

CORAL GABLES RETIREMENT SYSTEM
 Minutes of November 8, 2012
 Youth Center – Auditorium
 405 University Drive
 8:00 a.m.

| MEMBERS: | N | J | F | M | A | M | J | A | S | O | N | APPOINTED BY: |
|--------------------------|----|----|----|----|----|----|----|----|----|----|----|-------------------------------------|
| | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | |
| Raul Chao | A | A | P | E | P | P | P | P | P | P | E | Mayor Jim Cason |
| Manuel A. Garcia-Linares | P | P | P | P | E | P | P | P | P | E | P | Vice Mayor William H. Kerdyk, Jr. |
| John Lindsay | E | P | P | P | P | P | P | P | E | P | P | Commissioner Maria Anderson |
| Sal Geraci | P | P | E | P | P | E | P | P | P | E | P | Commissioner Rafael “Ralph” Cabrera |
| James Gueits | P | P | P | P | P | P | E | P | P | E | P | Commissioner Frank Quesada |
| Daniel DiGiacomo | P | P | P | P | P | P | P | P | P | P | P | Police Representative |
| Randy Hoff | E | 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 | P | General Employees |
| Troy Easley | P | P | P | P | P | P | P | P | P | P | P | Fire Representative |

STAFF:

Kimberly Groome, Administrative Manager
 Diana Gomez, Trustee/Finance Director
 Alan E. Greenfield, Board Attorney
 Dave West, The Bogdahn Group
 Randall Stanley, Nyhart Actuaries

A = Absent
 E = Excused Absent

GUESTS:

Craig Leen, City Attorney
 Ron Cohen, Attorney for the FOP and retiree Marie Mandeville
 Bob Sugarman, Attorney for Teamsters Local 769
 Jim Linn, Attorney for the City
 Mike Tierney, Actuary
 Commissioner Ralph Cabrera

Chairperson Troy Easley calls the meeting to order at 8:05 a.m. He welcomes everyone in attendance which includes the Union representatives and all the employees.

1. Roll call.
2. Attendance of City Attorney Craig Leen.
 Mr. Leen updates the Board on the review of the actuary and the pension Board action related to the contract to rehire the actuary and issues relating to the Section 415 limitations. They are almost done with their review. He has already reviewed a draft and he has a few questions for Jim Linn and Mike Tierney who are assisting him with that report. They are looking into those issues. They have one question for the actuary and Mr. Stanley informed him that they will probably get that information by next week related to how many individuals may be affected by the 415 limitations in the future. He needs to take a look at that too before he makes his recommendations. His anticipated completion date would be in the next couple of weeks. The goal is to try to have something by the December meeting and he would come to this Board as

well and present the report. One issue has arisen is that there are certain findings of the report that will be public because it is a public process. One of the goals of the process is to make sure that what happened with the Section 415 issue will not happen again; to assist the Board in their review of the actuary depending on what the Commission action is and to look at issues related to potential litigation. There may be no conclusion to that because it is still in the draft phase and what the recommendation would be. Those issues under the public records law are often exempt so it is possible, depending on how the report goes, that there may be a portion that may be exempt for some time until the Commission makes their decision as to litigation. There has been no recommendation on that now. There has been no conclusion yet. Mr. Stanley has been very cooperative and so have Mr. Greenfield and the entire Board.

Mr. Garcia-Linares asks when the December Commission meeting is. Mr. Leen informs that it is December 13th. Mr. Garcia-Linares states that the Board does not have a meeting in December and he does not want to read in the newspapers about what the City Attorney's report says. If they have to have a special meeting just to have Mr. Leen tell the Board what the findings are he would like to have that. Mr. Leen informs that as a courtesy when he releases his report to the Commission he will send the Board copies as well. He knows this is an important process and he has been acting expeditiously. There are a lot of documents. They want this to be a comprehensive and fair approach with findings they can look at and rely on. That has been their goal.

Mr. Gueits arrives at the meeting.

3. Items from the Board attorney.

Mr. Greenfield reports that during the past month they have had the normal routine they handle in regards to the administration of the plan. He and Ms. Groome are constantly in contact with one another. Everything has run smoothly. There aren't any problems. They have no lawsuits pending either for or against the Retirement System.

4. 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.

4A. Approval of the Retirement Board meeting minutes and Executive Summary minutes for October 11, 2012.

4B. Report of Administrative Manager.

1. For the Board's information, there was a transfer in the amount of \$2,075,000.00 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 2012 benefit payments.

2. For the Board's information:
 - Charles Kilborn of the City Manager office passed away on September 9, 2012. He retired on July 1, 1986 with No Option. His benefits have ceased.
 - Carolyn Murphy of the Parking Department entered the DROP on November 1, 2009 and left the DROP on October 31, 2012. She received her first retirement monthly benefit on November 1, 2012.
 - Enid Miguez of the Fire Department entered the DROP on November 1, 2007 and left the DROP on October 31, 2012. She received her first retirement monthly benefit on November 1, 2012.
3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date October 7, 2012 in the amount of \$160,501.03 was submitted for deposit on October 12, 2012.
 - Payroll ending date October 21, 2012 in the amount of \$178,476.32 was submitted for deposit on October 29, 2012.
4. A copy of the detailed expense spreadsheet for the month of October 2012 is attached for the Board's information.
5. The Berwyn Group Death Check Verification Services dated October 30, 2012 is attached for the Board's information.
6. A copy of a memorandum from City Clerk Walter Foeman informing the City Manager of Retirement Board Elections for Participating Firefighter and Participating Regular Full-Time employee representatives is attached for the Board's information. The election will take place beginning Tuesday, December 11, 2012 through Friday, December 14, 2012.
7. For the Board's information, a copy of an engagement letter dated October 19, 2012 between the Retirement Board and Foster and Foster Actuaries regarding their fees for the final DROP certification calculations up to a 12 month period.
8. For the Board's information, a copy of a letter from The Northern Trust Company dated October 11, 2012 informing of their enhancements to their servicing team structure.
9. For the Board's information, a copy of a letter dated November 1, 2012 is attached from Nyhart informing of their role and responsibility with respect to the City of Coral Gables.
10. A copy of the October 2012 Florida Public Pension Trustees Association monthly E-newsletter is attached for the Board's information.

11. A copy of the October 2012 NCPERS Newsletter “The Monitor” is attached for the Board’s information.
 12. Information on the Commonfund Forum 2013 in Hollywood, FL from March 9, 2012 through March 12, 2012 is attached for the Board’s information. This forum is complementary.
 13. Information on the Certificate in Retirement Plans courses from International Foundation is attached for the Board’s information.
 14. Information on the Bloomberg sponsored conference hosted by FIU’s Pino Global Entrepreneurship Center in Miami from December 13, 2012 to December 14, 2012 is attached for the Board’s information. This forum is complementary.
- 4C. Submission of bills for approval. (Administrative Manager recommends approval of the following invoices).
1. Nyhart invoice #0089211 dated September 28, 2012 for actuarial consulting services from July 3, 2012 to September 30, 2012 in the amount of \$17,353.00. This invoice is in accordance with the contract between Stanley, Holcombe & Associates and Coral Gables Retirement System signed on December 17, 2008. Stanley Holcombe & Associates merged with Nyhart in June 2011.

A motion was made by Mr. Hoff and seconded by Mr. Lindsay approving the consent agenda. (Motion unanimously approved 8-0).

