

CORAL GABLES RETIREMENT SYSTEM
 Minutes of June 10, 2021
 Community Meeting Room
 Public Safety Building – 2151 Salzedo Street
 8:00 a.m.

MEMBERS:	J	A	S	O	N	J	F	M	A	M	J	APPOINTED BY:
	20	20	20	20	20	21	21	21	21	21	21	
Andy Gomez	P	P	E	P	P	P	P	P	P	P	E	Mayor Vince Lago
Alex Mantecon	E	P	P	A	P	P	P	P	P	E	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	P	P	P	P	P	E	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	P	E	P	P	P	Commissioner Kirk Menendez
Katherine Newman	-	-	-	-	-	-	-	-	-	-	P	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	P	P	P	P	P	E	P	P	Police Representative
Christopher Challenger	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Marangely Vazquez	E	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
Diana Gomez	P	P	P	P	P	P	P	P	P	E	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Rene Alvarez	P	P	P	P	P	P	E	E	P	P	P	City Manager Appointee
Andy Mayobre	-	-	-	-	-	-	-	-	-	P	E	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Manuel Garcia-Linares, Day Pitney LLC
 Dave West, AndCo Consulting

P = Present
 E = Excused
 A = Absent

GUESTS:

Yolanda Menegazzo, LagomHR

1. Roll call.

Chairperson Gold calls the meeting to order at 8:03 a.m. There was a quorum. Dr. Gomez and Mr. Mayobre were excused.

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 May 26, 2021.
- 2B. The Administrative Manager recommends approval of the following Retirement Benefit Certifications:
 1. DROP Benefits: Antonio Miguelez (Police), Steven Riley (General/Excluded), Lynn Schwartz (General/Teamster), Julio Torres (Firefighter), Kevin Kinney (General/Excluded), Ronnie Hudson (General/Teamster), Marcus Thomas (Firefighter).
 2. Retirement Benefits: Joseph Fleres (Police Officer), Carlos Mindreau (General/Excluded).
 3. Vested Rights Benefits: Juan Soto (General/Teamster).

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

3. Comments from Retirement Board Chairperson.
4. Items from the Board Attorney.

Mr. Garcia-Linares informs that there is nothing new. He spoke with Ms. Gomez and she agrees with the Board's decision that the change in the rate of return for the DROP participants will be effective on May 1st. The ordinance is clear and the change from 7.5% to 7.4% has already taken effect. The Board does need to sign a new contract with PenChecks and he will be reviewing the contract.

Mr. Mantecon arrives to the meeting.

5. Update of Pension Administration System implementation and scanning of files in the Retirement Office.

Ms. Menegazzo mentioned two weeks ago that they were doing the transition over to the GRS server for all the retiree data. It was a successful transition. The data was tested to make sure when the next payroll is run that the data is the same on the GRS server as it was on the PensionSoft server. The next thing is that she and Ms. Groome will receive access to the portal as if they were retirees so they can go through the system and see what the retirees will be looking at when they log in. They will be giving access to some retirees to test run the portal. Then they will make final tweaks before sending out access. The notification to retirees will be a combination of email and USPS because they have not received all retirees' emails yet. As far as the active members, there were some discrepancies with the data, and she believes they have taken care of that and are reviewing the final batch.

Ms. Gomez asks when they will be coordinating with the Finance Department regarding the PenChecks system. In the past she would review the vendor payments and DROP distributions before the checks were processed but she has not seen anything since they started using PenChecks. Ms. Groome informs that PenChecks has controls. Ms. Gomez states that she was

not aware that PenChecks had controls. Previously, she was reviewing the payments because there were no other controls. She would like to meet with Ms. Groome and Ms. Menegazzo to go over the process in what the Finance Department had been doing previously and going forward with what they will do using the PenChecks system. Ms. Groome thinks that PenChecks should be included in the meeting. Ms. Menegazzo states that she will make sure to schedule that.

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

Dave West reviews the May 2021 investment performance. The asset allocation has a bias to the value orientation. They are also modestly overweight in domestic equity and that was very beneficial. They are also modestly overweight to international equities and modestly underweight to domestic fixed income. From the asset allocation standpoint, they are trying to play close to the vest and take profits, which is what he is going to recommend they do today. The asset allocation biases have been beneficial for the investments as far as adding incremental return. He has no strategic rebalancing recommendation but they do need to address operating funds for the next three months.

Looking at the domestic equity line up, Eagle and Brandywine represent the value managers and both managers are allocated at around \$55 million. The two growth managers are Winslow and Wells. They are letting the value run which has been beneficial. They are up 20%, fiscal year-to-date and he recommends taking some profits in the value area. It is roughly 1.6% of total assets that will be taken off the equity and that will move them closer into the equity long-term policy target.

A motion was made by Mr. Easley and seconded by Mr. Nunez approving Mr. West's recommendation to raise \$8 million for operating funds going forward taking \$4 million from Eagle and \$4 million from Brandywine. Motion unanimously approved (11-0).

Mr. West continues reviewing the May investment performance. For calendar year to date the fund was at 8.32% and for fiscal year to date the fund was at 20.01%. The one-year annualized number was 29.91%, the three-year annualized number was 12.85% and the five-year annualized number was 12.71%. The fund inception number was 7.89% and is meeting and exceeding the actuarial required rate of return. The Eagle Capital and Brandywine managers fiscal year to date was 46% for both managers. Looking at the growth managers Winslow and Wells Capital, the indexes were negative during the month. There was significant rotation going on in the marketplace. The allocation overweight of the value managers was very beneficial. The small allocation to the S&P 400 mid-cap fund was at 47% fiscal year to date. RBC international fund was at 46% fiscal year-to-date and was nicely ahead of the manager benchmarks. The Ironwood hedge fund continues to do very well giving nice double digit returns at 10.42%. There are no manager issues. He wanted to point out the positive contributors.

Mr. West reviews the cash flow for the month. The month opened at \$415,402,167. There were \$28,827,016 in contributions and \$33,290,000 in distributions for the month. Management fees were \$1,851,353 and other expenses were \$99,190. There was \$6,664,038 in income generation and \$81,200,605 in appreciation. The month closed at \$496,853,283.

Mr. Easley asks about Ironwood. He saw they are underperforming their index. Not only in recent times but it seems it is going back throughout the duration of the time that has been coming from inception. Are those numbers net of fees? Mr. West responds that the numbers for Ironwood are gross of fees. Mr. Easley asks what the fees are. He understands that hedge fund managers' fees are usually higher than other types of money managers. He would like to look at those fees. Mr. West informs that they do not have the fee structure in the flash report, but they do publish it in the quarterly report. He wanted to briefly highlight Ironwood because the fund has performed very well. Early on during the replacement, it has performed very well. They are a little challenged because when they are selecting a hedge fund of fund, managers they are looking for risk management characteristics in addition to total returns. They expect that this management approach is probably going to have a little bit of a headwind to compared to other competitors, which may have a more focused, more aggressive allocation in the universe. He recommends that they let the clock run on this and the Investment Policy suggests they look at managers over a rolling three and five-year period. Chairperson Gold points out that hedge funds are no like large cap value managers where it is easy to say what is in the index. Each hedge fund is so, esoteric. They are all different. Hedge funds standard deviation is something like 3% and for equities it is like 15%. The goal is to almost replace fixed income and get better than fixed income returns, but not take ordinate amounts of risk. That is where they focused on it first. He thinks it is providing that and it is getting better returns than 1.5% on the ten-year. They are not taking extraordinary risk to do it. It will probably never be going to be a double or a triple return, but they will just hit single returns year after year. The goal is to not have extreme volatility but just consistently return mid-single digits. If they get 5% or 6% return in a decade that will be impressive. Mr. Mantecon states that fund of funds tend to have lower fees than original hedge funds. Mr. West agrees. When they vet any manager, they bring forward, particularly the hedge funds products, they go through the fees very thoroughly. If they are recommending a manager there will be a competitive fee offer.

Mr. West gives an update on the Tortoise Fund. They will have a distribution pending which will likely close out that investment. They are down to four investments and most recently one of those was sold. They have a position in energy transfer and their sale is in process of that holding. They should be closing out that fund. Initially the return for this fund in the energy sector was performing very, very well and their investment period just captured the whole decline of the energy sector. The manager has done the best they can to maneuver through. It looks like they will be getting an 100% return of capital once they work through those last remaining positions.

Mr. Garcia-Linares asks if tax rates go up next year how will it affect the investments. Mr. West responds that the fundamentals are in place for an economic recovery. The overwhelming consensus is that economic growth will be robust. The Fed has clearly stated that they intend to continue to flood the economy with support, in whatever shape or form. The issue right now is the static disconnect between jobs available and people willing to step up and take those jobs. The economy was always driven by inventories. As long as interest rates remain reasonably well, and inflation remains reasonably intact or just transitory, the fundamentals are set up for continued growth going forward. The markets have certainly discounted a lot of optimism here. He thinks what they are seeing and will continue to see is that rotation into the more cyclically sensitive stocks, those carrying the fullest value last year's growth stocks. He thinks the key

issues on the radar screen to watch are going to be the rate of change of interest rates and the rate of change of employer.

Mr. Garcia-Linares asks about the increase in corporate tax rates. Mr. Gold states that growth is probably overwhelming that. The retail sales numbers were announced today and it was the largest growth rate since 1984, 10% year over year. People are spending money like crazy. He does not think they will go above 30%. If they are talking about it now, everyone knows it. The markets know it, they know it, executives know it. In 2019, they probably talked about the bull market had been going on for a long time. The companies have not really spent money. The tax rates were cut and they still did not spend money for some reason. They have been hoarding cash for all these years, and really were able to cut the fat last year, almost like they did in 2008. He thinks that overwhelms any negative effects. Personal income tax rate may be different but personal taxes and capital gains can be managed on an individual level.

7. Discussion on agenda for joint meeting with Mayor, City Commissioners and City Manager. (*Agenda Item 6*).

Mr. Gold thinks they have had a good agenda in the past. Ms. Groome informs that she is looking for a little direction regarding this agenda. Mr. Gold states that they should give Mr. West and Mr. Strong 15 to 20 minutes up front and then leave it open. The Commission probably wants to receive professional knowledge from the Board, they probably want to posit with their vision and maybe get a response from the Board and their perspective. Mr. Garcia-Linares thinks that Mr. Strong and Mr. West should show the positive of the fund and what has happened and the reality of what this fund has done. He thinks that is a beginning. He thinks they should show them that this Board has done the right things and that this fund is as well funded as it is and that they are going in the right direction. Mr. West informs that he and Mr. Strong have almost finished the presentation working together and it includes a lot of pictorial explanation and there is a lot of information on the history of the plan. Mr. Strong has put together several charts showing how the plan will be a 100%. They also show the impact of the additional contribution coming from the City going to close that funding gap. He suggests that the actuarial component take most of the time because that shows the evolution and success of the program. Mr. Garcia-Linares thinks that Mr. West should showcase himself because he has done a phenomenal job with the investments.

8. Old Business.

There was no old business.

9. New Business.

There was no new business.

10. Public Comment.

Martin Barros, retiree, thanks for all the work the Board and consultants do. It is a pleasure to be able to Zoom and be able to see it instead of waiting for Ms. Groome's detailed minutes to come out a few weeks later. He appreciates everything they do once again.

11. Adjournment.

Meeting adjourned at 8:46 a.m.

APPROVED

MICHAEL GOLD
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER