

CORAL GABLES RETIREMENT SYSTEM

Minutes of October 18, 2022

City Commission Chambers

405 Biltmore Way

8:00 a.m.

MEMBERS:	O	N	J	F	M	A	M	J	A	S	O	APPOINTED BY:
	21	21	22	22	22	22	22	22	22	22	22	
Andy Gomez	P	P	E	P	E	P	P	P	P	P	E	Mayor Vince Lago
Alex Mantecon	P	P	P	E	P	P	P	E	E	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	P	E	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	P	E	P	P	P	Commissioner Kirk Menendez
Beatriz Vazquez	-	-	-	-	-	-	P	P	P	P	P	Commissioner Rhonda Anderson
Joshua Nunez	A	P	P	P	E	P	P	P	P	P	P	Police Representative
Christopher Challenger	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Marangely Vazquez	P	P	E	A	P	P	P	E	P	E	E	General Employees
Troy Easley	P	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	E	P	P	P	Labor Relations and Risk Management
Rene Alvarez	E	P	E	P	P	E	E	P	P	E	P	City Manager Appointee
Andy Mayobre	P	P	E	P	P	P	E	E	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager  
 Dave West, AndCo Consulting  
 Edemir Estrada, Gabriel Roeder Smith via Zoom  
 Peter Tramont, Gabriel Roeder Smith via Zoom

P = Present  
 E = Excused  
 A = Absent

GUESTS:

Eric Plescow  
 David Perez, IAFF President Local 1210

1. Roll call.

Chairperson Gold calls the meeting to order at 8:07 a.m. Dr. Gomez and Ms. Marangely Vazquez were excused. Mr. Gueits was not in attendance at the start of the meeting.

2. Consent Agenda.

*All items listed within this section entitled "Consent Agenda" are considered to be self-explanatory and are not expected to require additional review or discussion, unless a member of the Retirement Board or a citizen so requests, in which case, the item will be*

*removed from the Consent Agenda and considered along with the regular order of business. Hearing no objections to the items listed under the "Consent Agenda", a vote on the adoption of the Consent Agenda will be taken.*

- 2A. The Administrative Manager recommends approval of the Retirement Board meeting minutes for September 8, 2022.
- 2B. The Administrative Manager recommends approval of the following invoices:
  - 1. Gabriel Roeder Smith invoice #473282 for actuarial services for the months of July and August 2022 in the amount of \$6,296.78, invoice #473851 for actuarial services for the month of September 2022 in the amount of \$2,075.39 and invoice #474181 for administrative services for the months of July through September 2022 in the amount of \$35,796.00.
  - 2. International Foundation of Employee Benefit Plans invoice INV-663071-D1D4X4 for 2023 annual membership dues in the amount of \$1,600.00.
  - 3. AndCo Consulting invoice #42130 for investment consulting services and performance evaluation for July through September 2022 in the amount of \$38,062.50.

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

- 3. Attendance of Mayor Vince Lago and City Manager Peter Iglesias.
- 4. Comments from Retirement Board Chairperson.

Chairperson Gold informs that he is excited to have the City Manager and Mayor attend the meeting. It has been a long time since they have had a joint meeting with the Commission. He is looking forward to having their presence felt at the meeting for the first time in a while. He thinks it is wholly appropriate at a time like this. On a personal note, he mentions something that gives a sense of why this mission they are on is so important to him. Tonight, is a general meeting of the 200 Club. The 200 Club is a small, not for profit in Miami-Dade that supports the families of first responders who die in the line of duty. It does not happen often but it has happened twice this year. He will ascend to the presidency of said organization. He has been part of the organization since he moved to Miami 15 years ago and tonight he will be named President. It means a lot to him. Spending time with first responders and being on this Board knowing the good that they can do for the Police, Firefighters and the General Employees, he takes great pride and understands the responsibility and the gravity of what they do as a Board. He really enjoys working with everybody. This Board has done a wonderful job steering the pension in the right direction and he thanks everyone and thanks the City. They have been working together well for the past 8 years. As long as he has been involved with the Board, they have all been facing the same direction and working together hand in hand.

- 5. Items from the Board Attorney.

Mr. Garcia-Linares reports that the agreements with the Officer Marino and Officer Lemon are signed. Everything is in process for them to pay back their contributions. All the investment documents and a side letter they were able to negotiate for the fund have all been done. Letters have gone out to all the folks that owe the fund money. Two individuals have already paid from the letters that Ms. Groome sent out. He has sent out letters on behalf of his firm and they will see whether they get a response and whether they agree to pay the amount. If not, he will come back to the Board and make some recommendations.

6. Discussion of recommendation from the Administrative Manager to approve the Service-Connected Disability application of Eric Plescow based upon the doctors' reports submitted by the applicant and the Independent Medical Evaluation addressed to the Retirement Board. Estimated monthly disability retirement benefit is \$5,384.22. Mr. Plescow is eligible to retire on August 1, 2033. As of the last payroll ending date October 9, 2022 his employee contributions to Retirement System were \$70,101.45.

Ms. Groome informs that there is an application for service-connected disability for Mr. Eric Plescow. Mr. Plescow was involved in a car accident in the line of duty and injured his ankle. He has had many surgeries to try and repair the damage of his ankle so he could come back to work with Police Department. Mr. Plescow was seen by an independent medical doctor for evaluation. The doctor agreed that because of the injuries Mr. Plescow sustained from the accident that he is disabled and not able to do his duties as a Police Officer. She is recommending that Mr. Plescow be approved for service-connected disability retirement.

**A motion was made by Mr. Easley and seconded by Mr. Nunez to approve the recommendation of the Administrative Manager to approve Mr. Plescow's service-connected disability retirement. Motion unanimously approved (10-0).**

Mr. Gueits arrived at the meeting at this time.

7. Update on administrative hybrid arrangement.

Ms. Estrada and Mr. Tramont join the Board meeting via Zoom. Ms. Estrada thanks the Board for having them. For the record, Ms. Estrada informs that she is a Pension Plan Administrator at GRS and Peter Tramont is a Senior Analyst at GRS. They are working with the Retirement System under a hybrid arrangement. They will be updating the Board on the transition. There are two items they will be discussing. The first item is that they have been in communication with Ms. Groome on a daily basis on anything that has to do regarding applications, the members of the system and the day-to-day activities of the plan. They met with Ms. Groome in September at her office to go over a few questions that they had regarding reports they will get in order to calculate pension benefits. They still have questions and there has been a few discussions about this subject. On a second visit they had with Ms. Groome, they had a checklist with the items they might need during the transition. For example, how are the public records request handled, who gets

a hard copy of the agenda and items like that. They provided a checklist to Ms. Groome and they went over the list with her.

The second item is that there have been questions about the reports they get from the City's IT Department and Payroll Department. Mr. Tramont will address these items. Mr. Tramont states at the September Board meeting, issues were identified regarding the pay extracts that are used for benefit certification processes. What they uncovered as part of the transition work is that these reports are not fully suitable for their purposes. The subcommittee meeting, they had after the September meeting was their first attempt at trying to get exactly what they needed in order to proceed with the certifications. They were provided with a report out of Eden to review and see if it would suit their purposes. It was a first step but not quite what they were requesting. They are at a standby point because they need to know what the timetable is in getting something to work with from the City. Dr. Gomez mentioned at the subcommittee meeting that GRS should provide a timetable on the data extracts they use for the benefit certifications in particular. Their timetable at GRS is a direct function of the timetable of the City. If they get what they need, as they said at the September Board meeting, they can return the calculations within a day. They need to have what they asked for. He reiterated the template they populated giving an excerpt for a particular member to show what exactly they need. They did it manually because, on their end, they do not have a way of doing it automatically. He thinks that is the City's responsibility. The template is item by item and field by field that they need for each person in order to certify each member's benefit. Their timetable has not changed.

If there is going to be an iterative back and forth correspondence on that item, they would ask to allow for a couple of weeks to a month for questions and testing. If they get exactly what they are asking for, their timetable is immediate for GRS. Ms. Estrada can speak to this of the other plans she administers, when a certification of benefit request is made, she gets the pay data from the plan sponsor. That data goes through one level of checking through an actuarial analyst on her team. The analyst checks the pay to ensure it is internally consistent and then gives it to Ms. Estrada to process the calculation. It is as simple as that. They want to do that for this plan and they want to be able to get exactly what they are requesting from the City. They are on standby until they get that process ironed out by the City for the certifications of the benefits. There are 9 to 10 calculations pending receipt of the final pay data from the City. The only part that should be manual is taking the retro pay lump sums that are pensionable and back spreading them to the applicable periods. That is something that they are responsible for doing and can do, provided they receive the information they have requested to do it. Getting the data they need to do that is not part of what they should be doing. That is the key finding they made known after they began the transition to GRS. They pointed out that this process is something they want to do the way it should be done as a standard process. The plan sponsor provides the data to the retirement office, they review the data and do the backspreading calculation as needed and then run the calculation for certification.

The other item is for the bi-weekly feed data for PensionSoft. There are two reports that get fed into PensionSoft and should be done on a bi-weekly recurring basis. One of those

reports is the bi-weekly member pay and contributions file. They have been receiving that file every two weeks. The other file is the bi-weekly active member listing file containing all the active members in the plan, including new members from the last bi-weekly pay period. They should be getting that report also on a bi-weekly basis and they have not received that report since the middle of June 2022. At this point, PensionSoft is updated through mid-June. They cannot do the uploading of the bi-weekly pay and contribution files without first doing the update for the active member listing files. The key reason for that is because the records for new employees need to be imported first before they can bring in the pay data. If they do it in reverse order, then they are going to be literally just kicking out data and having a mess to deal with later. The best practice is to get the bi-weekly active listing file first. Once that has been reconciled and updated in PensionSoft, the next step is to upload the pay data.

Mr. Tramont mentions that the subcommittee meeting they had was an attempt to be a working functional session. It became a virtual meeting so they were able to share screens and look at a few files together to see what they were talking about. The meeting was intended to be an introduction to what they want to resolve. He thinks they may need to get those involved directly in the actual process. They are happy to work with and collaborate to explain exactly what they are requesting. It might be a matter of sitting down and going through it together, item by item and bullet by bullet. They understand that this is a very technical subject. Not everybody is going to know the granularities and the specifics. It is a matter of going through and showing what they did to put that template together. Once they show the mechanics of how that is done manually then it could be automated by IT.

Mr. Garcia-Linares states that he was asked to attend that meeting and Dr. Gomez attended also. That meeting was three weeks ago. He would like to know what has happened in the last three weeks. It sounds like three weeks have passed by and nothing has happened. GRS is telling the Board that they need to get together with IT and have a meeting but it has been three weeks. Mr. Tramont explains that he brought this up to Mr. Garcia-Linares at the last subcommittee meeting that GRS is not responsible for this process. They are not here to come up with a solution to the City's issue. They are here as a resource and to assist in pointing out what the retirement office needs to do its job. That is the extent of their responsibility. They are not in charge of solving the City's processes to get what they are asking for. They are responsible for pointing out what they need. It has been three weeks and that is why he has emphasized that the timetable for GRS is a direct function of the timetable for the City.

Mr. Garcia-Linares understands. Three weeks have passed by. Have they asked for a meeting and received no response? Mr. Tramont responds that they are not going to ask to sit down. He proposed that as a courtesy. They are not responsible for setting up those meetings. They are responsible for responding to the solution and giving their feedback which they have done. Last week, they responded to the City's attempt at giving them a report to use. They reviewed it, tested it out and responded that it was not suitable for their purpose. It should not take this long and they are ready to assist but they are not the ones taking the initiative to solve the problem. It is beyond the scope of their work.

Chairperson Gold asks if the City is clear on what they need to accomplish. Ms. Gomez explains that at the first meeting, there were some issues identified with the IT report that had been generated. There is a review going on of the codes or the logic behind the report, and that is not complete yet. It takes time. There have been people that have been out of the office on vacations and things like that. They had an internal meeting with Ms. Groome and found another report they believe is the report that is necessary. She does not understand why GRS is saying it is not what they need. She saw an email but it is very difficult to follow an email unless you are in the conversation and really understanding what is being said. The report provides exactly what her understanding is that if there is a retro calculation, it is spread already into the report. The only thing that may be an issue is, if there is a special pay which has to be adjusted manually or identified. The most part they believe that the report would be sufficient. She saw the response they received the other day and have not been able to set up another meeting in order to discuss it more fully as to what is the real problem. From their standpoint they do not understand the issue with that report because that report provides pensionable earnings and it provides the contribution. She does not know if there is a miscommunication. There have been a lot of other things happening and they have not been able to schedule another meeting.

Ms. Groome informs that when they pulled up the report, she thought it was going to be excellent. But what GRS wants is the retro adjustments that are given in lump sums to be calculated back to the applicable dates. Ms. Gomez states that she understands if that report is rerun after the retro payment, it will have recalculated the amounts back to the appropriate pay periods. Maybe there is a misunderstanding. Chairperson Gold thinks it would be helpful if there is a succinct way to make this bullet point presentation to where different people in the City, when they see an email coming in from an outsider perspective, know exactly what is expected of them.

Ms. Gomez comments that she understood that there needed to be another follow up meeting and scheduling has not been very easy over the past two weeks. They believe that report would give them everything they need. The only issue is when there is a special pay out of the pay cycle, that pay might be something that does not get spread. Then they can address how they can spread those amounts. She knows that Human Resources does some kind of spreading. If they are already doing that it is a matter of communicating and getting that information. What they did find out throughout both meetings they had was that the information is available and being calculated already. Perhaps Ms. Groome was not aware that Human Resources was doing something. They just have to coordinate where GRS is going to get the information from. The EDEN report gives 90% to 95% of all the information that is needed already and there may be a few one-off which Human Resources could provide for the calculation of the retro payment. Chairperson Gold states that since they already have that report, they will get that report to GRS soon. Ms. Gomez points out that when there is a retro calculation or retro payment made, the report needs to be rerun as of the later date so it will have spread to the appropriate dates. That is her understanding.

Mr. Tramont explains that the file they reviewed did not have retro lump sums spread out. They required Ms. Groome to research the individual earnings statements to know they were retro payment lump sums embedded in the data. Ms. Gomez would like to be provided those two examples. She does not think they are on the same page with this. She asks what Mr. Tramont was referring to when he was talking about active member files. He had said GRS was receiving the report and then in June they stopped receiving the report. Who are they waiting for on that? She is not aware of any anything other than the data file. Ms. Groome informs that it is a file that IT made for the Retirement System. One is the bi-weekly report and the other one is the active employee report. The active employee report does not work. She informed IT that the active file was not working and they are looking into why the report is not working. She does not know if there is a security issue with running the report. These two reports are on the laptops the City provided to GRS. Ms. Gomez asks how they were getting that report before. Ms. Groome informs that the report was being provided to them by IT. Ms. Gomez thinks that Ms. Groome should continue to request the report from IT until the online report has been corrected because Mr. Tramont stated they have not received the report since June. There is no reason why they could not continue to get the report the way they have always received it. Chairperson Gold thinks the frustration comes from the fact that the conversations are happening here. This conversation does not need to happen at a pension board meeting. This conversation is a call between two City employees and 50% of this could be handled in five minutes phone call. These are conversations that could have happened a week ago or two weeks ago. Mr. Tramont comments that GRS provided a list of bullet points in the very beginning following the September Board meeting along with the template. They can summarize it again or have a meeting to go over those 16 bullet points. There sounds like there is a miscommunication between them and the Finance Director and they would want to sit down and resolve it. The report they received was not sufficient for their purposes. The City should reach out to them to set up a meeting to go over the next steps.

Ms. Gomez asks who is supposed to be doing this. She has a job as the Finance Director and the Trustee. She understands that. She does not administer the pension plan. She does not think it is her place to have to make the first step. She has made the first step for a couple of meetings and that is fine. She also has another job that she has to deal with. Why are they waiting to submit something? If the new way is not working, continue to use the old way, and that is something that should be done by the administrator on their own. They should not have to be told to do that. That is what she does not understand. She thinks there is miscommunication. Ms. Groome can schedule a meeting and knows they need to meet and discuss. She has not seen a request for scheduling a meeting. She has to take it upon herself to try and schedule the meeting, which she did the last time. Her schedule is busy. It is difficult for her to have to deal with that as well as everything else. She wants to make it very clear to the Board that she is working as best as she can and staff is working as best as they can with the limited resources that they have but certain little things should be handled by the administration and not by her. Ms. Groome comments that she is also working the best she can and it is very difficult to try to do your job when you do not have the tools to do your job. Ms. Gomez states that in terms of the report that had been provided previously, she thinks Ms. Groome can continue to

provide that same report until the new format is available. That is something very simple and straightforward. She thinks the meetings are something that Ms. Groome should schedule as the administrator of the Board. Chairperson Gold thinks it is appropriate that Ms. Groome is the intermediate because she is the one talking to GRS the most and she is the one who knows what should be expected from the other City departments. He asks GRS if they are concluded. Mr. Tramont thinks that sounds very good. He thinks that Ms. Groome has always been that liaison you are describing in certain ways. Thank you. Great, alright, I'm going to check in more often. I think I'll take that on as my responsibility to see progress appointments.

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

- a. Direction from the Board as to whom will approve requested leave for Administrative Manager.

Ms. Groome informs that she would like direction from the Board as to who will be signing off administratively for time taken off. She spoke with the Human Resources Director and the Director stated that their Department would be able to do it since they have access to the payroll system. Ms. Gomez thinks there is a miscommunication because she said she had no problem signing off administratively on the time off. She said she did not grant the time off because she does not supervise the Administrator. The Board determines whether or not to approve the Administrator's time off. She did say she would administratively put it in the system as long as the Chairperson and Board Attorney are aware of the time off and that there is nobody in the office. Ms. Groome states that she wanted to make sure she has the right direction and that the time she takes off is counted for by the City.

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

There was no new business.

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

There was no public comment.

Mr. Iglesias informs that the Mayor is not able to make the meeting and he apologizes for that. Chairperson Gold welcomes the City Manager and the Mayor at any of their Board meetings. He put time on the agenda so they could address the Board if that was their interest. Mr. Iglesias thanks Chairperson Gold. He thinks the Board is doing a fantastic job in something that is very important to their City. The fact that they have made these extra contribution payments to the fund is very difficult. With these extra payments, they could have paid off the new Public Safety building in less than 3 years, so it does affect them a great deal. They are trying to administer the City as best as possible and keep in compliance with the pension requirements. It has been difficult and he thinks the Board has done a fantastic job in navigating a very difficult situation without going to any Draconian measures. They have gone from 50% to over 70% in actuarial basis. The market is down a little bit but those things happen. He has never gone



through a 10-year period where they have not had some type of slide one way or another. He thinks they can weather through it. They are over 70% actuarially now. If they keep on with the measures they are doing they can get out in 7 years or 10 years. The extra payments have hurt the City quite a bit, especially on their infrastructure. They have aging infrastructure and they have had some buildings that were in serious condition. They have a new Public Safety building. They have remodeled the Fire Stations and have had a new Fire Stations venue on Sunset which is a major issue from a public safety perspective. They are navigating all these things at this time with the albatross they have with the current pension plan. He thinks they are doing fine and that the measures this Board has taken have been excellent. They have to continually keep doing what they are doing and that they will get out of this in probably the next 10 years. He will answer any questions this Board might have and he thanks the Board for the great job they are doing. Chairperson Gold thanks Mr. Iglesias for taking the time to be at the meeting. you're doing. Thank you. Thank you for taking the time to be here. They appreciate and recognize the City's contribution. They hope that better times are ahead for the market and the City's contribution deposit came at the right time and may be a silver lining here considering the market is up over 1,000 points in the past 3 days. Mr. Iglesias remembers 2000 and 2009 and they thought it was the end of the world. They have been here before. If they had done something drastic or inappropriate, they would have missed all those gains they have had from then to now. They have an excellent plan and if they move forward steadily, they will come out of it and will be much better.

11. Investment Issues (*Agenda Item 8*)

Mr. West reports on the investment performance. He is there to address a very frustrating fiscal year as far as markets go. No one has been exempt from what has transpired this year. Looking at the situation, they have a rock-solid U.S. demand and fundamentals. They have global inflation being pushed by post Covid supply constraints and the Russian/Ukrainian situation coming in quite unexpectedly forcing up the cost of energy and various other commodities. In reaction to that, the Fed has moved in very aggressively, trying to slow the U.S. economy and this effort to bring down what is a global inflation phenomenon. They have clearly stated that they are attempting to frontload the interest rate and tightening policy. They have not seen rate increases like this since the Volcker years when they were in double digit rates and the Fed Chairman Volcker was aggressively moving rates around. This is on par with that arguably. This has put them into a new rate regime and in a brand-new operating environment coming off over a decade of no interest rate return. The last 6 months they have advanced out of that and are on a new plane form now, operating where they can actually make money with fixed income. Looking at the yield curve and U.S. Treasuries, they can earn 4% across maturity. This has changed the investment environment dramatically.

This year, they had a dramatic reevaluation of equities and fixed income. For fixed income, rates go up and you adjust the price of the bond down. At AndCo they have been in constant communication with the System's actuary, GRS. Because the Board and the actuary judiciously enacted a number of programs to help smooth out the inevitable volatility of the investment program the program is actually bearing through this situation quite well. If you look at the net expense lost on the actual valuation of assets will only

be around \$7 million this year. The bottom line is this net loss will increase the required City contribution \$650,000.00. The smoothing and various actuarial techniques are being employed. They have huge gains that they are pulling off the shelf from previous years with 20% returns last year. Those are put on the in the back, and the actuary is pulling those off the shelf to help neutralize this year's return. GRS estimated the required City contribution impact will be \$650,000. The market value of assets, which was previously in excess of the actuarial smooth value of assets, is now below that and they will be working off that valuation deficit over the 5-year smooth period. With the implementation of the actuarial process the Board has adopted, this has provided a very nice smoothing of what is inevitably a very volatile investment year.

Mr. West reviews some charts with the Board. The bottom line of why this decline was more painful than the previous market. The bond market sold off dramatically. They had interest rates that were close to 0% that are now over 4% almost across the entire yield curve. That is almost a 30% decline in price because of that increase in interest rates. The bonds in this portfolio are professionally managed. A bond that was previously purchased by one of their managers that was going to earn 2.5% is now going to yield over 4%. The increase in interest rates is actually a great thing for fixed income investors. If they hold that bond to maturity they are going to receive their \$100 at par. They have to go through this market adjustment for the interim period. If they hang on to those securities and then they will accrete value back to par and receive their redemption. The bond market decline has been unprecedented. They have to go back to the Volcker years in the to the late 1970s and early 1980s before they saw a decline in the fixed income market that was of this magnitude. The investment grade bond measured by the Aggregate Index was down 16%. The fact that they did not have bonds returning positive 16% in the environment where that equities were down 24%. That is the reason why they suffered the wealth destruction they did this year.

Looking at the asset allocation, they increased their quality allocation in fixed income and made a number of changes in the fixed income allocation. They reduced the sensitivity and the changes in interest rates of the manager mandates from the portfolio so we abandoned the Aggregate Bond Index and went to the Intermediate on the index. They also integrated the Treasury Inflation Protection Securities into the portfolio in the form of an index fund. They recently funded another alternative fixed income strategy which should provide them to more all-weather return going forward even if interest rates were declined from this point. They also rebalanced one of the PIMCO holdings. In their effort to increase quality, that was a significant redemption coming from that fund. Shifting over to the equity allocation, during the last year and a half they have done some very significant style rebalancing where they were able to capture the return differentials between growth stocks and value stocks. They also maintained a steady underweight in international equities. They completed a significant build out of the real estate program. They moved off their core asset holdings with the two JP Morgan funds and added TerraCap and Boyd Waterson. The idea was to get into more niche oriented real estate managers because they were looking at very full cap rates from the from the core investment funds. They also rebalanced some of their JP Morgan holdings in that real estate to make sure they were compliant with their asset allocation.

Mr. West reviews the monthly performance. The one-year calendar year end return shows the decline of 17.4%. If they had met their policy benchmark the return would have been 13.5%. Two or three quarters ago, they discussed that the equity managers performance fell off the wagon. It was a period of time where they had the initial market correction and had a major repricing and thematic changes flowing through the marketplace. At the time they had their active managers drop below the market. For the fiscal year, the equity allocation is really the main reason why they came in a deficit position. They had some good performance from a couple of managers but they were down 26% versus 20% with the benchmark. The international equity side was down 30% versus 25%. The real estate portfolio underperformed the benchmark but it was still a positive contributor to the portfolio at 16.5%. The other assets are alternative assets performing well on a relative basis. The Ironwood hedge fund performance was very good. He has gone through everything from an allocation standpoint and he does not think there is anything else they could have done.

Mr. Mantecon asks why the TIPS have not performed better in this environment. Mr. West replies that all bond prices are getting more marked down. They did lightened up on the TIPS allocation significantly. If you look at how the TIPS work, you get a very, very low, very nominal coupon payment and as CPI changes, the notional value of the underlying TIPS adjusts. It should perform extraordinary well in this environment. There is a lag as to when that adjustment occurs but the big driver is really market sentiment. For the last decade TIPS have been shunned as a low return investment. As they entered that environment where inflation became the driving dynamic, TIPS did perform very well and then market participants started to back off inflation expectations. That starts to get reflected as the bonds trade in the price. Mr. Mantecon states that they usually buy TIPS to hedge against high inflationary markets. They are down almost 14%. Is it a lag as to when those returns will kick in? Mr. West responds that it is not a perfect correlation and it is not a perfect hedge. There is a lot of anticipation priced into it. He thinks it is the market movement and anticipation that is the cause for the recent of underperformance.

They funded \$5 million to the Serenitas Gamma 2 fund during the month and allocated additional monies to the Ironwood hedge fund. They have \$15 million in cash reserves in Northern Trust. At the last meeting, they held off on investing the additional money with Garcia Hamilton which would bring that bond allocation to a neutral position. They have a pending funding of the Boyd Waterson real estate manager. It is probably four quarters before they see that capital call. They opted to revisit the cash allocation at this meeting, this meeting. They are reviewing the money market rates at Northern Trust and may come back with some alternative money market U.S. Government quality equivalent rates. There may be an opportunity to be in a low volatility again. They do not know if rates are going to continue to go up or not but they can certainly earn something close to 3% or 4% in this rate environment. He proposes a discussion for next month's meeting for a review of what other alternative, short investment, high quality, liquid short investments to take a look at in lieu of just cash. His recommendation is to retain the cash which gives them plenty of money for several months forward to make distributions to members without having to go in and interrupt the investment portfolio.

**A motion was made by Mr. Easley and seconded by Ms. B. Vazquez to approve the recommendation of the investment consultant. Motion unanimously approved (11-0).**

12. Adjournment.

Meeting adjourned at 9:17 a.m.

APPROVED

MICHAEL GOLD  
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME  
ADMINISTRATIVE MANAGER