

**City of Coral Gables City Commission Meeting
Agenda Item D-1
February 14, 2017
City Commission Chambers
405 Biltmore Way, Coral Gables, FL**

City Commission

**Mayor Jim Cason
Commissioner Pat Keon
Commissioner Vince Lago
Vice Mayor Frank Quesada
Commissioner Jeannett Slesnick**

City Staff

**City Manager, Cathy Swanson-Rivenbark
City Attorney, Craig E. Leen
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia**

Public Speaker(s)

**Andy Gomez, Chair of Retirement Board
Pete Strong**

Agenda Item D-1[10:17:05 a.m.]

Status update of Coral Gables Retirement Board

Mayor Cason: First we are going to do D-1, ask Andy Gomez to come up and talk about the funding policy for the Coral Gables Retirement System, and then we are going to do H-1 and then we'll get back on track.

Mr. Gomez: Good morning Mr. Mayor, Commission, Council, Manager. I wanted to give you an update as to where we are with the pension, now that I have the honor and privilege of having been elected by my peers, my colleagues to serve as Chairman of the Pension Board, but before I go, I'm told by Pete Strong who's the actuary for the pension plan and I've asked Pete to be here in case there are technical questions that I will not be able to answer or give you the wrong answer. But I also want to recognize our Past Chair Officer Randy Hoff, I think Charles Rigi is also here, and our Vice Chairman now is Officer Josh Nunez. We've been working very hard as

you know for the last couple of years. Mayor Cason appointed me to the Pension Board about five years ago, after serving a short stint on the Budget Advisory Committee. The one thing immediately, as many of you know that caught my attention was where the level of funding that the pension was at, it still is today, I'll address that in a minute, but more importantly that we did not have a conceptual framework from the Board's point of view of how to move forward in funding this. You guys have your funding policy, we now having worked with you, as you know, we have a number of workshops and I want to thank the City Manager and her staff for working very diligently with our people and our staff. We approved this funding policy, they are similar, very, very similar, but it is always good when we are in a good position and I must commend the Mayor, the administration, you Commissioners, the City of Coral Gables today finds itself in a tremendous position financially. Your triple rating bond, all in one of three cities in the state makes me a long time citizen of Coral Gables extremely proud to live in the City and support the City. Yet at the same time, as we move forward there are issues that must be addressed by you guys and us, I plan after the Mayoral Elections in April to call another joint workshop between the Commission, the staff, and our Board to continue our conversations as to how do we move forward in finding solutions in funding our policy. Today the policy stands about 60 percent funded, keep in mind, the average around the state is in the mid to lower 70's. Three years ago, we were in the low 50's and I do want to commend Mr. Mayor, you and the Commission, the Manager, because you showed a great deal of faith in kicking in additional funds in the tune of a little bit over \$3 million per year to continue to improve the funding of the pension plan. So again, we are in a very good position at this time, but this is the time not to forget about it, as we move forward. This is actually the time for the polling of strength to begin to work together to look at the issue, because you guys know better than I do, there are many cities that not only across the state, but across this nation and Detroit is a perfect case study that are in trouble with their pension funding. In Detroit it is the biggest issue why they went into foreclosure. So again, I thank you. I look forward to working very closely with you, with our Board, with the City Manager, with our legal counsel who is always – your legal counsel has always been extremely helpful. I'll ask Pete to step up here and he'll answer any quick questions that you might have.

Vice Mayor Quesada: Last time we got together, which I think was very helpful, when we came to the Pension Board meeting, now 6-8 months ago, a year ago, I forget.

Mr. Gomez: About eight months ago.

Vice Mayor Quesada: It was about eight months ago. I think it was very helpful, because a lot of times I feel like there is a little bit of disconnect between your Board and our Board. We all want to achieve the same goal, which is what I took away from that meeting, but sometimes that it almost feels like, I don't know how to put it another way, we have our ideas of what we want to do with the finances in our unrestricted reserves and then you guys have other ideas, because you

guys want to pay everything off; of course we want to do as well, but obviously, we have our constraints. As it stands right now, we read the minutes of the meetings that you have, but what are the big items that you guys will be discussing in the foreseeable future?

Mr. Strong: Well, I think it's been over a year getting the funding policy drafted and approved was a major accomplishment and it took a lot of compromise from both. We had City representatives as well as Labor and Investment Committee representatives on the committee that met several times and ironed out the differences. I think it's a good compromise between all parties. Going forward we are going to start amortizing future unfunded liability occurrences over 20 years instead of the current 25, which will help and the extra payments are continuing to pay down the unfunded liability and increase the funded ratio by almost one percent a year.

Commissioner Lago: Can I just interject one second, Mayor if I may? Just to touch on that what you just mentioned. How many other cities are doing what this Commission commenced three years ago with that additional payment, or some people put it, the additional thirteenth check?

Mr. Strong: There are a few.

City Manager Swanson-Rivenbark: Just as clarification. That's not a thirteenth check, but it is a very important commitment on behalf of the Commission to pay more than it is owed and they have consistently done that over the last three years.

Commissioner Lago: The reason why I mentioned the thirteenth check, similar to what happens to a mortgage, and I appreciate the Manager clarifying.

Mr. Strong: I personally have two other clients that are making extra payments right now, but they've, I think one of them looked to Coral Gables as an example, because one of them has just recently started making extra payments.

Commissioner Lago: The reason why I bring that up is because the financial commitment is like to the tune of over \$3 million and that's a significant commitment for a City of our size and it shows this Commission and this City's commitment to, not only our employees, present employees, but our past employees. I always like to get that information.

Mr. Strong: They are in the minority by far, I would say less than ten percent of plans are making extra payments right now.

Mr. Gomez: But, let me very clear Commissioner Lago, and again, we are very grateful and the employees of Coral Gables that we represent are very grateful, it's not the solution completely,

everybody is going to have to look at this thing, everybody is going to have to, because we've been very lucky, we have some very good returns on our investments, but that alone is not going to do it. We are all going to have to sit down and look at it and see how we can best improve; and again, we are not shooting for a goal and I'm not sure it's a good idea to have it completely at 100 percent, but if the average around the state is in the 70's, then we need to stop and think as to where do we move forward, I think this is the time to do that.

Vice Mayor Quesada: Mr. Chair, what is the solution in your opinion?

Mr. Gomez: If I was an elected official, which I never plan to be, if I was an elected official I can post a whole bunch of ideas that could not be very popular and you guys will have to make those difficult decisions. One of our courses is raising taxes, the other one is floating a bond, personally speaking, I'm against both of those, because again, I don't want to...

Vice Mayor Quesada: I thought floating the bond issue, we had discussed this two or three years ago. Actually Ft. Lauderdale, I think had attempted it and it didn't work out, we had discussed it quite a bit.

City Manager Swanson-Rivenbark: I think Ft. Lauderdale does as long as it reaches a specific a return on investment. I think it would be wonderful to have that workshop later in the spring where you all can come with ideas, the Commission can come with ideas, and I think we just continue to work together on the meaningful reduction of the unfunded.

Mr. Gomez: Vice Mayor Quesada, if I may be to your point, I can assure you as I indicated to the Manager in our meeting a couple of weeks ago, it is the intent of this Pension Board under my leadership to work very closely with this Commission and the Mayor.

Vice Mayor Quesada: Again, I thought it was very helpful last year when we all got together. I apologize because I know I spoke a lot at that meeting and I know it went a lot longer than expected, but we should do that more often, we really should, we should do it at least once a year, because again, we have so much on our plate with other things that we have to deal with and I know you guys focus is solely, let's pay it down as much as possible, but we have other constraints, and we have negotiations. For example, we have a session today to discuss the labor unions and all of the decisions that we make affect that moving forward.

Mr. Gomez: From my own personal point of view, I also take into consideration many of the issues having been a long time resident of Coral Gables that you guys have to deal with that I'm proud to be a citizen of Coral Gables, so I'm very familiar, and today we saw it, the kind of services that the City of Coral Gables provides to its citizens through Police, Fire, general

employees is unlike any, unlike any. So, to a great extent I think we owe a great deal and we should continue to work together to try to improve where we are today.

Mayor Cason: And I think, you look back six years, we were at 30 years amortization, then we went to 25, now we are 20, we are going in the right direction. We are putting extra money in, we are looking for ideas, some are very risky like bonds, we discussed that, but I think we are moving in the right direction.

Mr. Gomez: We are. We are Mr. Mayor.

Mr. Strong: The current model would slowly improve the funded ratio; it's just going to take time.

Mayor Cason: Right – and we just have to hope that September 31st each year the stock market does well, because that's when we take the snapshot.

Commissioner Slesnick: Mr. Gomez aren't we improving every year, because of the stock market improving?

Mr. Gomez: I'm sorry?

Commissioner Slesnick: Because of the stock market continuing to improve.

Mr. Gomez: Yes, like I said, we've been very lucky with our investment returns, but again, you can't count on that, remember what happened in 2008 and 2009, even though all signs point that it's going to continue to move.

Commissioner Keon: It seems to be a combination of how we invest our money, the market...[inaudible – off mic]...the policies in place, and the contracts that we negotiate, so that the contracts are affordable to the City and we can sustain those promises throughout the life of these employees, and the certainly I think we all need to recognize that as the Chair of the Retirement Board that your mission is to ensure that this pension is there, is solid, and that everyone that is a beneficiary of it is going to get paid and that the promises made under this, the promises are ensured to be given, so that really is your role, and it's a great opportunity to work with us, because we know that in addition to our wanting the pension to be everything you want the pension to be. We also have many other issues within the City and it is a good relationship, because you recognize that too. So, it's your recognizing the issues that affect the City citywide and that we appreciate and understand what your role is as a pension Board, I think is the value that comes from the joint meetings that we have, and I was very pleased to see after that meeting

that we were able to work together and you adopted the policies that we had discussed mutually beneficial to go to the pension and to the City, so I think it was a great start for us and great cooperation. So, I applaud you and thank the Board and really applaud Randy as its Chair for that time for that work. I have one question. Are we going from a smoothing – are you looking to go from seven years to five years?

Mr. Strong: The smoothing method stays at five years, there is just a small adjustment and how the expected earnings are calculated.

Commissioner Keon: Oh, OK. Can I ask you one question? In the very beginning it states that any excessive employee contributions above the normal amount shall be applied to reduce the outstanding....do we have excess employee contributions?

Mr. Strong: No. I think that's talking about excess employer contribution.

Commissioner Keon: Well the next sentence says, excess employer, but your first sentence under actuarial cost method, it says, any excessive employee contribution above the total amount shall be paid, and I wondered had we ever had an excess in employee contribution, because you do address employer, but you also address employee.

Mr. Strong: I think that's not the intent of that sentence. I think the intent is....

Mayor Cason: You can open a possibility in the future, you never know.

Commissioner Keon: No, I just asked for clarification. To the Manager and the Mayor, will we meet with Finance and for us to discuss it, will that be the joint meeting or will we have a discussion on this whole issue for the Commission?

City Manager Swanson-Rivenbark: I think we are talking about a spring meeting, so the Finance Director and I will meet with all of you individually to review the recommended policy, our response to it, and to continue the positive dialogue.

Mr. Gomez: And if I may, I want to recognize Diana Gomez, your Finance Director, who has served on our Board for a long time and does a superb job in keeping us on our toes.

Mayor Cason: And let me just conclude by saying this is one of the most technically complex Boards that we have. I've read every meeting minutes for the last six years and I want to commend the Retirement Board for not chasing returns. When you look at how disciplined you

are, you can always be speculative and say let's gamble on one hot sector of the market, but I've noticed how very carefully you stay within the guidelines.

Mr. Gomez: Mr. Mayor every single member of this Board takes their fiduciary responsibility very serious, very, very serious.

Mayor Cason: Please pass our thanks to them. Sometimes they say we don't know if the Commission knows what we are doing; we read it, we are very grateful.

Mr. Gomez: And you are always welcome to come to any of our meetings. Thank you very much.

Mayor Cason: Thank you.

Commissioner Lago: Thank you doctor.

[End: 10:33:48 a.m.]