

CORAL GABLES RETIREMENT SYSTEM

Minutes of November 9, 2023

Public Safety Building

Community Meeting Room A

2151 Salzedo Street

8:00 a.m.

MEMBERS: N J F M A M J A S O N APPOINTED BY:

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Vacant	-	-	-	-	-	-	-	-	-	-	-	Mayor Vince Lago
Alex Mantecon	P	P	P	P	E	P	P	E	P	E	P	Commissioner Castro
Juan Lucas Alvarez	-	-	-	-	-	-	-	P	P	P	P	Commissioner Ariel Fernandez
Michael Gold	P	P	P	P	E	P	E	E	P	P	P	Commissioner Kirk Menendez
Manny Carreno	-	-	-	-	-	-	-	P	P	P	P	Commissioner Rhonda Anderson
Joshua Nunez	P	E	P	P	P	E	P	P	P	P	P	Police Representative
Christopher Challenger	P	P	E	P	P	P	P	P	P	P	P	Member at Large
Sureya Serret	-	-	-	-	P	P	P	P	P	P	P	General Employees
Troy Easley	E	P	P	P	P	P	P	P	E	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Rene Alvarez	P	E	P	P	P	E	P	P	E	P	P	City Manager Appointee
Vacant	-	-	-	-	-	-	-	-	-	-	-	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager

Manuel Garcia-Linares, Board Attorney

Dave West, AndCo Consulting

Edemir Estrada, Gabriel Roeder Smith

Pete Strong, Gabriel Roeder Smith

P = Present

E = Excused

A = Absent

GUESTS:

1. Roll call.

Chairperson Mantecon called the meeting to order at 8:07 a.m. Mr. Easley attended remotely via Zoom.

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 October 12, 2023.
- 2B. The Administrative Manager recommends approval of the City of Coral Gables invoice due to G/L July 1, 2023 through September 30, 2023 in the amount of \$35,899.75.
- 2C. The Administrative Manager recommends approval of the Other Public Employer Service Purchase time of Hermes Diaz (General Excludable Employee - Managerial) - requesting to buy back 1,825 days (5 years, 0 month).

A motion to approve the Consent Agenda was made by Ms. Gomez and seconded by Mr.Challenger. Motion unanimously approved (10-0).

- 3 Comments from Retirement Board Chairperson.

There were no comments from the Chairperson.

- 4. Items from the Board Attorney.

Mr. Garcia-Linares commented on the progress made by Ms. Groome and about how many people she's been doing with the earnings reports being provided to GRS.

The second item was in regard to the FRS Online Comprehensive Report File Submission. Mr.Dave West mentioned that as part of the compliance, his firm have received very limited instructions on what they are obligated to do but they covered the primary issue by adopting the Investment Policy Statement.

Chairperson Mantecon asked if there have been any major issues during the interaction between Ms. Estrada and Ms. Groome and retirees, to which Ms. Estrada responded in the negative and Ms.Groome comented on the number of reports she has provided to GRS and that additional retirement electronic files were provided to GRS recently.

- 5. Discussion of approval of the Verdeja De Armas Trujillo, and Alvarez LLP audit and engagement letter regarding the year end September 30, 2023 (\$28,500 and out-of-pocket expenses of \$250) audit and 2023 State of Florida Annual Report (\$3,250) not to exceed \$32,000.

Mr. Garcia-Linares noted he reviewed the auditor engagement letter prior to the meeting, and a recommendation was made to the Board for the letter to be approved.

A motion to approve the engagement letter was made by Ms. Gold and seconded by Ms.Gomez. Motion unanimously approved (10-0).

- 6. Discussion on the 2024 COLA letter submitted by Gabriel Roeder Smith. The net rate of investment return on the market value of assets during the year ended September 30, 2023 was calculated by the actuary to be 12.0%. Therefore, the cost-of-living increase is eligible to be granted on January 1, 2024 to Class Members, "Opt-out Members", and "Gap Members", according to the provisions of subsection 46-253(c)(7) of the City Ordinance.

Mr. Pete Strong addressed the Board to provide a general report on the COLA and what the cost to the Retirement System would be if the COLA goes through.

There is a return above 10% on a market value basis. The Ordinance stipulates that there is a triggered COLA based on a formula and back in 2017, due to the multi-year settlement that was reached, anyone who retired prior to February 2015 is eligible for a COLA under the formula; these include members of the Class, Opt-out members or members who opted out of the Class settlement and Gap members, which means those are members who retired after 2013 but before February 2015 that they were in the gap before the provisions were changed to base the COLA only on total cumulative experience loss. All of the Class members, Opt-out members and Gap members are entitled to a formula-driven cola. It's by default whenever the plan earns a return in excess of 10%.

The City Commission can either allow that to go through, or they can block that with a 4/5 super majority, or they can reduce it to something else, and there are multitude of factors for them to take into consideration when they review that COLA.

The return for the year has been calculated to be 12% on a market value basis.

Anyone who retired after February 2015 is not entitled to a COLA and they're not included in this analysis because of the cumulative experience loss.

Mr. Strong explained that that two separate votes are needed; one for the formula-driven COLA and those that retired prior to February 2015, and a separate vote to not approve any COLA for people that are subject to cumulative experience, which is retirees who retired after February 2015.

Mr. Garcia-Linares provided some history regarding this matter to new board members and he reiterated to the Board that two motions are needed. The first motion would be a motion to approve the COLA increase for Class members, Opt-out members, and Gap members; and a second motion would be to deny the COLA to everyone else who was not one of these members.

A motion to approve the COLA increase for Class members, Opt-out members, and Gap members was made by Mr. Nunez and seconded by Ms. Gomez. Motion unanimously approved (10-0).

A motion to deny the COLA increase for all non-Class members, non-Opt-out members, and non-Gap members was made by Ms. Gomez and seconded by Mr. Nunez. Motion unanimously approved (10-0).

Ms. Gomez also commented on the fact that a letter will be issued from her office to the City Commission with her recommendation as a Finance Director, not as a representative of the Retirement Board. Ms. Elejabarrieta mentioned that the recommendations are based on what the Board has approved. Commissioners are briefed a couple of days before commission meeting in detail.

7. Discussion on the investment return assumption in the October 1, 2023 Actuarial Valuation.

Mr. Strong mentioned that it's been the Board's history for the last 7 or 8 years to be slowly reducing the investment return assumption. Last year the assumption was lowered from 7.25% to 7.20% even though the plan had a negative return for the year.

The current target is to try to get the 7% and possibly target further reductions below 7%.

The contribution is still trending down over time because of the city's extra payments on the unfunded liability. There will be a loss this year because we're still phasing in the market value lost from fiscal year 2022.

Mr. West added that over the years this has been an ongoing discussion item; a 5 basis point reduction or any reduction in around to the 7% area is not going to have any impact on what we're doing with the investment program. The plan investment program has successfully exceeded the actual required rate of return consistently.

A motion to reduce the investment return assumption from 7.20% to 7.15% in the 10/1/2023 actuarial valuation was made by Ms. Gomez and seconded by Mr. Nunez. Motion unanimously approved (10-0).

8. Items from the third-party Pension Administrator.

Ms. Estrada commented on the scheduling of the joint workshop with the Commissioners and how challenging has been trying to coordinate it based on everyone's availability.

After a brief discussion, it was decided that a final date will be provided for December 2023 and invites will be sent to all attendees. The joint workshop will also be coordinate through the City Manager's office to ensure attendees will be available on the chosen date.

The second item in regards to the Death Audit services provided to the Retirement System and the existing agreement that is going to be ending at the end of this year.

A proposal from PBI was presented to the Board for review.

Ms. Estrada also mentioned that she's been communicating with Mr. Strong trying to find additional options to present to the Board

Mr. Strong added that he had a conversation with Mr. Garcia-Linares to talk about a related matter that happened years ago when GRS used to subscribe to the DMF listing which was supplying deaths from the Social Security Administration. Now, GRS is using a new provider, and have a contract with TransUnion who is also a credit bureau. They have a really robust system. It's based on them receiving deaths reported to them, but it's based on credit reporting. It's not going to be as robust as PBI who actually goes out and actively searches all state records, all obituary records, all local news postings to try to capture a hundred percent of deaths that are reported within like a month after they happen.

TransUnion services are less expensive than PBI services, however if GRS is to pass TransUnion services on to the Retirement System, GRS would need to get an agreement signed with the Board that immunizes GRS if a death is not reported. Then the Board would be facing with what to do if a death is not reported in time and there are overpayments.

Mr. Garcia-Linares provided some history regarding this matter to new board members including what had happened in the past with death records, retirees and some overpayments.

Ms. Groome added that PenChecks is currently doing death audit so the Retirement System is still covered after 12/31/2023.

No decision was made and this item has been deferred to the next regular meeting.

As requested by the City, Open Enrollment information and new insurance rates for year 2024 was provided to City employees. An email was sent out by GRS to members of all three groups (General, Fire and Police); however, the rates only apply to General employees and a letter was mailed out only to them.

The next item was related to the Direct Deposit Dates provided by PenChecks that will be available to all retirees. Those dates will also be published on the pension portal.

An update was provided to the Board on the number of active and inactive members that are currently registered on the portal; 241 active employees are registered, including 506 inactive members.

In response to Mr. Garcia-Linares' question about how many members are pending to register, there are 344 active employees and 510 inactive employees.

9. Investment Issues.

Dave West commented on the managers' performance in the portfolio. October and November were highly volatile and long-term interest rates went up to 5%.

The risk and the local bonds available in the bond market have been identified; the bond allocation is less interest rate sensitive than the off-the-shelf benchmark. The biggest driver of investment returns for fiscal year 2023 was equities. This was a very bizarre market and very challenging period.

Mr. West provided an overview of the Investment report for the quarter ending September 30, 2023, also mentioning the stocks with equity market returns. A second point was made related to bonds and interest rates. The bond return all in for the fiscal year was 6.11%.

The other highlight point was in the real estate section.

Mr. West thanked everyone for all the input and constructive conversation they have had over a very challenging fiscal year and stated that he had no action recommendations.

10. Old Business.

There was no old business.

11. New Business.

There was no new business.

12. Public Comments.

There was no public comment.

13. Adjournment.

Meeting was adjourned at 9:17 a.m.

APPROVED ON: _____