5. Discussion regarding the 2013 Cost of Living increase for retirees. (*Agenda Item 6*)

Randall Stanley, Nyhart Actuaries, informs that each year following the September 30th fiscal year end they have prepared a letter similar to the letter the Board received on November 1st. It is to enable the Board to decide if under the terms of the ordinance their judgment is that members will or will not get a cost of living increase. The pertinent section of the ordinance is Section 50-230c and it essentially says that if the rate of return on market is more than 10% that there will be a COLA. What overlays this to some extent is that under Chapter 112 of the State Statute you cannot give a gain sharing COLA if your cumulative experience is a loss. That cumulative experience which is experience from all sources on a cumulated basis under Chapter 112 would prevent a gain sharing COLA. What they have done preliminarily is they have a cumulative loss from last year’s report of \$83 million. If there were a likelihood that would reverse and there would be a cumulative gain the gain sharing COLA would be permitted under Chapter 112. What they have had every year is an inconsistency between the City ordinance and the State law. Their role as actuary is not to say this is it but to assist the Board with the arithmetic and deciding what to do with the cost of living increase. Preliminarily it is between 0% and an increase of 5.95%. There have not been many COLAs granted in recent years.

Mr. Hoff asks when the State law was enacted. Mr. Stanley does not know right off the bat but it has been around a long time. Mr. Greenfield states that it was enacted in 1978 and changes were made in 1979, 1983 and 1994. Mr. Stanley thinks the doctrine emerged is that there was a class action lawsuit in Miami in the late 70s and the State Actuary at that time used that as a tool to enforce his opinion on the cumulative experience and it made it into Chapter 112.

Mr. Geraci asks how the 15-year and 30-year amortization affect the COLA over the unfunded liability. Is there any relationship between the two? Mr. Stanley responds that there is a relationship. On the surface it appears that a COLA should be amortized over a fairly short period of time because people getting the COLA are already retired and you aren't matching up the benefits to the City and the taxpayers with the COLA benefits. In this case the experience gains are amortized over 30-years and by that measure the amortization of the COLA over 30 years is entirely proper. So long as they amortize unfunded experience gains and losses over 30 years if they are looking at the COLA as a gain sharing COLA then his judgment is that it is fine to amortize it over 30 years.

Ms. Gomez states that in Mr. Stanley's letter he makes reference to "State's rules under Chapter 60-T." She asks for an explanation to that reference. Mr. Stanley explains that Chapter 60-T is under the State Administrative Code. Mr. Greenfield informs that 60-T has the same language as Chapter 112.61. It is a repeat of what is in 112.61. Mr. Garcia-Linares asks for Mr. Greenfield to read Chapter 112.61. Mr. Greenfield reads the section of the Chapter into the record: "It is the intent of the Legislature in implementing the provisions of s. 14, Art. X of the State Constitution, relating to governmental retirement systems, that such retirement systems or plans be managed, administered, operated, and funded in such a manner as to maximize the protection of public employee retirement benefits. Inherent in this intent is the recognition that the pension liabilities attributable to the benefits promised public employees be fairly, orderly, and equitably funded by the current, as well as future, taxpayers. Accordingly, except as herein provided, it is the intent of this act to prohibit the use of any procedure, methodology, or assumptions the effect of which is to transfer to future taxpayers any portion of the costs which may reasonably have been expected to be paid by the current taxpayers. Actuarial experience may be used to fund additional benefits, provided that the present value of such benefits does not exceed the net actuarial experience accumulated from all sources of gains and losses. This act hereby establishes minimum standards for the operation and funding of public employee retirement systems and plans."

Mr. Stanley informs that the options they have laid out in the November 1st letter are the same options they have laid out every year for the past few years. He believes that the doctrine that goes into 112 permits City managements and Unions to give gain sharing under certain conditions and that is that you have some gains to share. Absent that, it seems logical that the City and the Unions could amend the ordinance and not make it a gain sharing situation. He believes that has been done sporadically in the past despite the gain sharing environment there have been a couple of times a COLA has been granted by the City. He thinks that option is still there. They were in an \$83 million hole at September 30, 2011 and they are coming off a robust year relatively speaking on asset returns. He doesn't expect everything to be perfect due to that because of two things. The cumulative experience positions are based on actuarial asset value and not market value so they are going to be smoothing some of those gains and the \$83 million based on actuarial value was greater than market value. You have a lower number

earning 18% but they have been ignoring the lower number and using the smoothed value anyway. It is good news but it is not as good as a lot of people think it will be. They have actually seen one of their clients knock the gain sharing out of their plan because they were frustrated with it being in their plan and not doing anything for anyone. When the net positive experience is good and they are out of the hole then that is when there will be COLAs granted. In some fashion it would be desirable for the City to clean up the inconsistencies between the City ordinance and the State Statute so they wouldn't have to have this conversation every year. The City could say they are going to delegate this for all time and then it becomes an automatic type of COLA. It is possible the State will not go along with that suggestion.

Mr. Garcia-Linares asks what Mr. Stanley recommends. Mr. Stanley responds that he recommends that they try and make everything consistent. He doesn't know how the Board can grant a gain sharing COLA based on his understanding of Chapter 112 despite what the ordinance might say. Mr. Garcia-Linares asks what his other clients have done. Mr. Stanley replies that they have not been granting COLAs. Mr. DiGiacomo asks what they did back in 2008. There was a COLA granted then. Mr. Greenfield informs that there was a net gain in the experience for that year. Mr. Garcia-Linares confirms that in addition to having a gain for the year there was a net gain for the plan as opposed to now they have a net gain for the year but there was a loss for the plan. Mr. Hoff asks about the COLA in 2003. Ms. Groome informs that the Commission granted that COLA. There was not a COLA triggered for that year and because there was no COLA triggered for a couple of years the Commission said that they would catch the retirees up.

Chairperson Easley thanks Mr. Stanley for his presentation. Mr. Garcia-Linares asks Mr. Greenfield for his legal opinion. Mr. Greenfield thinks that the COLA ordinance is very clear. It is unambiguous and says what it says and they have operated under it. They gave a cost of living increase last in 2008 according to the information the Trustee has there was a net gain experience which is in accordance with the Statute. He has heard the dialog between Mr. Stanley and Ms. Groome regarding the fact that the Commission did give a cost of living increase when there wasn't any net gain and for whatever reason it was given. If they are going to follow the ordinance they have to consider the figures given to them by their actuary. He would like to see people get COLAs. There is no doubt that the cost of living is going up and everyone can use some help. The Board has a responsibility to fairly administer the retirement ordinance in accordance with the Statute. It may be that Mr. Stanley's figures are not right. He does not know. They may want to have those figures looked at to make sure his calculations are proper calculations. Assuming they are proper calculations the Board can't change the ordinance. They don't have the prerogative. They can interpret ambiguities in the ordinance but they can't change the ordinance. He thinks that is a conundrum the Board is under and they have to want to do something to assist the employees and at the same time do it within their legal and fiduciary responsibilities to the plan.

Mr. DiGiacomo asks what the Board did in 2003 when the Commission granted the ordinance despite no actuarial gain. Was there any action? Mr. Greenfield responds that there was no action because it never came before the Board. Mr. Garcia-Linares asks from a legal perspective they are being told that if Mr. Stanley's numbers are correct that they can't grant the COLA. Mr. Greenfield states that the ordinance is clear and the Statute is clear as to what their responsibilities are in administering the ordinance.

A motion was made by Mr. Hoff and seconded by Mr. DiGiacomo to pursue the Board actuary's option #1 which is to amend the ordinance each time a COLA is granted so the retirees can receive a COLA for this coming year.

