allocation to the mid-cap index was a strong addition from an equity index allocation. The S&P 500 fund was down 1.48% but the emphasis on the mid-cap allocation was up close to 4%. MD Sass was down for the year a little below the market. Winslow was a little up for the year at 4.02%, Wells lagged a little bit and Eagle Capital was up 0.40% versus negative 4.22% for the Russell

3000 value benchmark. The total fund opened the year at \$332,824,750. Contributions were \$24,293,115 and Distributions at \$37,350,801. Management fees were \$2,422,320. Other Administrative Expenses were \$252,855. Investment Earnings were broken down into income coming in at \$10,674,513. Depreciation for the period was \$938,586. They closed the fiscal year at \$326,827,815.

Mr. West informs that they have a funding pending for BlackRock and Titan. They need to be fluid and some time has gone by since the original rebalancing recommendation. They also have a City contribution of \$23 million coming in. The operating environment is different now than what it was when they made the original rebalancing recommendation. Interest rates are down and they had a negative three month T-bill. He would like to be fluid and opportunistic with the way they are addressing the rebalancing since they have the opportunity to do that. He would like to change the recommendation to capture those elements. They have about \$27 million City contribution. The summary recommendation is that they use the City contribution to fund in part the new allocations to Titan and BlackRock. They were funding 5% total plan assets or 2.5% to each of those strategies. That is approximately \$17 million. Also, the international equity has fallen below targets given what transpired in the market. He is recommending getting the equities at least back on the target. His recommendation is that they fund Titan with \$8 million and then get the international equity allocations back to target so that would be \$3 million going to RBC and \$3 million going WCM. They also need to get their domestic equity up and that is another \$2 million to the S&P 500. That leaves them with a balance of \$10 million and \$5 million of that would go to fund BlackRock strategy and the remaining \$5 million will be left in the cash account with Northern. That would mean that they would only need to liquidate \$3 million from the PIMCO DiSCO 2 fund. There is a 60 day notice requirement for that fund. The BlackRock funding will come in two parts. They are comfortable sitting out with the overweight in the real estate a little longer.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to approve the recommendations made by Dave West. Motion unanimously approved (9-0)

7. Old Business.

Chairperson Hoff gives kudos to Ms. Groome for serving on a panel at the FPPTA session and Ms. Gomez completed her actuarial tract session. He commends both the investment consultant and actuary who both did great presentations at the session.

8. New Business.

Mr. Strong informs that for GASB 68 a decision needs to be made as to what measurement date they want to use. In GASB 67 you are required to have your measurement date equal to your reporting date. For GASB 68 you are allowed to use a measurement date 12 months prior to the reporting date. So you can use 9/30/2014 as the measurement date for GASB 68 and if you did that they could go ahead and wrap up GASB 68 now and not wait for the audit to be completed. Ms. Gomez informs that Mr. Strong explained that the timing and getting the plan's audited and done before GRS

could start the GASB 68 reporting. She has some concern because the plan's audit is submitted in February or early March before it is approved and she needs to get the City's financials completed by end of February. They are going to meet with the plan's auditors to see if it is possible that they can complete the audit earlier. If it is not possible then they will use the measurement date for the year before. Mr. Strong states that once you choose this methodology you are locked into it. So if you used the 9/30/2015 measurement date for the 9/30/2015 reporting date you would not know your expense for the year that ended until after you do the accounting report so they could their report. Also if there is every a delay, it will delay getting the GASB 68 information done on time. Most of his clients are using the 9/30/2014 as their measurement date for the first GASB 68 reporting ending 9/30/2015 because they can go ahead and wrap it up and not have to wait for the 9/30/2015 audit. Ms. Gomez asks if it is a decision the City makes on their financial statements. Mr. Strong answers that GASB 67 is for plan reporting and GASB 68 is for municipal employer reporting. It is a decision the City's financial staff should make. Chairperson Hoff comments that he would like for GSK to be a little more responsive or otherwise they will do another RFP.

9. Public Comment.

10. Adjournment.

Meeting adjourned at 9:17 a.m.

The next scheduled Retirement Board meeting is set for November 12, 2015 at 8:00 a.m. in the Youth Center Auditorium.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER