

# City of Coral Gables Retirement System Workshop

October 25, 2024

*Pete Strong, FSA, EA – GRS*

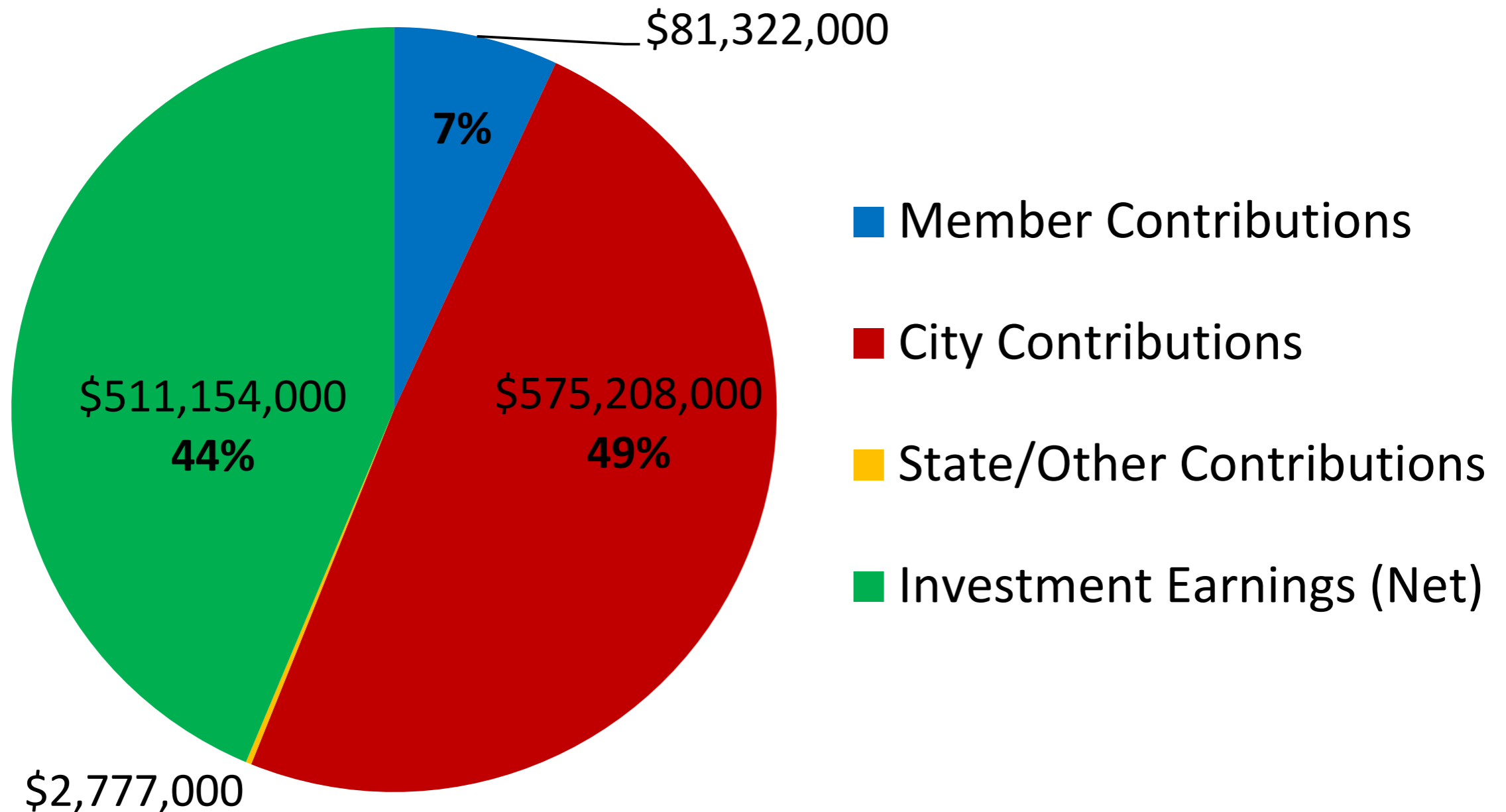
*Dave West, CFA – Mariner Institutional*

# General Overview

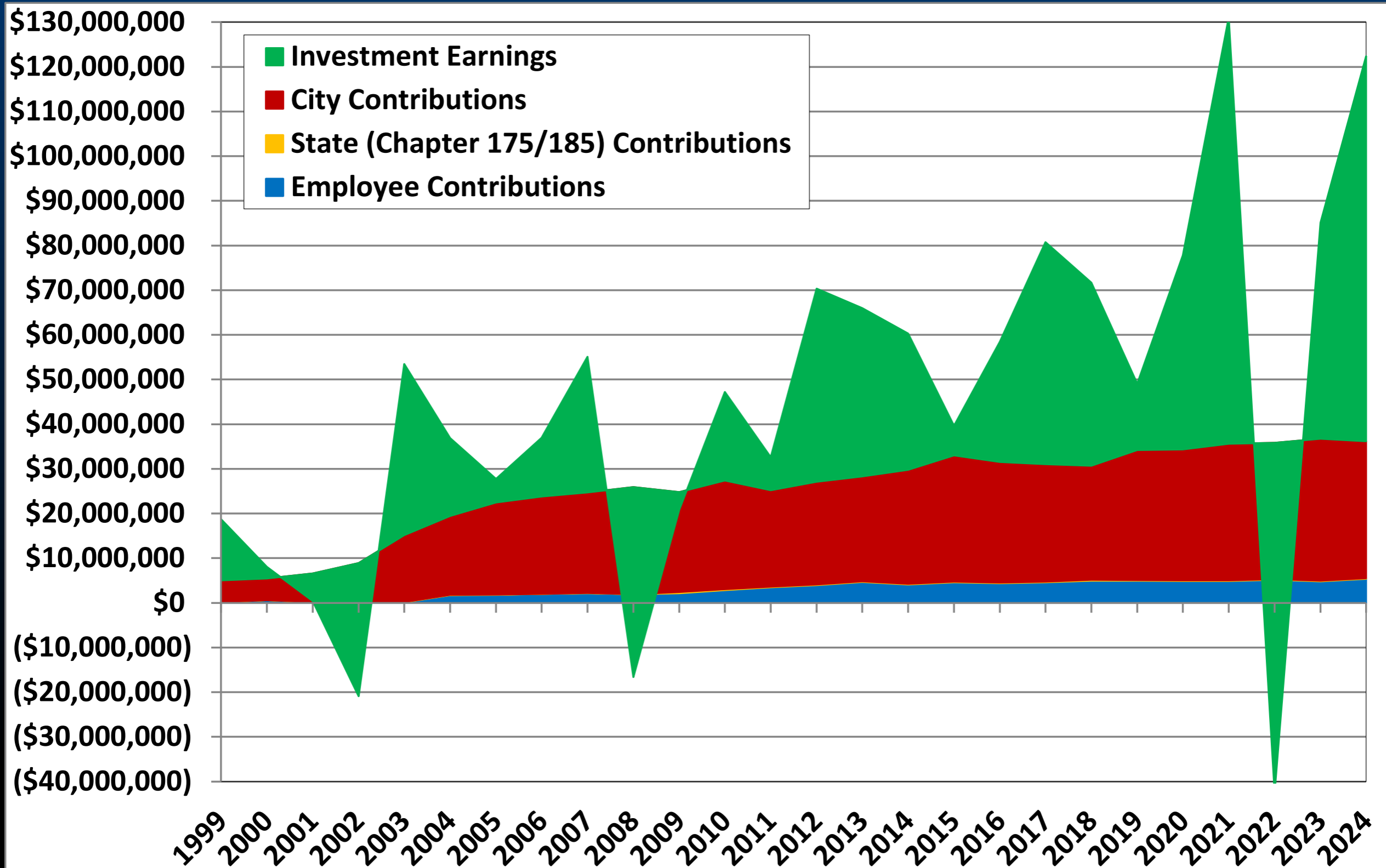
- Current City Contribution Requirement: \$21.2 million (from AIS dated 6/4/2024)
- Total Actuarial Liability as of 10/1/2023: \$632.1 million (from AIS dated 6/4/2024)
- Assets as of 10/1/2023: \$449.4 million (Market Value; >\$500M as of 10/1/2024); \$475.1 million (Actuarial Value)
- Unfunded Actuarial Liability as of 10/1/2023: \$157.0 million (was \$209.9 million at 10/1/19)
- Funded Ratio at 10/1/2023 = 71.1% based on Market Value; 75.2% based on Actuarial Value (Note: It was 52.1% as of 10/1/2012)