Discussion:

Mr. Garcia-Linares asks if they can do that. Mr. Greenfield informs that the Board has the right to discuss the motion and then take a vote. Mr. Garcia-Linares asks if they can even vote and pass the motion that has been made. He is missing what the City Commission can do. So the Commission can decide to not follow the State Statute and grant the COLA even if they have had a loss? Mr. Hoff understands that if the Commission chooses to do this it would not fall under the purview of Chapter 112.61 because it is not a gain share which is the same thing they did for the COLA given in 2003. Mr. Garcia-Linares clarifies that the motion is to make a recommendation to request the Commission to provide a COLA that has nothing to do with gain sharing. Because they haven't received a COLA since 2008 they are going to give a COLA at this time but it is not under the ordinance or the Statute as a gain sharing COLA. Mr. Hoff agrees. Mr. Garcia-Linares thinks that if this COLA is granted then when Mr. Stanley does his report in 2013 the City's contribution will go up in order to pay for the COLA because it is not coming from gains. Mr. Stanley informs that it would be an increase in the City's contribution. Mr. Geraci asks how much the contribution would increase. Mr. Stanley responds that everything is amortized at 30-years and it would be a \$1.6 million increase. He advises that if the cost of living is granted then the variable member contributions will go up also. Mr. Hill clarifies that the employees' rates will go up by granting the retiree cost of living increase. Mr. Stanley agrees. He states that it would unless whatever is necessary is done to say the base line goes up too in the absence of that he would think that the General Employees contribution would go up. Mr. Geraci understands that the employees' contributions will also go up to cover this COLA. Do they know how much the employees will have to come out of pocket for? Mr. Stanley thinks that the \$1.6 million will be allocated over all the separate groups and any increase in the City contribution will be split 50/50 as far as the general employees and excluded employees are concerned. Mr. Garcia-Linares asks if it would have been a gain sharing COLA would the employee contributions go up or would it have come out of the gains. Mr. Stanley responds that they would have matched that with the gain sharing benefit against the gains.

Mr. Leen states that the City's position would be that any sort of benefit like that which is outside the internal process that the Commission would provide would need to go through the collective bargaining process. They could certainly make a recommendation. It would be a benefit being provided and he is sure based on what has been said both the Teamsters and the City would want to consider that carefully because it could affect the contribution. That would be part of the process. They can make a recommendation. Mr. Garcia-Linares informs that in the past the Board has been told to stay away from collective bargaining issues. He would like to know if this is a collective bargaining issue. If it is he thinks the Board should know that it falls under that. Mr. Leen understands that in the past the City's position has been that this Board should not make findings or evidence on collective bargaining issues. The question on whether you can recommend an amendment or a COLA to the Commission the Board can do that but the Board would have to recognize that it may be subject to collective bargaining. The

Commission might submit it to the collective bargaining teams to negotiate it and it would go through that process. He wanted to make the Board aware of that.

Chairperson Easley would like to allow public comment on this issue.

Tim Daniels thanks the Board for moving this item up. There are a lot of people present at the meeting who are very interested and concerned about this item. There are people in the audience who served on this Board. The COLA ordinance was negotiated City-wide in the late 1980s. Everyone got together and it was the most comprehensive ordinance in the City's history. It has been tweaked since then but back in those days and since this time any changes or benefits were agreed to. It was debated and concessions were made on both sides. This was a sacred contract that they agreed to with their concessions and the City agreed to with their concessions. It has worked very well. It has been clearly stated that there have been a number of COLAs granted since this State law has been in effect. They have had no problems from the State. He asks for the Board to put themselves in the position of the retirees. He gives an example. The wife of Paul T. Matheson is a survivor of a gentleman who served over 40 years leaving the City in 1974 as the Fire Chief. He started working for the City in 1926. Ms. Matheson gets \$868 a month. That is her monthly pension. He bets she can use that 5.95%. There are a number of people who have served the City without question. When you went to City Hall and needed a document that was important to you the employees were there and took care of it for you. When the firefighters came to your house, God forbid you had a heart attack or someone in your family did, the firefighters came to your house. When you call the police department and say you think there is a prowler in your yard at 2am they don't stop and think about the cost. They go to your house and put themselves in harm's way. Some of them did not come home. On that level he asks that they accept the motion as proffered, follow the ordinance as it has been written as has been done in the last 10 times over the last 15 years and grant the cost of living increase to your retirees.

Ron Cohen informs that he is at the meeting on behalf of the Fraternal Order of Police and Marie Mandeville, a retiree. This is not a benefit that is dependent at all on the grace of the City Commission. This is a benefit that is required to be paid by the retirement ordinance. The ordinance says specifically "effective as of January 1 each person who has been in receipt of benefits for the full preceding year will receive a permanent increase in monthly benefit calculated as follows" and then what follows is a method of calculating the COLA. The phrase "gain sharing" COLA means something but it has no specific meaning in the law. There is no conflict between this COLA and Chapter 112. This is not an extra benefit. Under this theory every time that a plan provided for a COLA and let's just say for each year a 2% COLA would be paid. They would have to tell you that it means you can only pay the 2% COLA if there is a net cumulative actuarial experience gain. That is not what Chapter 112 says. Chapter 112 doesn't use the phrase "gain sharing." It says to pay an extra benefit there has to be a net positive cumulative actuarial experience. This is just a method of calculating the COLA. It is not based on actuarial experience whatsoever. It just saying here is the trigger for paying it. It is a net investment return over a certain amount and then they are going to pay the COLA. That is not an extra benefit that is based on net actuarial gain. He has no argument with Chapter 112.61. That is clear. What the ordinance specifically says is that it is paid and here is how it is calculated. The trigger for paying it is the investment return on the assets. Not to pay it is the same as saying they aren't going to pay the pension benefits as promised because they

haven't done well enough. This benefit is only paid if there is a sufficient investment return. It is not an extra benefit. There is no difference between this benefit and another benefit. It just says pay it when this happens. It is not close to being an extra benefit that is why they have had no push back from the State. He assures them if this was ever viewed as an extra benefit there would have been serious push back from the State. You can't pay extra benefits under Chapter 112.61. This is a promised benefit that has a fancy formula for calculating when it is paid. It is a method of calculation. This is due to these members. They are entitled to have it. It is not a matter of the grace of the City Commission. The ordinance says that it will be paid if the market value is sufficient. The market value was sufficient. You have had no push back and you need to pay it. It needs to be funded but it is a promised benefit. It is no different than a normal retirement benefit. There has been an assumption here that there is a conflict between Chapter 112.61 and this benefit and that is not based on the language of the ordinance. If it was an extra benefit then it would not have to be paid. This is not an extra benefit. It is a promised benefit with a method of calculating the benefit. That is all. That is what the ordinance says. It is required to be paid. It is an earned benefit for the retirees. It doesn't need to be collectively bargained. It is already in the ordinance and has been promised to people. It was bargained before and needs to be paid.

Mr. Garcia-Linares asks if Mr. Cohen can explain what the ordinance is saying when it says "and the cumulative rate of return on the assets from the year in which the last adjustment was made must be greater than zero percent." Mr. Cohen explains that it means if you haven't paid it you look at the assets. It is the return on the assets from the year the last adjustment was made must be greater than 0%. It is the rate of return on the assets. It is not net actuarial experience gain or loss. It is on the assets. Mr. Garcia-Linares states that the last adjustment was made in 2008 so they have to look at the cumulative value of the assets since 2008. Mr. Cohen informs that they have done that and it is positive. The rate of return on the assets is positive. It is in Mr. Stanley's letter. The fiscal year rate of return ending in 2008 was -15.5%, for the fiscal year ending in 2009 it was -1.4%, for the fiscal year ending in 2010 it was 9.1%, for the fiscal year ending in 2011 it was 3.7% and for the fiscal year ending in 2012 it was 16.7%. So it is positive. If that wasn't positive you would not get the COLA. It is not based on actuarial return. There are a lot of different things that determine actuarial return. Usually the most significant is investment return but you can have people who become disabled, you have people leave, you have people go into DROP early and there are many things that affect actuarial return and that is what Chapter 112.61 says. The ordinance says that a COLA will be paid if there is a sufficient investment return and if the investment return on assets is sufficient. If you look at the history of cost of living increases and you go through the years and add them up and it is above zero. He doesn't think there is any doubt it is above zero and it has to be paid. It absolutely has to be paid. Mr. Garcia-Linares thinks Mr. Cohen is right. If you do the calculation it is a positive 12.2%. That is the way it reads and he thinks he is right. Mr. Cohen informs that they did the calculation and if it was less than zero then he would not be in front of the Board. This is triggered by simple investment return.

Mr. Geraci asks what the impact on the employees is if this goes through as requested. From what he is hearing the employees themselves will have to come out of pocket as well as the City and it may impact the current employees negatively since they are going to have to come out of pocket in order to match the City's fund. Mr. Cohen understands that there is some sort of cost sharing but it is what it is. If you had a disability benefit you don't say that it will

increase the present employees' cost. It is a benefit that needs to be paid. It is no different than any other benefit. Mr. Geraci states that if the motion is passed as stated then not only will the City have to come out of pocket but the current employees will too. Chairperson Easley believes that is something out of the realm of the cost of living. Mr. Geraci agrees but he just wants the Board members to be clear that what is on the floor could be an issue.

Mr. Hoff withdraws his previous motion.

A motion was made by Mr. Hoff and seconded by Mr. DiGiacomo to follow the retirement ordinance Section 50-230(c) and grant the COLA based upon the formula providing that COLA.

Ms. Gomez asks if the prospect of the COLA is a promised benefit of the plan. Mr. Greenfield responds that it is a benefit that has been promised to the employees as set forth in the ordinance.

Mr. Leen informs that before he was not speaking about the subject of collective bargaining but he was speaking about you do not do a gain sharing COLA and you decided to recommend to the Commission to grant one anyway outside of that. That would be an additional benefit.

Bob Sugarman with the law firm of Sugarman and Susskind states that his client is the Teamsters Local 769 the union that represents the General Employees in their bargaining unit. He is responding to the question from Mr. Geraci. There were a couple of statements made on both motions presented today. The position of the Teamsters Union is that if the first motion were to have passed dealing with the City Commission that is not a matter of collective bargaining because they understand this cost of living only is given to current retirees. Based upon this cost of living only being given to the current retirees then they don't represent them and therefore they have nothing to bargain about. The labor law is very clear for current retirees they don't bargain for. If the current motion were to pass to give the cost of living increase according to the ordinance then their position is that they are not paying for it. The reason is Section 529a says that the cost they share with the City are those on behalf of participants in the bargaining unit. Retirees are not participants in their bargaining unit so therefore if they incur additional costs on the plan the participants in the bargaining unit don't have to share them. That may be a discussion for another day but they would not want their position on that to surprise them if there should be an attempt to allocate those costs to their current members. Chairperson Easley thanks Mr. Sugarman for that complete clarification.

Chairperson Easley asks Mr. Cohen to clarify why the ordinance is not affected by Chapter 112. Mr. Cohen explains that if you look at Chapter 112.61 the language is used is that you can have an extra benefit if there is a net cumulative actuarial experience gain. But the COLA is not an extra benefit. An extra benefit is if you get gains from salary assumptions, gains from investments, gains from all the assumptions and you add them all up and all the stars align right then in that instance they will pay you a COLA. That is an extra benefit. It would say that a COLA will be paid if all these things happen and one would be that there is a net actuarial experience gain. Your ordinance says specifically a COLA will be paid. Then it tells you how it will be calculated. It is a method of calculating a COLA. It is no different than if someone reaches 25 years of service a normal retirement benefit will be paid and will be calculated a

certain way. Just because there is a complicated calculation it does not make it a gain sharing arrangement. It is a trigger and it will be paid if investment return is sufficient. It specifically does not tie it to net actuarial cumulative experience gain. It is not tied to actuarial gain at all. It is tied simply to investment gain. Investment gain is one part of actuarial gain. It is not an extra benefit. An extra benefit is if you take all these things and the stars align right then they will pay it. Here it says it will be paid and it specifically ties it to one issue, investment. That does not make it an extra benefit. It is just a trigger. Mr. Lindsay asks if they don't act on this are they not fulfilling some responsibility. Mr. Cohen thinks it is an obligation that needs to be paid. He believes it is a benefit the retirees are entitled to receive.

Mr. Greenfield believes that Mr. Cohen is probably correct. The ordinance is clear and if they just looked at the ordinance there would be no doubt the COLA should be paid. The question was made as to whether or not Chapter 112 would prohibit the ordinance from going into effect. The only part of the ordinance that talks about actuarial experience which would have an overlay on the COLA is that actuarial experience may be used to fund additional benefits provided the present value of the benefit. The question is if this is an additional benefit. Mr. Cohen has said it is not an additional benefit because it is already an ordinance that has been enacted and in effect. His interpretation is the same as Mr. Cohen's and that is the ordinance is clear and it is not an additional benefit. It is an obligation that people are entitled to.

Ms. Gomez suggests that they ask the State Department of Retirement for an opinion to see if they need to have the experience gain to have the COLA. Chairperson Easley states that this is not a time sensitive issue so they can pass the COLA today and if they get something back from the State between now and January 1st when the COLA goes into effect then he thinks they could take that into consideration when they hopefully have a special meeting in December.

Mr. Leen suggests that since the Board has heard from different counsel he thinks it would appropriate for the Board to hear from the City's pension attorney

Jim Linn informs that he represents the City in pension matters. Mr. Cohen has basically made two points. What is saying is the State law doesn't apply and that the reason it does not apply is that this COLA benefit is a benefit part of the plan like any other benefit built into the plan and for that reason it is not an extra benefit. But it is not like any other benefit in the plan because your actuary doesn't take into account like all the other benefits in the plan and does not included it in the valuation of benefits of the plan every time he does an actuarial valuation. He only takes into account COLAs that have been granted in the past. It is not like the cost of this COLA benefit is built into the liabilities of the retirement system. This COLA if granted would increase the liabilities of the system by \$20 million. In that respect it is not like any other benefit in the plan. It is an additional benefit that there would have to be new funding provided for. Going back to the first point on the State law, Chapter 112.61 says "actuarial experience may be used to fund additional benefits provided the present value of the benefits does not exceed the net actuarial experience accumulated from all sources of gains and losses." That is pretty clear. As Mr. Stanley stated this is not the only plan in this State that has a similar gain sharing arrangement. An arrangement whereby investment gains go above a certain level that there is going to be a COLA. As Mr. Stanley pointed out, plans with similar provisions are not granting these COLAs. The reason they are not granting these COLAs is because the State Division of Retirement is saying that under this provision you can't do it.

Ms. Gomez has suggested getting an opinion from the State and ultimately the State will give their opinion. Because the cost of this COLA is not built into the plan if you are going to move ahead and grant it there will be an impact statement that is filed with the State because this is an additional benefit with an additional cost and the State will give their opinion. Do you want to get that opinion up front or do you want to come back later and be told they have to undo what they did.

Mr. Cohen thinks that the idea that they have heard that the COLA is not funded in advance means that it doesn't mean what it says. The fact that it hasn't been funded in advance doesn't mean it needs to be paid it just means that they have to deal with that. It doesn't strike him that it needs to be funded in advance. The only way it would be funded in advance is if you assume your rate of return was 10% or more. The COLA is only paid if it is 10%. How can you assume you are going to pay it? He assumes the Board assumes that they are not going to make 10% in the plan. They probably assume they are making 8% or 8.25% but less than 10%. If they don't assume they are going to make 10% then they are going to pay it. When the 10% happens then you pay it. You don't need to do an impact statement. They haven't done one in the past. It is not an added benefit. If you said you were only going to pay a benefit if you earn 15% why would you fund that if you don't think you are going to earn 15%.

Marc Werbin informs that he sat on the Retirement Board when this change happened. They were in extensive negotiations with the City at the time. When this part of the ordinance was written it was given every deference to the City of Coral Gables so that the City would not be caught with yearly increases in COLAs. Everything was done to make it where the City would only pay a COLA when they could absolutely afford it when they made the money. That is why the 10% ceiling was put in there because it was above the actuarial assumption rate. That is why it is 10%. They also specifically put in the ordinance the last day of the third quarter which is historically the worst time for the market. As you see when this has been paid out it has never been paid out every year so you wouldn't budget for it. That is why it was designed that way. Also when that was passed there has to be a yearly report that goes to the State. When the ordinance was ratified and signed and sealed by the Commission it was attached with the yearly report and sent to the State Division of Retirement for approval. He knows the people in Tallahassee and nothing gets by them. They will send a letter because they have sent plenty to the City for not paying the amount they should have paid. As a prior Board member this is not an issue of what has to be done later or anything else. This is what the ordinance says. This is a benefit this time and it has to be paid. That is his position on it. They are not like other cities where they have a continual COLA every year like Miami Beach has the same COLA that comes up every year. That State ordinance was put in there to make it where they have a fire wall in case they had a couple of years that were bad with negative returns. That is not the case here. They made more protection in the ordinance by the virtue of the way they wrote the COLA than the State provides. This year it hit and it is time to pay.