# Where has the Total Funding Come From?

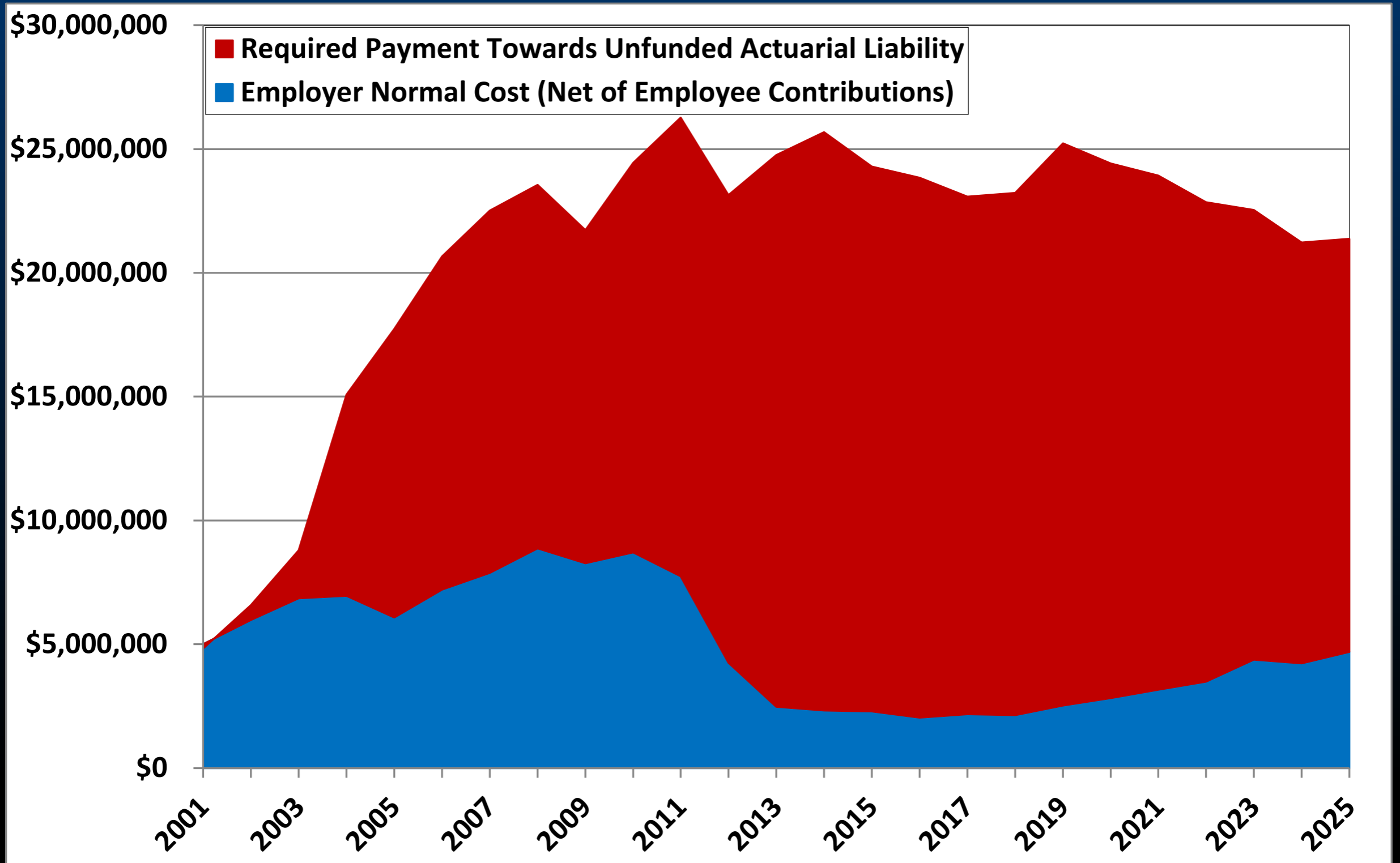
## Coral Gables, 1999-2024 Funding Sources:



# Where has the Total Funding Come From?



# City Required Contribution Breakdown



# Coral Gables – Funding History

- ❖ Funded Ratio at 1/1/1999 = 104%
- ❖ Funded Ratio at 10/1/2012 = 52%
- ❖ Funded Ratio at 10/1/2023 = 75%
- ❖ Causes of Decrease from 1999 to 2012 of (52%):
  - Investment Return < Expected: (38%)
  - Assumption Changes: (10%)
  - Demographic Experience / Other: (4%)
- ❖ Recovery Since 2012: +23% (Due to Positive Investment Experience and Extra UAAL Pymts)

# Coral Gables – Actuarial Assumptions

- ❖ Investment Return Assumption at 1/1/99 = 9.0%
  - Changed to 8.25% in 2003; 7.75% in 2004; 7.65% in 2017; 7.60% in 2018; 7.55% in 2019; 7.40% in 2020; 7.25% in 2021; 7.20% in 2022; 7.15% in 2023; Another 5-10-15 bps in 2024?
- ❖ Compound Average Actual Return on Market Value from 1/1/1999 to 10/1/2024 = 6.0%
- ❖ Mortality Assumption on 1/1/1999: 1983 GAM
  - 10/1/2011: Changed to RP-2000 Proj. to 2012
  - 10/1/2016: Changed to FRS Mortality

# Extra Contributions by the City

- ❖ The City Began Contributing Extra Money Towards the UAAL in 2015:
  - \$4,076,780 Extra in October 2015
  - \$3,273,396 Extra in Oct. 2016 (*for FY 2017*)
  - \$3,347,274 Extra in Oct. 2017 (*for FY 2018*)
  - \$2,471,544 Extra in Oct. 2018 (*for FY 2019*)
  - \$3,971,709 Extra in Oct. 2019 (*for FY 2020*)
  - \$5,027,288 Extra in Oct. 2020 (*for FY 2021*)
  - \$6,758,821 Extra in Oct. 2021 (*for FY 2022*)
  - \$7,630,097 Extra in Oct. 2022 (*for FY 2023*)
  - \$9,311,291 Extra in Oct. 2023 (*for FY 2024*)
  - \$9,545,337 Extra in Oct. 2024 (*for FY 2025*)



## Extra Contributions by the City

- ❖ Total of \$55,413,537 in Extra City Payments through October 2024 (\$45,868,200 through October 2023).
- ❖ Due to these Extra Payments (with Interest):
  - The Plan's UAAL is \$73.8 Million Lower as of 10/1/2024 than it would have been without them (was \$59.4 Million Lower as of 10/1/2023).
  - The Funded Ratio as of 10/1/2023 would have been 65.8% without the Extra Payments (vs. actual Funded Ratio of 75.2%).

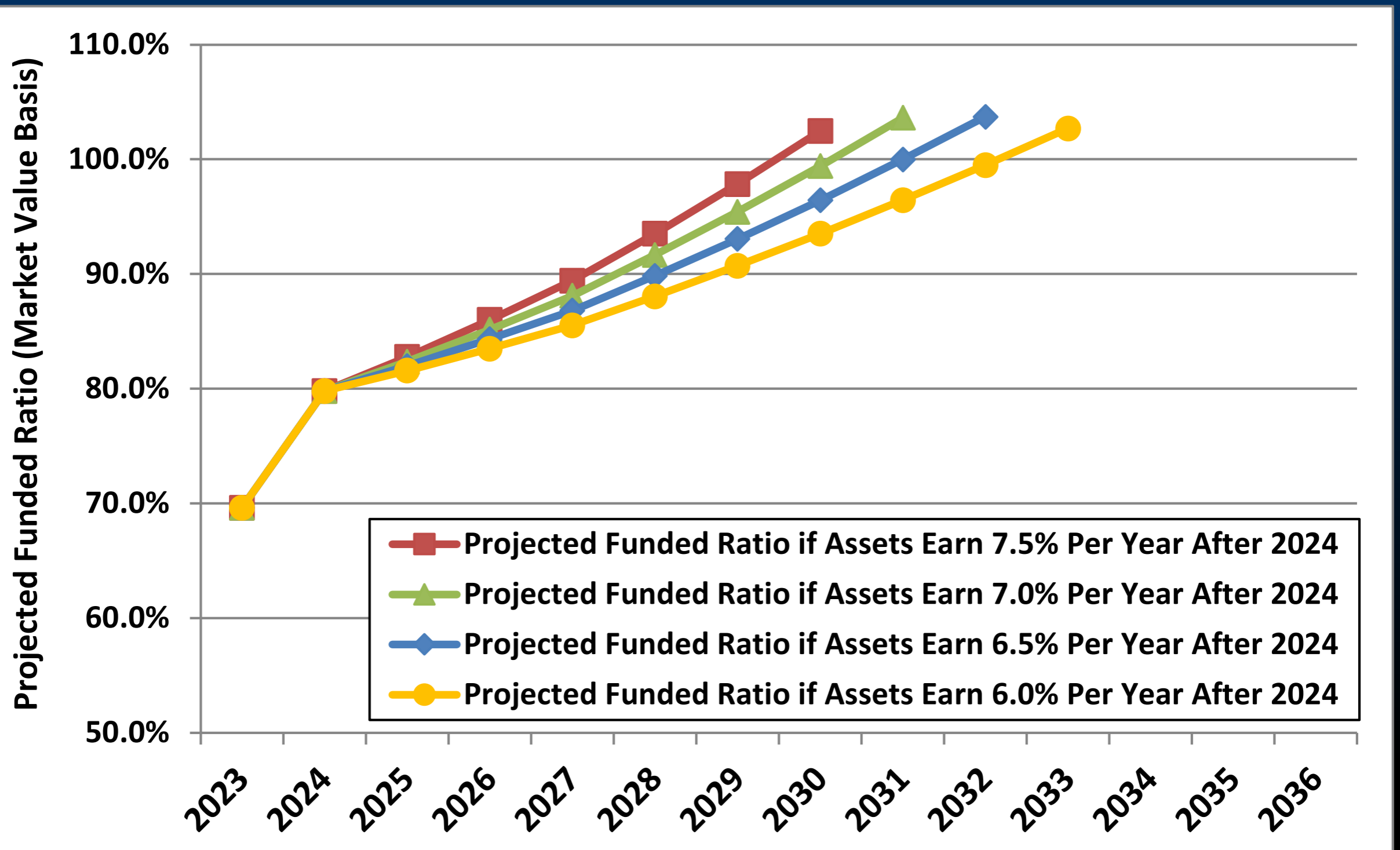
# Looking Ahead

- ❖ Assuming the total City contributions (with Extra UAAL Payments) continue increasing 1.25% per year (from \$30.8 Million in October 2024)...
  - To \$31.2 Million in 2025, \$31.6 Million in 2026, and so on.
- ❖ And If the Investment Return Assumption is lowered to 7.0% by 10/1/2025 or 10/1/2026, all assumptions are realized, and there are no plan changes or other assumption changes...

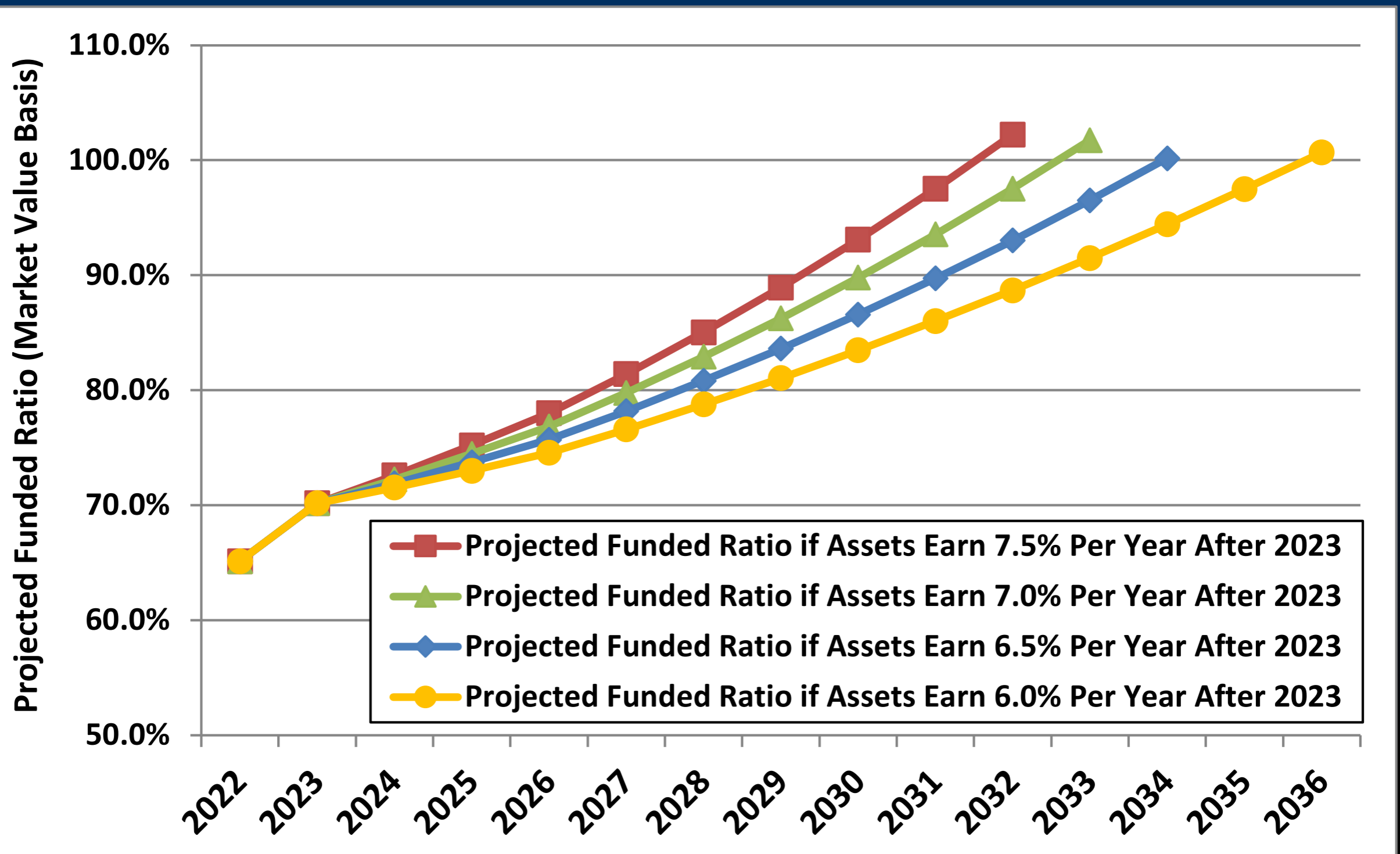
# Looking Ahead

- And if Actual Investment Returns on the Market Value of Assets = 7.5%/Year, the Plan is projected to become 100% Funded by approximately 10/1/2030 (Just 6 Years Away!)
- If Actual Returns = 7.0%/Year, then by 10/1/2031
- If Actual Returns = 6.5%/Year, then by 10/1/2032
- If Actual Returns = 6.0%/Year, then by 10/1/2033

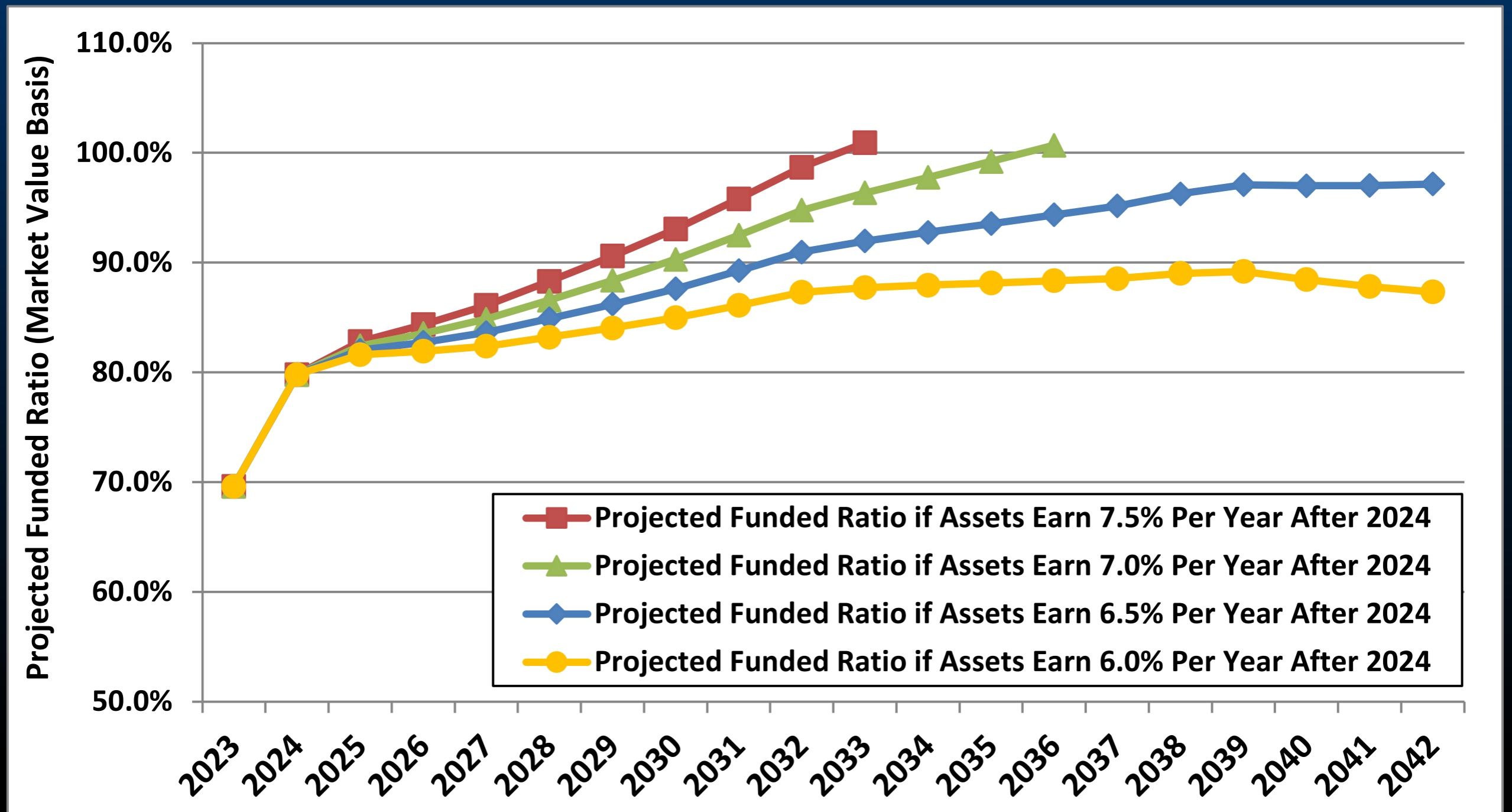
# Looking Ahead – If Extra City Payments Towards the UAAL Continue



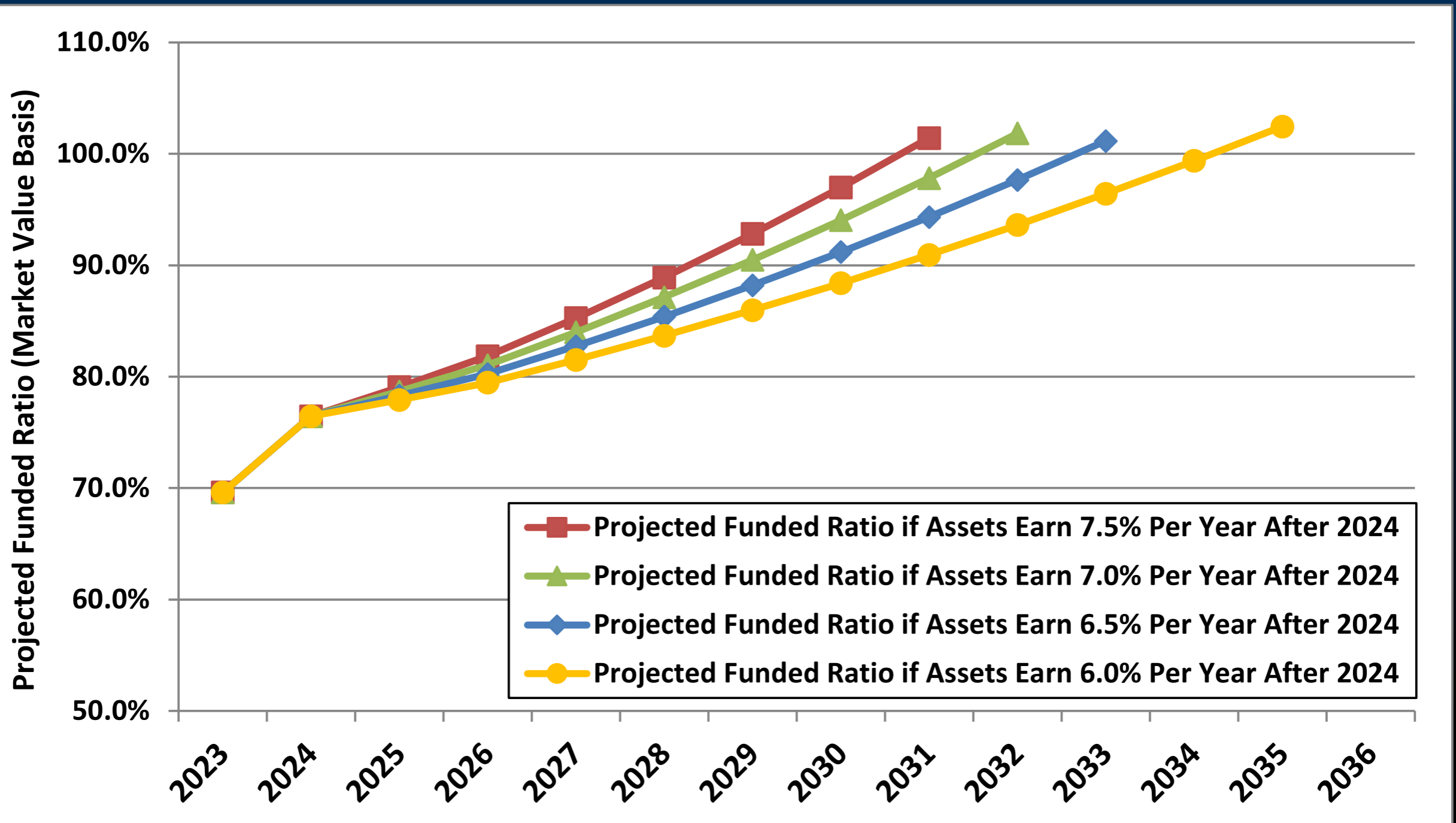
# Last Year's Projection (Assuming Extra City Payments Towards UAAL Continue)



# Looking Ahead – If Extra City Payments Towards UAAL Stop After 2024



# Looking Ahead – If Extra City Payments Towards UAAL Continue and 8% COLA is Granted to Eligible Retirees on 1/1/2025



# FYI - Financial Impact of Granting a COLA

**Estimated Effect of Granting COLA Effective January 1, 2025  
To Class Members, Gap Members and Opt-Out Members  
On the Unfunded Actuarial Accrued Liability (UAAL) and the Annual Required Contribution**

<b>COLA Percentage</b>	<b>Estimated Increase to UAAL</b>	<b>Est. Increase to Annual Contribution</b>
8.00%	\$ 25,835,000	\$ 3,457,000
7.00%	\$ 22,605,625	\$ 3,024,624
6.00%	\$ 19,376,250	\$ 2,592,535
5.00%	\$ 16,146,875	\$ 2,160,446
4.00%	\$ 12,917,500	\$ 1,728,357
3.00%	\$ 9,688,125	\$ 1,296,268
2.75%	\$ 8,880,781	\$ 1,188,245
2.50%	\$ 8,073,438	\$ 1,080,223
2.25%	\$ 7,266,094	\$ 972,201
2.00%	\$ 6,458,750	\$ 864,178
1.75%	\$ 5,651,406	\$ 756,156
1.50%	\$ 4,844,063	\$ 648,134
1.25%	\$ 4,036,719	\$ 540,112
1.00%	\$ 3,229,375	\$ 432,089
0.75%	\$ 2,422,031	\$ 324,067
0.50%	\$ 1,614,688	\$ 216,045
0.25%	\$ 807,344	\$ 108,022



# (FYI Only) - Impact of Granting 13<sup>th</sup> Check

**Estimated Cost and Effect on the Unfunded Actuarial Accrued Liability (UAAL)  
and the Annual Required Contribution of Granting a One-Time Lump Sum Payment ("13th Check")  
to Class Members, Gap Members, and Opt-Out Members (and all Retirees)**

	Class Members, Gap & Opt-Out: 780			All Retirees: 974		
	One-Time Cash Payment	Amortize over 10 Years		One-Time Cash Payment	Amortize over 10 Years	
Lump Sum Amount	Cost for Class Members, Gap and Opt-Out	Est. Increase to UAAL	Est. Incr. to Annual Contribution	Cost for all Retirees	Est. Increase to UAAL	Est. Incr. to Annual Contribution
13 <sup>th</sup> Check	\$ 3,102,811	\$ 3,102,811	\$ 415,155	\$ 3,835,530	\$ 3,835,530	\$ 513,192
\$ 100	\$ 78,000	\$ 78,000	\$ 10,436	\$ 97,400	\$ 97,400	\$ 13,032
\$ 250	\$ 195,000	\$ 195,000	\$ 26,091	\$ 243,500	\$ 243,500	\$ 32,580
\$ 500	\$ 390,000	\$ 390,000	\$ 52,182	\$ 487,000	\$ 487,000	\$ 65,160
\$ 750	\$ 585,000	\$ 585,000	\$ 78,273	\$ 730,500	\$ 730,500	\$ 97,741
\$ 1,000	\$ 780,000	\$ 780,000	\$ 104,364	\$ 974,000	\$ 974,000	\$ 130,321
\$ 1,250	\$ 975,000	\$ 975,000	\$ 130,455	\$ 1,217,500	\$ 1,217,500	\$ 162,901
\$ 1,500	\$ 1,170,000	\$ 1,170,000	\$ 156,546	\$ 1,461,000	\$ 1,461,000	\$ 195,481
\$ 1,750	\$ 1,365,000	\$ 1,365,000	\$ 182,637	\$ 1,704,500	\$ 1,704,500	\$ 228,061
\$ 2,000	\$ 1,560,000	\$ 1,560,000	\$ 208,727	\$ 1,948,000	\$ 1,948,000	\$ 260,642
\$ 2,250	\$ 1,755,000	\$ 1,755,000	\$ 234,818	\$ 2,191,500	\$ 2,191,500	\$ 293,222
\$ 2,500	\$ 1,950,000	\$ 1,950,000	\$ 260,909	\$ 2,435,000	\$ 2,435,000	\$ 325,802
\$ 2,750	\$ 2,145,000	\$ 2,145,000	\$ 287,000	\$ 2,678,500	\$ 2,678,500	\$ 358,382
\$ 3,000	\$ 2,340,000	\$ 2,340,000	\$ 313,091	\$ 2,922,000	\$ 2,922,000	\$ 390,963
\$ 3,250	\$ 2,535,000	\$ 2,535,000	\$ 339,182	\$ 3,165,500	\$ 3,165,500	\$ 423,543

# Coral Gables Investment Program

Goal: Establish an expected ROR assumption appropriate for this Retirement System that:

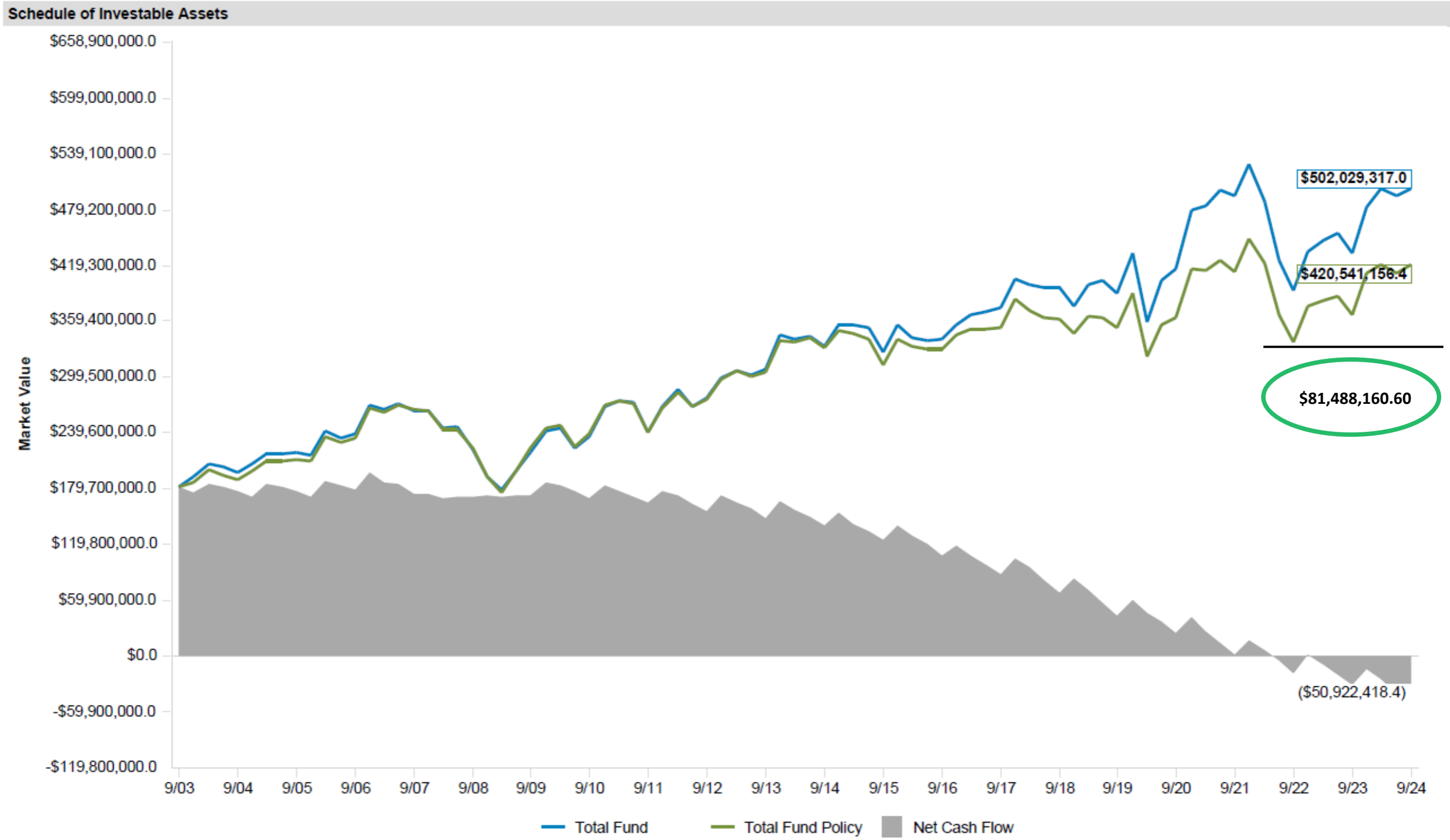
- Achieves a desired level of contribution from investment sources while balancing the associated costs (intermediate term market volatility) required to achieve it.
- Recognizes that current funding levels do not provide sufficient assets for investment program to earn it way out of the funding gap (need money to make money).

# Coral Gables Investment Program

## Purpose of Investment Strategy:

Achieve the ROR assumption while minimizing the inherent uncertainty of the investment program results that directly impacts the City required contribution.

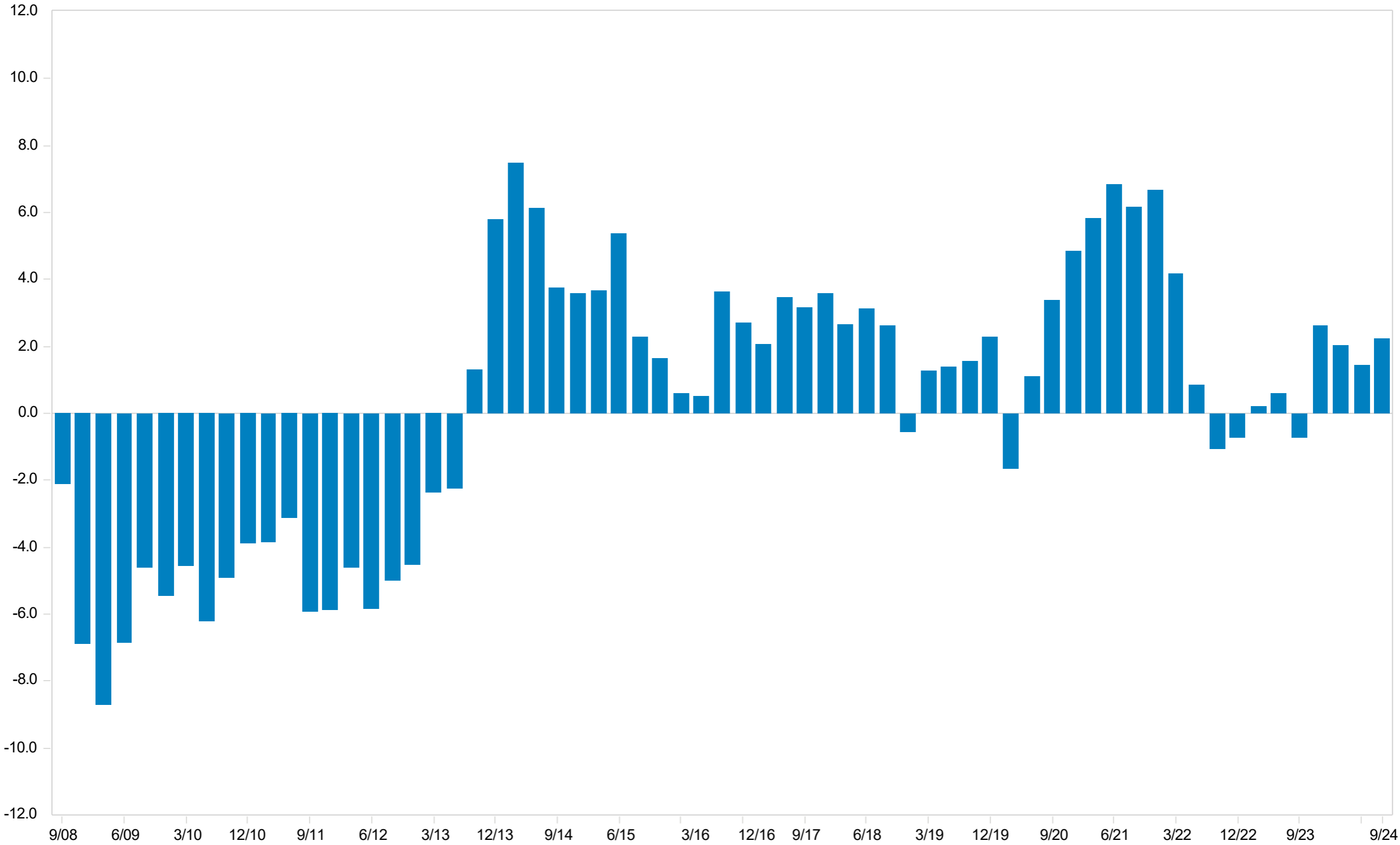
**Schedule of Investable Assets**  
**Total Fund**  
 Since Inception Ending September 30, 2024



Schedule of Investable Assets				
Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$
Inception	181,388,550	-232,310,968	552,951,735	502,029,317

**Rolling MPT Stats Chart**  
**Total Fund Gross vs 7.0% Annual Return**  
**60 Months Rolling Periods As of September 30, 2024**

**Rolling 5 Year Simple Alpha**



■ Total Fund Gross

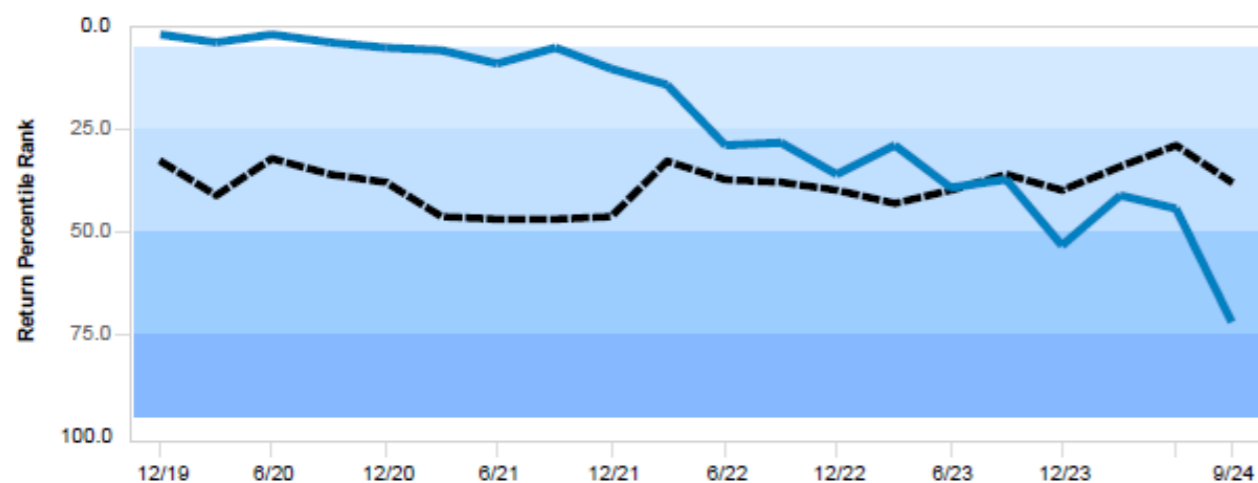
**Comparative Performance**  
**Total Fund**  
As of September 30, 2024

**Comparative Performance Trailing Returns**

	QTR	YTD	FYTD	1 YR	3 YR	5 YR	7 YR	10 YR	Inception	Inception Date
<b>Total Fund (Net)</b>	<b>3.80</b>	<b>12.18</b>	<b>19.56</b>	<b>19.56</b>	<b>3.56</b>	<b>8.65</b>	<b>8.27</b>	<b>8.27</b>	<b>7.27</b>	<b>10/01/2003</b>
Total Fund Policy	4.91	11.95	20.19	20.19	5.30	8.83	8.01	7.85	7.37	
<b>Total Fund (Gross)</b>	<b>3.91 (90)</b>	<b>12.58 (38)</b>	<b>20.16 (60)</b>	<b>20.16 (60)</b>	<b>4.11 (72)</b>	<b>9.25 (21)</b>	<b>8.86 (10)</b>	<b>8.91 (6)</b>	<b>7.85 (20)</b>	<b>10/01/2003</b>
Total Fund Policy	4.91 (75)	11.95 (50)	20.19 (60)	20.19 (60)	5.30 (38)	8.83 (37)	8.01 (40)	7.85 (32)	7.37 (50)	
All Public Plans-Total Fund Median Population	5.57	11.94	21.16	21.16	4.85	8.47	7.80	7.52	7.36	
	245	235	231	231	219	214	204	190	81	

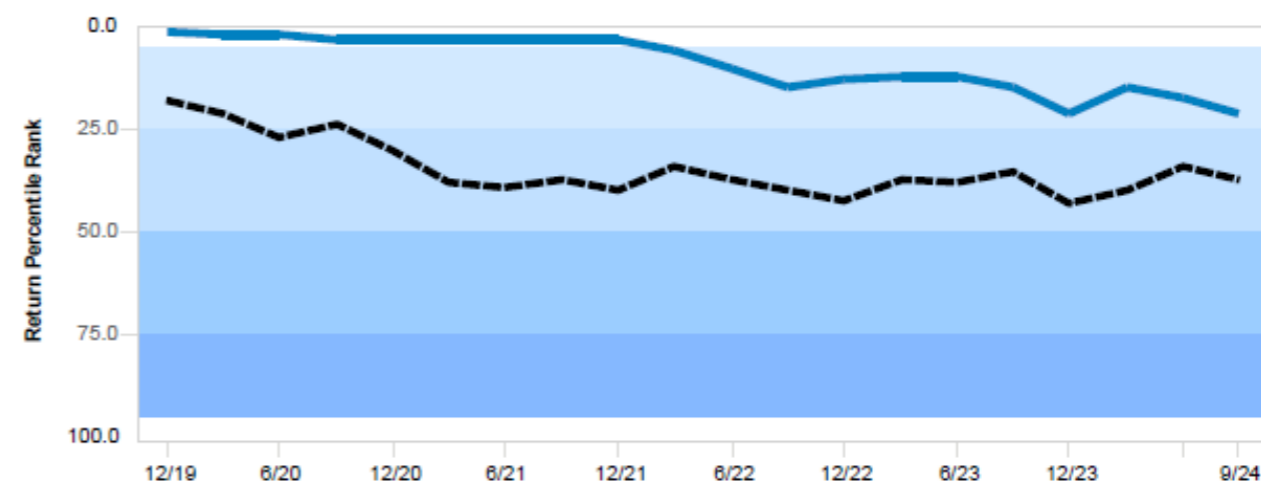
**Strategy Review**  
**Total Fund Policy | Total Fund Universe**  
As of September 30, 2024

**3 Year Rolling Percentile Rank All Public Plans-Total Fund**



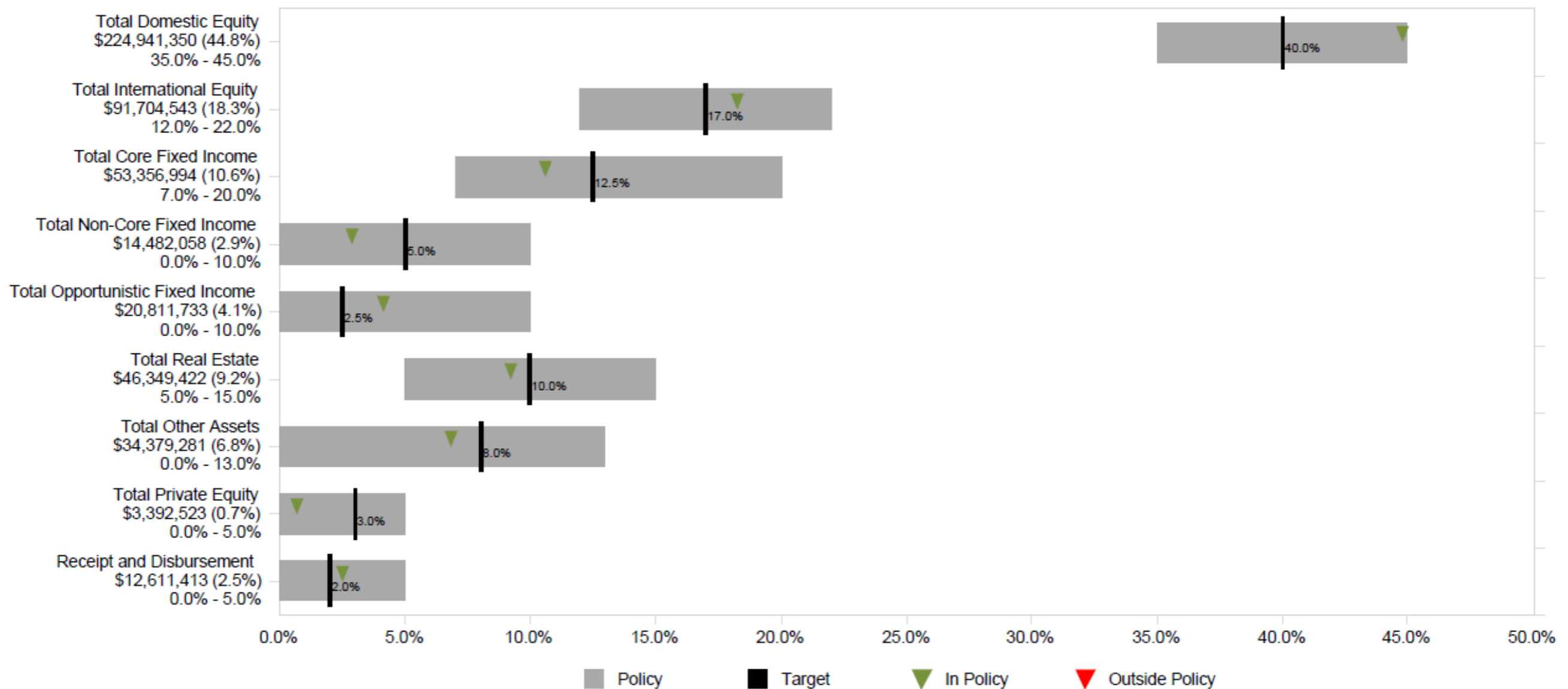
	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
— Investment	20	10 (50%)	8 (40%)	2 (10%)	0 (0%)
— Index	20	0 (0%)	20 (100%)	0 (0%)	0 (0%)

**5 Year Rolling Percentile Rank All Public Plans-Total Fund**



	Total Period	5-25 Count	25-Median Count	Median-75 Count	75-95 Count
— Investment	20	20 (100%)	0 (0%)	0 (0%)	0 (0%)
— Index	20	3 (15%)	17 (85%)	0 (0%)	0 (0%)

Allocation Summary



Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Minimum Allocation (%)	Target Allocation (%)	Maximum Allocation (%)	Target Rebal. (\$)	Differences (%)
<b>Total Fund</b>	<b>502,029,317</b>	<b>100.0</b>		<b>100.0</b>		<b>-</b>	<b>0.0</b>
Total Domestic Equity	224,941,350	44.8	35.0	40.0	45.0	-24,129,623	4.8
Total International Equity	91,704,543	18.3	12.0	17.0	22.0	-6,359,559	1.3
Total Core Fixed Income	53,356,994	10.6	7.0	12.5	20.0	9,396,670	-1.9
Total Non-Core Fixed Income	14,482,058	2.9	0.0	5.0	10.0	10,619,408	-2.1
Total Opportunistic Fixed Income	20,811,733	4.1	0.0	2.5	10.0	-8,261,000	1.6
Total Real Estate	46,349,422	9.2	5.0	10.0	15.0	3,853,510	-0.8
Total Other Assets	34,379,281	6.8	0.0	8.0	13.0	5,783,064	-1.2
Total Private Equity	3,392,523	0.7	0.0	3.0	5.0	11,668,357	-2.3
Receipt and Disbursement	12,611,413	2.5	0.0	2.0	5.0	-2,570,827	0.5