Mr. Greenfield states that the definition in this particular section doesn't define what an additional benefit is. It defines what an increased benefit is. If they were to use additional benefit as an increased benefit then they would have to meet the test of the statute. If it is not an increased benefit but it is a benefit already given and not an increased benefit is there a difference between the word "increased benefit" and "additional benefit?" The portion of the Statute that states "actuarial experience may be used to fund additional benefits" but

“additional benefits” is not defined. Mr. Greenfield asks Mr. Linn if there is a difference. Mr. Linn doesn’t think so but that is another good reason why he thinks they should consult with the State.

Mike Tierney, City Actuary, thinks the intent of the Statute is the additional benefit relates to that which is above it and what is above it is you must actuarially fund these benefits and anything in addition to that which is funded needs to meet this test. That is how that Statute is read. “Additional” refers to what is above it.

Chairperson Easley thinks that following the ordinance is what they should do. It is clear. The Commission has also overruled Chapter 112 by giving a COLA in the early 2000’s and he just thinks it is the right thing to do. If they get something that the State says that they cannot give the COLA then that is something for a later discussion and they have until January 1st before it is enacted. Right now he doesn’t see any mention of Chapter 112 in the ordinance at least to a significant degree. That is his opinion. In regards to the clarification regarding current employees being affected by this that is a contractual agreement that is outside of what the COLA has to do in regards to retirees because the Unions do not negotiate for retirees.

Chairperson Easley asks Ms. Groome to restate the motion.

A motion was made by Mr. Hoff and seconded by Mr. DiGiacomo to follow the retirement ordinance Section 50-230(c) and grant the COLA based upon the formula providing that COLA. Motion unanimously approved (8-0).

Ms. Groome asks if the Board wants to make a motion to ask the State for an opinion. Chairperson Easley doesn’t think they need a motion. Mr. Garcia-Linares states that it doesn’t serve them any purpose to do that.

6. Attendance of the Board’s actuary, Randall Stanley of Nyhart, regarding Cost Sharing and Allocation of Assets. (*Agenda Item 5*).

Randall Stanley reports that he will be talking about his letter to the Board dated November 7th discussing the allocation of costs within the General Employee group. He tried to show what the components of the cost calculations are and how they got them. In the retirement system all the present value of benefits are one number and all the actuarial value of assets is one number so each of these components is one number they arithmetically solve to get the City’s contribution requirement. That is the way the system’s costs are calculated. What they are talking about today is can they split those cost calculations among more than one group? If they haven’t maintained assets separately by group for example how do they allocate them properly to the groups? What they have done in the past, which goes back to the early days of his involvement with this system, is that there was a departmental cost allocation exhibit at the back of the Gabriel Roeder report. It was three groups: police, fire and general. It didn’t have any cost calculations but it had projected benefits. His understanding was the City’s Finance Director used that for some form of budgetary consideration. When they presented their first actuarial report to the Board, the Finance Director came back to them after they did not include that section in their report and asked that they calculate some liabilities and estimate costs by group. Keep in mind that these are broad approximations. They started that as of January 1,

2005 and as they get to more recent days they started refining the calculations. For example; you can take the total City contribution for a year and divide by the number of active members in each group and that is an allocation. If 30% of active employees are firefighters then you take 30% of the costs and say that is the firefighter budget. There are a lot more refined ways of doing that. The normal cost component they had been estimating is based on payroll because that is a logical way to estimate it. They started calculating the accrued liability and so now they are down to how do you split the assets. Going back to an earlier time when they first got into this cost sharing issue they took the ordinance and made an effort at allocating the cost. Then the past Finance Director, Don Nelson, came back and said they shouldn't use the percentage of pay but they should use the dollars. Then Mike Tierney came back and said they had done it the right way the first time by using the percentage. You can see how these things evolve. That is the way they are doing it. In his judgment it is totally defensible as long as you recognize they are allocating something that has never been kept separate.

For the non-management group of general employees if they are going to be charged more, then their accumulative asset should reflect that. It should go up. In September they suggested that they go back and see if they could fine tune the asset allocation. So what they have done so far includes not just those increased contributions but they put the 175 distributions in the firefighter column and the 185 distributions in the police column and what they expected to happen is that it wouldn't make much difference initially but with time if you are going to charge the general employees more than others their assets should grow faster and their costs should go down as a result. What they found is that it didn't work at this first calculation because they are putting the 185 money in one column and the 175 money in one column and the benefit payments coming out of the union portion of the general employees is greater than the contributions going in. They reflect the contributions, actual investment return and distribution. They didn't get the initial result they expected to get and the cumulative assets went down. That is his report. It doesn't address nor should it address anything other than the arithmetic that went into the allocation of these cost components and the assets. At this point he thinks they have allocated the cost components and the assets to the best of their ability. He can't stand before the Board and say to refine it another step. They are done refining. You can ask if it is fair and accurate he can tell them it is accurate to the best of his knowledge.

Ms. Gomez states that Section 50-29(c) of the ordinance says "a complete calculation of the total required contribution separately performed for each group." Was that done? Mr. Stanley informs that it was done but he hesitates on the word "complete." They calculated the cost components for each member. They moved the general employee retirees into the proper column and they did a complete actuarial asset value calculation as he thinks is possible considering that it has never been separately maintained in the past. He thinks the ordinance still says you ought to take the assets based on the ratio to your actuarial accrued liability. They have gone past that in this report. The refinement of doing the time weighted allocation on the assets is passed the ordinance requirement. To get to their result on the actuarial value of assets they did the actual rates of return applied to the actual market values for each of these periods and paralleled it with the smoothing. The difference between the old and new amounts for the union was about a \$7 million decrease and that is what he meant earlier that they didn't expect that. They expected it to be about zero. Chairperson Easley asks for an explanation on the decrease. Mr. Stanley explains that the benefits for that group are larger in relation to the contributions coming in so if you looked at this period of time where they essentially had

robust investment returns it hurt that group because they are paying out more than they are paying in as far as cash flow. When you look at the percentages the payrolls were slashed so that is going to make a percentage look pretty brutal. They took the 175 distributions and put it under the fire column and the 185 distributions under the police column. They expected the \$7 million decrease to be a net zero when they started the process. Given all that they found nothing to lead them to recommend a change to lead them from where they were. Their expectation was that he would be before the Board at some time telling them that the increase for the union group was not as much as he had reported in the past and unfortunately he cannot tell them that today.

Mr. Garcia-Linares asks if Mr. Stanley is recommending no change. Mr. Stanley informs that he is saying they have done all they can do with the numbers. For them to follow the directive he sees no reason to change anything. Mr. Hill states that the ordinance would have to change for the calculation to change. Mr. Stanley believes that is another way to phrase it. Mr. Hoff asks why the 175 and 185 was included. It is separate from the Board. Mr. Stanley explains that they didn't include the trust. They only included the portion of the 175 and 185 distributions that come back into this trust.

Mr. Sugarman states that there are so many things that are wrong with the way things are being done now and at the end of the presentation he is going to ask the Board to do three things. One is to return the contribution rate to the only number they know is right which is 10% that was in affect and do that temporarily. The second is rather than listening to a battle of actuaries and attorneys instruct them to see if they can come to an agreement. They need to try and work this out. The third thing is the retirement system has too much of their members' money and they need to give it back until they can determine how much they are entitled to.

Mr. Geraci asks if the issues they are going to be bringing up are issues regarding collective bargaining or are they issues that the Board has a fiduciary responsibility to. Mr. Sugarman informs that it is issues regarding the Board's fiduciary responsibility. Mr. Geraci asks what that is based on. Mr. Sugarman informs that his client sent a letter pointing out the responsibilities of the Board. The ordinance says that it is the Board's job to interpret, to construe, to apply and to administrate the pension code as it is written. Collective bargaining was done in 2010 and an agreement was reached between the Union and the City to incorporate changes into the pension plan. That agreement was properly reflected in the ordinance that was passed and resulted in Section 50-29. The collective bargaining is over. They have no gripe with what Section 50-29(a) says. That is what the Union bargained for and what was agreed to. The question is how it should be administered and it is not being administered correctly because they are taking too much money out of their workers' pay.

Mr. Garcia-Linares informs that the City takes the money out as part of payroll the Board does not. They are only administering the money deposited into the plan. Mr. Sugarman agrees but just like you pay out a pension and the pension is too low they must pay the higher pension. When they are taking in too much money and are getting more than they are entitled to they have to give it back. That is the problem. Mr. Garcia-Linares asks if this issue has gone to the City Commission. Mr. Sugarman responds that it has not. The City Commission set the method by which the employee contribution is to be calculated. The interpretation application is the job of the Trustees. The City Code makes very clear that it is the job of the pension

board to construe all terms, provisions and conditions of the system. That is the construction and application of Section 50-29(a) which sets forth the formula for the benefit rate. It is done by the Board and not the City Commission. Subsection 4 of Section 50-94 says that the pension board shall "correct any defect or supply any omission or reconcile any inconsistency that may appear in the system, and to make equitable adjustments for any mistakes or errors made in the administration of the system". The question before them is how much should the employees' contributions be. That is the amount the City is entitled to extract from their pay. The reason this may seem new to them is before there was no cost sharing formula. The ordinance said that their workers paid 10% of their contributions and all they had to do was make sure it was 10% and there was not an issue about that. The 10% is gone now and Section 50-29(a) says there is a new formula that is on top of the 10%. It says if the city's annual required contribution to the system for any fiscal year beginning on or after October 1, 2011, on behalf of participants in the bargaining unit represented by Teamsters Local Union 769, exceeds the city's required contribution and so on that excess is shared between the City and the workers. That is the formula and the formula is applied by the Board and not the City. The interpretation of the formula is applied by the Board and not the City. The calculation of the formula has been done by the Board's actuary and not the City's actuary. The problem is the formula is approximate and unfortunately the formula that is being used in the application is wrong in at least five different ways. The other problem is the City took out of the employees' pay the increased cost without the Board approving it because the Board sets the contribution rate and not the City. The City set the formula and the Board applies it.

Mr. Easley asks if this is completely under the Board's responsibility as Mr. Sugarman has said. He doesn't know if some aspects actually fall under the Board's mandate. Mr. Greenfield has read the letter from the Union. He has reviewed the ordinance. He believes that this is a matter that should go to the Commission. The Board does not negotiate the contracts. They are not part of the process and perhaps they should be in the sense that whenever any of the collective bargaining takes place if there is an issue dealing with pension before the ordinance is prepared he thinks it would be good for the Board to be aware so they understand the intent of the parties but that isn't done now. The Board gets the ordinance and is told that it is the ordinance that the collective bargaining has produced. The ordinance is clear that the Board has the responsibility because it is the Board's actuary that has to give to the Board, to the City, to the participants the report dealing with his conclusions as to the financial aspect. The Board is not made up of accountants and actuaries. The Board relies on their actuary and the actuary has given the Board a report. If you believe the actuary is totally incompetent and you need to get another actuary to review his work then that is one thing. There isn't any indication that the Board's actuary is incompetent. They know his competency. He has presented the Board with a report. They either follow the report or say they don't want their actuary to give them the report. They are bound by that report.

Chairperson Easley recognizes Commissioner Cabrera and thanks him for coming to this meeting. He would like to inspire all the Board appointees to have their Commissioners come to the Board meetings. The Board discusses important information that affects the livelihood of a significant number of employees of the City who are contributing a very large amount of their salary.

Mr. Sugarman points out that the method is grievable and they have tried that and the City said it was not. Mr. Garcia-Linares asks Ms. Gomez if she agrees with Mr. Greenfield that this is an issue to go to the City Commission instead of coming before the Board. Ms. Gomez states that in terms of the contributions and the amount of percentage being deducted from the employees' salary, the ordinance is clear as to how it is calculated. The Board has instructed Mr. Stanley to figure out the calculations based on the ordinance. Mr. Stanley has given his report that gives those rates to deduct and the City deducts them. Mr. Garcia-Linares thinks that if there is a disagreement to the amount that the City deducts then it is an issue that should go to the City. Mr. Greenfield believes that is correct. Mr. Sugarman informs that they tried that. If they are contending this is collective bargaining, collective bargaining is over. The way they resolve the ambiguity in the collective bargaining agreement is you file a grievance. The Union filed a grievance saying it was the percentage was too high. The letter back from the City stated that the grievance was untimely and did not state a violation of the bargaining agreement and that the pension fund actuary is not a representative of the City and that the City is not to blame for any errors. They went to the City already. When they see how many things are wrong with what the Board's actuary is doing they will realize that the actuary who is not acting on proper guidance from the Board has vastly overstated the contributions they are making. They are paying for City Commissioners' pensions and retired City Managers' pensions.

Mr. Leen informs that the City's position is that the Board has the ability to review their actuary and his findings as to the percentages. There is no question the Board has that authority. If the rates change because of the Board's review of the actuary then the City would have to follow that. He thinks the question here is a different one. The City has no objection to that. The collective bargaining agreement does have astute resolution mechanisms and he understands that the City has taken a position regarding this specific question of the actuary. The Board does have jurisdiction to review the actuary in his opinion. The question of whether the City has to have reached the collective bargaining agreement by relying on the actuary is something that is subject to the astute resolution mechanism. The City can take the position that they don't believe the agreement was followed or that there was a violation of the agreement but ultimately that is for resolution through the collective bargaining agreement. He thinks the City's position would be that the Board does not have jurisdiction to resolve and interpret the collective bargaining agreement because that would be for an arbitrator resolving the dispute. Mr. Sugarman informs that they are not asking the Board interpret the collective bargaining agreement. They are asking the Board to interpret the Code which is strictly within their provision. They are asking for the Board to review the work of the actuary because they believe there are at least five interpretations and errors that have them paying for other peoples' pensions. That is not what the Code says and the Board interprets the Code.

Mr. Leen states that if you review the actuary's percentages and changed them based on competent substantial evidence the City will follow what the actuary says or what the Board says based on the actuary's findings. If for some reason they changed the percentages and it was not based on any evidence or based it on an actuarial finding of some sort then yes the Commission would have authority in his opinion to review that. If the Board with the actuary decided to change the percentages and there was no cost to review that then that decision would be the final one and the City would follow that. He wants to make it clear that the City will follow those percentages. They are simply following the cost-sharing provisions in the collective bargaining agreement.

Mr. Hoff states that one of the issues that concern him is that he doesn't believe they adopted the new rate at the last meeting. What is the last rate they approved for the general and excluded employees? Ms. Groome informs that they are using the amounts from the updated actuarial report.

Mr. Garcia-Linares asks if Mr. Stanley's letter of November 7th is in response to the Teamster's letter of November 5th. Mr. Stanley informs that it is not a response to that letter.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Gueits that they defer this issue until Mr. Stanley has a chance to review and respond to the issues in the November 5th letter from the Teamster's and then bring it back to the Board.

Discussion:

Mr. Garcia-Linares states that it seems to him their only jurisdiction here is whether or not Mr. Stanley's numbers are correct. He thinks they need to give Mr. Stanley an opportunity to review the issues that are in the November 5th letter and let Mr. Stanley respond to them and at that point they can make a decision whether they are going to do anything at all. Mr. Hill thinks that they should drop the rate back down to 10% because they haven't accepted any of the calculations. Mr. Garcia-Linares believes that is beyond the Board's purview. Mr. Hill states that the City is saying they are using the rate that Mr. Stanley produces and if they aren't going to accept the report then the rate needs to drop down to 10%. Ms. Groome points out that the report was accepted as the actuarial report and that rate was going to go up to 22%. Then the Board directed Mr. Stanley to redo the numbers and it went down to 20% and that is the amount they are using now. Mr. Garcia-Linares confirms that they are using the amount that was approved. Ms. Groome agrees.

Mr. Hoff asks what the five points are that the Teamsters think the actuary has been incorrect. Mr. Sugarman responds that the contributions from last year and this year were based on different data and different groups of employees. This is admitted in Mr. Stanley's letter of November 7th. They are responsible for additional costs for members of their bargaining unit. Last year's contribution rate included the costs of inactive excluded employees. They were included in their costs for last year. They were initially included in the costs for this year. Then Mr. Stanley got the correct information as to which inactives were excluded. When he took that out of their calculation their increase in cost dropped in half. Last year they took too much money out of their contributions because they were paying for inactive excluded employees. They need back the money that was taken last year. Mr. Stanley should be instructed to recalculation last year's contribution. Secondly, the ordinance says that the increase in cost will be based on the actuarial cost methods and amortization period contained in the October 1, 2009 actuarial valuation. Last year was based on the 2009 valuation and this year the assumptions were based on the 2011 valuation. Those were expensive assumption changes. What the actuary did was take the 2011 assumptions and revalued the 2009 numbers using the 2011 more expensive assumptions. That is a mistake. That is the way he interpreted the ordinance. He needs to be instructed to use the 2009 valuation. The third error is during both years the increased contributions were allocated to both groups. They agreed to pay more money into their own pensions. The money they put in was used to pay for everyone's

pensions. It was spread among everyone. That needs to be reviewed and corrected. The fourth error is that Mr. Stanley says in his November 7th letter that the calculation is based on approximation techniques. They have to do better than that and the calculations need to be calculated more accurately. The fifth one is the reason the contribution rates have gone up more in relation to the contribution rates of the other groups is that benefits outflow for non-excludable retirees exceeds contribution inflow by a larger amount. They are paying for the pensions of non-excludable retirees. The Code says that if the costs on behalf of participants in the bargaining unit represented by Teamsters Local 769 go up the participants in their bargaining unit are active workers and are not retirees. Most of the retirees were not in their bargaining unit. The bargaining unit did not start until 2009. They don't pay for pre-2009 retirees. Costs are being shifted onto the active workers. They appreciate the offer and willingness of the City and they agree that the numbers should be correct but has to be correct according to what the ordinance says. They are asking for the Board to return the Teamster employees back to 10% contributions temporarily and to direct the parties to see if they can work this issue out.

Mr. DiGiacomo would like to hear from Mr. Stanley regarding the five points from the Teamsters and Mr. Greenfield's opinion if the Board can move the rate temporarily to 10%.

Ms. Groome clarifies her response to Mr. Hoff's previous question about which percentages were approved. The percentage that was in the actuary report that was approved by the Board was the 12.6% for the Teamster employees and .4% for excluded employees and that is the percentage above the base of 10%. So Teamster employees would have been contributing 22.6% and excluded employees would have contributing 10.4%. Then she questioned the actuary as to why the amounts were so different. The actuary sent her a response back and she shared it with the Board in September. The Board informed her to go ahead and have the actuary recalculate the percentages. She contacted the actuary again and he told her what he needed to do the recalculation and she sent that information to him. That is when he came back with the 10.3% for the teamster employees and the 5.1% for excluded employees. Those are the numbers they are using now. Those amounts were not approved but the amounts from the actuarial report were approved.

Mr. Garcia-Linares thinks they need to give Mr. Stanley an opportunity to study and review the numbers. He should look at it and review it. They are talking about having a special meeting in December and this can be one of the topics on the agenda for that meeting. That is why he moved to defer it today. Mr. Hill asks what happens to the contribution rate if they defer the issue. Mr. Garcia-Linares responds that the rate will stay the same. Mr. Hill doesn't see the City not agreeing to go back to the original 10% temporarily until this matter is resolved and the Board has the power to do that. Mr. Gueits states that the only way they can bring the rate down to 10% is if they instruct Mr. Stanley to recalculate the numbers taking out the employees Mr. Sugarman has said shouldn't be there in the first place. He doesn't know if that is correct. Mr. Garcia-Linares believes that Mr. Stanley should have the opportunity to respond and he should be given more than two days to have the chance to respond. Chairperson Easley asks Mr. Stanley if he would like to respond to any of this discussion. Mr. Stanley thinks it is a good idea to review the five points and prepare a written response for the December meeting. He thinks it is possible to go back to 10% but if they go back to 10% and then later find out that 20% was the correct amount then they still would have to make that up. Mr. Hill states that

they have an overpayment of 2% from last year. Mr. Stanley comments that if there is an overpayment from last year he sees no reason why it could not be applied now. Ms. Groome informs that Mr. Stanley was never directed to recalculate that.

Mr. Lindsay asks if they went back to 10% how long does it take the City to change course from one percentage to another percentage. Ms. Gomez doesn't know if it is legally possible to reduce it to 10% because the ordinance clearly says that the employees must have a cost share and that would be ignoring the cost share. Right now the only information they have on the cost share is what the actuary reported. She doesn't see the basis for going back to 10%. Mr. Lindsay doesn't see that having an impact on the employees and then having a meeting in December and then reverse course. It seems like a lot of back and forth from just an operational standpoint. Ms. Gomez informs that they can make the change but they would have to do it legally.

Mr. Greenfield understands that employees would be very upset to contribute money that is going to the benefit to other employee groups. The Board did not bargain nor create the ordinance. The Board has to administer the ordinance. From what he understood what Mr. Sugarman said and the Teamster letter of November 5th the employee group believes that the Board can change the ordinance by their ability under the ordinance to correct mistakes. They have the right to correct mistakes. They have a right to interpret things that are confusing but they don't have the right to change. He thinks they need to hear from the employee group where it is that there is an error in the ordinance that they have to construe. Mr. Sugarman responds that they aren't saying they should change the ordinance. The ordinance says that the employees pay half of the added costs on behalf of their participants. The Board has to determine what the added costs are and how they are properly allocated. Mr. DiGiacomo thinks most of the Board members will agree that they want Mr. Stanley to look at the five points. What he is looking for from the Board Attorney is what the Board can do to help the employees and not burden them. What can they legally do? Mr. Greenfield explains that the Board has already approved the number. If the Board wants to change that number it could do so but it would have to exercise its fiduciary responsibilities based upon some evidence they believe is sufficient that would allow them to do it.

Mr. Leen informs that he hasn't had a chance to review the letter and he has asked Mr. Tierney and Mr. Linn to look at the letter. Any action of this Board has to be based on substantial, competent evidence. There is no authority in the Code to allow the Board to go back to 10%. They do have the authority to adjust the rating based on substantial competent evidence. They can't just return it to 10% because that cost sharing is in the ordinance.

The motion was restated.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Gueits that they defer this issue until Mr. Stanley has a chance to review and respond to the issues in the November 5th letter from the Teamster's and then bring it back to the Board. Motion unanimously approved (8-0).

A motion was made by Mr. Garcia-Linares and seconded by Mr. DiGiacomo that prior to the next meeting that Randall Stanley, the City's actuary, the City's pension attorney,

Craig Leen and the attorney for the Teamsters meet together and see if they can come to an agreement on this after Randall Stanley has reviewed the letter and come back to the Board with an agreed position on the issue. Motion unanimously approved (8-0).

Chairperson Easley addresses the employees at the meeting. The Board is absolutely aware of their position. He wants them to understand when the Board votes on these numbers they are under the expectation that these numbers being presented are correct and if there is an error the Board members what to correct it as soon as possible.

Mr. Garcia-Linares left the meeting at this time.

7. Public Comment. (*Agenda Item 11*).

Thomas Groome, employee of the Parks and Recreation Department, states that he has been trying to get answers and comments since last April regarding his questions concerning the Teamster Employees of the City and the collective sharing which was discussed today. A lot of things that were previously discussed that he will not bring up regarding Teamsters and the City and the Board and who is responsible for the reduction in pay. He wants to bring up some points for the record. He is the lowest paid full-time employee of the City. He finds it absurd that this day and age that on a \$30,000 a year salary he pays more into the same retirement system than a firefighter or police officer who makes \$100,000 a year. That is what collective sharing has done to him. He has been with the City for 3-1/2 years. When he came on board 3-1/2 years ago he had no problem with any of the conditions he was hired on with the 5% contribution to retirement. His contributions have gone from 5% to 10% to 14.3% to 20% and now it is going to go up to 22%. That is ridiculous. The merit increases have been reduced from 5% to 2.5%. His last 2.5% merit increase he got an increase in his take home pay of \$12.00 a payday and now they take another 20% out of that. This goes on and on. He is lucky he doesn't have to pay for his health insurance and he thanks the City for that. He works with people who make mid-\$30,000 a year. Between their health insurance which is over \$7,000 a year; their contributions which is another \$7,000 and the taxes someone making mid-\$30,000 a year is now taking home \$15,000 a year. He does not know how they do it.

He is not addressing the Board as the people responsible for this he just wants it on record because he knows these minutes will go to the people hopefully who are responsible. Another question that has bothered him is an account that was created and he doesn't know why so maybe someone on the Board can educate him on it. The account is called the Retirement Sustainability Account. He doesn't know why it was created other than to sustain the retirement fund. If so, why do they have to pay more into the retirement fund? Who created it? When was it created? For what purpose was it created? Who manages that account? What is in the account? They do not know. They are general employees and kept in the dark. When he was employed there were over 400 general employees working for the City and now there are fewer than 280 general employees. Positions are not being filled yet they are being asked to do the same job as if they had 400 employees here. They are being asked to pay into the collective sharing based on 2009 figures when they had 400 employees. What he is saying is that general employees can't keep bearing the brunt of the City's expenses and special projects. He sees there are two monuments going to go on Segovia Circle. He saw a 4-lane Segovia Street turned into a nice 2-lane road with \$1 million landscaping. If money is being diverted when the general employees and excluded employees have to pay additionally into the

retirement fund so the City doesn't have to put as much money in to use for those special projects they feel they are paying for those projects. They feel that Miracle Mile should be called Employee Mile with a brass plaque at each end with all their names on it. They are paying for it. They are paying for Segovia. Everything that happens in the City they feel they are paying for it because they have to give more and more and more every day. He knows that he and 280 other employees can't keep affording and paying this.

You have City of Coral Gables full-time employees' family men on food stamps. They should be ashamed, whoever is responsible. Employees are dropping their health care and going to First Florida where they can get affordable health care without seeing their doctor and they have to wait in line all day at a clinic so now they are taking them out of the work place. The most disgusting part of all this is they work 52 days a year free. They don't get paid one day a week. That is 52 days a year. No compensation. This whole thing to him has been a calamity. He worked for the State for 17 years before he worked for the City. Never paid into a retirement system and walked away with one. He doesn't mind paying his fair share but his fair share is not 20.3% when someone else's' fair share is 5% or 15.1%. When his wife and he have to give 1/5 of their salary back to the City so the City doesn't have to put the money into retirement so they can use the money for special projects they feel like they should own part of the City. But he doesn't live here. This is not their City, it is where they work. They are proud to work for the City. Don't keep taking money out of their pay checks. They are not volunteers. They will not go quietly. He doesn't care if the Teamsters are behind him or not. He has questioned them and irritated them with his questions. He knows a lot of this is beyond the Board's authority. He appreciates their time. He wants his comments on record. He has been asking and asking and asking and cannot get any answers. The Teamsters hit the wall. They put in a proposal and the City didn't counter propose. His multiplier has gone down since he has been with the City and his contributions have gone up. They retire with the less and contribute the most. It needs to change.

8. Investment Issues. (*Agenda Item 7*)

Dave West reports on the investments. They have no recommendations at this time regarding any changes in the portfolio. The final calculation of the full fund net for the fiscal year was 17.63%. The best performing asset for the fiscal year was the PIMCO Disco fund which was up 38.7%. The seconded most significant performing asset was the domestic equities and the total domestic equity program finished in the top 33rd percentile. The next highest contributor was the alternative allocations to global bonds. Total global fixed income was up 14.77% and those collective managers finished in the top 6th percentile of their peer group. The real estate allocation was next at 14.68% and the combined real estate managers outperformed their benchmark and finished in the top 32nd percentile. The total international equity allocation was next at 13%. This was an area that lagged a little bit collectively. They were a little behind their benchmark for the period. They have no material compliance issues that need to be addressed. One manager lagging in three compliance issues was MD Sass. They have discussed MD Sass in the past. MD Sass had a good quarter so the compliance issues are a carry-over from the September 2011 quarter. They are still comfortable with MD Sass and they have no issues with any of the managers in the portfolio.

Mr. Geraci asks if there is any recommendation to prepare for the fiscal cliff other than to stay the course. Mr. West informs that their recommendation is to maintain the current allocation. Personal investor situations are very different. There is nothing different about the current situation regarding the fiscal cliff and most people are anticipating getting another 11th hour situation. It is a concern and he thinks that people have already discounted the Eurozone issues quite heavily. He thinks a positive counter point in there is the resiliency of the economy. Housing appears to be turning up. The last payroll figure showed continued increased participation rate. Under the current Administration Bernanke will not be replaced so they can expect more of the same from the Treasury. Mr. DiGiacomo reminds the Board that this portfolio is perpetual. His personal investments change on a much narrow time horizon than this fund. If you look historically, trend lines go up. If they panic now and abandon what they know is the correct answer because of fear they are going to be in a world of hurt. They have to rely on their consultants' expertise.

9. Public Fund Universe Analysis. (*Agenda Item 8*)

This item was deferred until the January 2013 meeting.

10. Old Business. (*Agenda Item 9*)

Chairperson Easley states that they had spoken about obligation bonds and having the appointed Board members talk to their Commissioners about getting some feedback. Mr. Gueits informs that he spoke with Commissioner Quesada and his recollection was it was not received well. Mr. DiGiacomo knows that GASB 68 came out and basically what he understands they are going to have to record their unfunded liability on the government financials in the CAFR. They can either have a liability as a pension liability or possibly as a bond liability. What is Ms. Gomez's opinion on that? Ms. Gomez responds that there are a lot of other considerations for pension obligation bonds and the risks involved. A liability on the government wide financial statements is a liability. Pension bond liabilities have risks that go with it whereas the unfunded is just the unfunded. So one could say that you are adding more risk with a pension bond that you can't control and if the market tanks and the unfunded grows again then you are stuck with a bond and you have an unfunded. If the unfunded grows you still have a pension liability. There is a lot more to consider. Pension obligation bonds are something that are not done a lot and haven't been done a lot.

11. New Business. (*Agenda Item 10*)

Ms. Groome shares the meeting dates for 2013 Retirement Board meetings and asks for the Board members to review it and let her know if the dates are acceptable.

Mr. Hill requests for the Teamster Union to be able to use Mr. Stanley's services. He knows that the Police and Fire unions have used his services in the past and the Teamster Union would pay him. He believes that might help them move away from the problems they are having. Mr. Geraci made the second and the Board unanimously approved the request.

12. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, January 31, 2013 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 11:48 a.m.

APPROVED

TROY EASLEY
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR