

CORAL GABLES RETIREMENT SYSTEM  
Minutes of March 13, 2025  
Public Safety Building  
Community Meeting Room A  
2151 Salzedo Street  
8:00 a.m.

MEMBERS:                   A   M   J   A   S   O   N   J   F   M   A   M   APPOINTED BY:  
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Sean McGrover	-	-	-	-	-	P	P	P	P	P	Mayor Vince Lago
Alex Mantecon	P	P	P	P	P	P	P	P	P	E	Commissioner Castro
Juan Lucas Alvarez	P	E	P	P	P	P	P	P	P	P	Commissioner Ariel Fernandez
Vacant	-	-	-	-	-	-	-	-	-	-	Commissioner Kirk Menendez
Manny Carreno	E	P	P	A	P	P	P	P	E	P	Commissioner Rhonda Anderson
Joshua Nunez	P	A	P	P	P	E	P	P	P	P	Police Representative
Christopher Challenger	P	P	E	P	P	P	P	P	P	P	Member at Large
Sureya Serret	P	P	E	P	P	P	E	P	E	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Rene Alvarez	E	P	P	E	A	P	P	P	E	P	City Manager Appointee
James Gueits	P	P	P	P	P	P	P	P	E	P	City Manager Appointee

STAFF:

Kimberly Groome, Finance Administrative Specialist	P = Present
Manuel Garcia-Linares, Board Attorney	E = Excused
Dave West, Mariner	A = Absent
Edemir Estrada, Gabriel Roeder Smith	

1. Roll call.

Chairperson Diana Gomez called the meeting to order at 8:04 a.m. Mr. Manny Carreno attended the meeting via Zoom. Mr. Easley and Ms. Elejabarrieta were running late.

2. Consent Agenda.

*All items listed within this section entitled as also in attendance "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 February 13, 2025.
- 2B. The Administrative Manager recommends approval of the following invoices:
  - 1. Gabriel Roeder Smith invoice #491969 for January 2025 administrative services in the amount of \$19,030.00
  - 2. Verdeja De Armas Trujillo and Alvarez invoice #44151 for retainer (final installment) of audit of financial statements at September 30, 2024 in the amount of \$3,300.

**A motion to approve the Consent Agenda was made by Mr. Juan Lucas Alvarez and seconded by Mr. Challenger. Motion unanimously approved (9-0).**

- 3. Comments from Retirement Board Chairperson.

Chairperson Diana Gomez let the board and the public know that the issues with the 1099Rs forms have been resolved. GRS went through the file and made sure that the information was correct. Forms were mailed out last week on Monday. If any member has not received it in the normal mail, they can contact GRS who can provide it to them via the pension portal. Forms are not a corrected 1099Rs because the file submission to the IRS has not yet been made; it is not required to be made until March 31st. For filing purposes, it is not a corrected form.

The second item was in regard to the Investment Committee meeting that took place the day before and perhaps an update can be provided by the investment consultant today. Mr. West then provided a summary of actions and the discussion that took place at the Investment Committee meeting with Affiliated Development and Taurus Private Markets.

- 4. Items from the Board Attorney.

Mr. Garcia-Linares confirmed the latest issue has been about the 1099Rs, their revisions and corrections, as the Chairperson had just reported.

- 5. Items from the third-party Pension Administrator.

In addition to reaffirming the information provided by Chairperson Gomez regarding the 1099Rs, Ms. Estrada mentioned GRS has been working with the auditors on their requests and what's needed to complete the audit. The administration team has been working with the bookkeeper that GRS has to provide services to their clients and they will wait until the auditors make their presentation today in case there's any questions.

## OUT OF ORDER

### 6. Investment Issues.

Dave West spoke about the recent events in Washington, the media and what has caused a lot of disruption in the marketplace. He continued with the February 2025 flash report and for a calendar year to date it was still positive year over year ended February. The bond market had a pretty good rally on the month up 2.2%.

Fast forward to March, we're looking at a full 10% correction decline in the S&P 500 and the aggregate bond market is up probably closer to 3.5%, maybe even 4% positive and total return. The other item of consequence is what's going on with the dollar. All of the activity is causing weakness in the US dollar, so the dollar is depreciating against global currencies amidst all of the trade war discussions going on. There has been good discussion on the rebalancing and some equity was off the table. The emphasis was on rebalancing growth orientation of the portfolio and that's the area that's receive the most selling pressure.

Mr. West is not recommending any rebalancing of equities today and he had no action recommendations at this time.

The portfolio opened up the beginning of February with \$530,881,985; contributions to date \$478,193; distributions totaled \$4,575,000; investment management fees totaled \$54,801; other line item expenses \$5,817. For the month the interest income was \$549,040; depreciation for the period \$3,206,467.

The Market Value as of February 28, 2025 was \$524,067,133.

Mr. West spoke about the existing private investments and commitments to date. For HarbourVest the commitment amount is \$10 million, the current commitment to Taurus Private Markets is \$5 million, and TerraCap with a commitment of \$10 million. So far TerraCap has called 100% of the capital and that commitment has been satisfied. The two private equity managers have only called \$2.5 million and \$1.3 million. As far as outstanding commitments, that it's a very gradual, over five years type of capital call. We still have very low net commitments to be called out and these will be called out over the next five to seven years. That's the basis for being comfortable to making additional commitments to Taurus Private Markets.

The Investment Committee went with a Mariner's recommendation to commit an additional \$10 million to the Taurus private equity fund and the Board will have to ratify that recommendation.

Mr. Gueits asked about the assets in the TerraCap fund and whether is it mostly multifamily property, office property, or industrial to which Dave West responded that it's largely multifamily.

Mr. McGrover had a question in regard to TerraCap, a full draw on the commitment and how quickly they did that draw compared to other of these private funds where there's still draws available. Mr. West said that was a pretty quick drawdown. Mr. McGrover also asked for clarification on what's the typical draw time that a typical private fund would pull the money and whether TerraCap did it over five years, or what was their initial suggestion to the plan. To answer the question Dave West went over the cash flow analysis from the flash report; indicating the cash flow summary provides everything needed to know about the private equity investments as far as cash flows in and out. In this particular case, they had deals in place and they did communicate that this would be a rapid capital call.

Dave West will schedule TerraCap to make a detailed presentation to the Retirement Board next month by property type and how they plan to move forward.

### OUT OF ORDER

7. Presentation of the draft 2023-2024 financial report by Verdeja De Armas Trujillo and Alvarez.

Tab Verdeja introduced himself and introduced Michelle Del Sol to the Board; he was the engagement partner and Ms. Del Sol was the manager in charge of the engagement this year. They were going to go over some graphs and benchmarks as they relate to financial statements. The most important thing to take away from the financial statements is that they're still in progress so there's been some delays this year. Moving from manual process to automated processes would have caused some delays and auditors were still not complete with their testing. There's still a significant amount of selections that need to be completed and tested on the auditor's side and they were very close to the deadline. Hopefully as the plan moves into a fully automated process, auditors can obtain the information much sooner and before the deadline to give them some time to have a final version for the Board at this meeting.

Michelle Del Sol started with observations they had in the audit; said those observations are not going to be unfamiliar to the Board because they actually had the same observations last year when they presented. This year, the schedules they need to audit, which is where they make their selections from for contributions, distributions, auditors didn't get those until this week. They need time to receive the reports that become the basis from which they test. Once they get those schedules, they make selections, they have to look at files, they have to recalculate the distribution amounts and basically audit and they didn't receive those schedules until this Monday. This is something the auditors started early in January and auditors understand that GRS is still in a transition process. Their concern is the reporting to the state which is due March 15<sup>th</sup>. What they have in mind, if the Board agrees, is they go through the motion of submitting to the state which is due this weekend which puts them out to Monday and they will attach a preliminary draft on the basis that the likelihood that they will encounter any material errors would be minimal. It won't be a final product and once they finalize the audit, they can resubmit that.

The second item was that in addition to not having timely reports, the reports they received had significant differences. Two of them that they received this week had differences because technically they're supposed to tie to the trial balance that they are auditing and they had some back and forth on trying to get the adjustments for the schedules to reconcile. The idea is the financial closing process should have detected that, and before they get the trial balance to audit there should be a process that the financial close where someone is reconciling the schedules to the trial balance and making sure that they correlate.

One of the differences in the DROP schedule, for example, was over \$2 million and it was it ended up being a manual error because that process was still manual; is what was explained to us. It was corrected but it should have been corrected through the financial close process. It's very important that before the auditors receive the information, someone has done that due diligence of reconciling those reports.

The final observation was accounting oversight. This goes hand in hand with what they just discussed. Someone still needs to be reviewing that schedule, making sure it ties and making sure it's correct because really it goes back to the question of how could that have been avoided, how could they have avoided having a \$2 million difference in a DROP schedule. If they had accounting oversight, if somebody had been reviewing or reconciling, that would have been detected.

These were the same three comments they had last year. The idea is to make the corrections so that next year they don't have those issues. Chairperson Gomez believes that is not normal but it has happened in the past where cities have had to provide preliminary information to the state in order to meet the deadline and then they get a notification. Tab Verdeja explained that typically when they submit the state report, they usually get responses from them with finding certain things that they didn't reconcile, or didn't attach, or supporting documentation they'd like to see in addition to what they already have and then they resubmit the report. He believes the best course of action is probably to file a preliminary draft. Other than those observations auditors tested investments, which is a big part of the audit, and there were no issues there. Auditors anticipate a clean opinion, assuming they don't encounter anything extraordinary in their testing of contributions and distributions, which they really haven't found anything in the past. The idea is they should be okay with a clean opinion. Mr. Easley expressed his gratitude and thanked the auditors for not only identifying the issues, but coming up with solutions to those issues.

Pete Tramont spoke about the audit process on behalf of GRS. In terms of how we can improve this process going forward so that we don't have these issues, one in particular, which is one of the items that was in discussion yesterday between GRS and the auditors and is currently at the point of almost having resolution we communicate what we propose on one of the particular data exhibits that's used one for the primary purpose of submission for the state report but also sort of used for the audit as well, and that's the annuitants exhibit. There was a discrepancy of about \$32,377.33 which is about 0.08% of the benefit payment figure. We are talking about an error tolerance of less than 0.1%.

Mr. Tramont stated that there shouldn't be any discrepancies moving forward because the bookkeeper will start receiving from PenChecks who was the payment processor of pension benefits, she'll receive the reports and be able to reconcile them throughout the year as opposed to toward the end of the year, how the process has been for the past few years. At the end of the year, when it comes time to produce the annuitants exhibit, all the regular benefit payments during the year, they will already be reconciled. There will not be discrepancies because we will now get from those reports. PenChecks was not in the past able to provide those to us until the end of the year and so we were already starting off late. What members receive is done through PenChecks, what gets shown on the 1099Rs, basically the aggregation of all of that data, that gets done by PenChecks. GRS didn't have access to that information until well after the end of the fiscal year. That was the case this year and last year. GRS already requested having those exhibits throughout the year, but it was only recently that we're able to get them and to confirm that moving forward, GRS will get them. Jeanne Kennedy is the bookkeeper and she has already started doing that for the current fiscal year. In terms of reconciling differences in the magnitude of 0.08% they will not even have that error or discrepancy moving forward. That's already something GRS has addressed.

Mr. Tramont also spoke about the exhibits (annuitants, DROP, terminations and active). He mentioned that GRS also prepares annual state reports for some of their clients and GRS knows how important it is for those numbers to be consistent with the financial statements because at the end of the day the financial information gets entered into the state report as well as the active exhibit in particular and what they have there are member contributions having to tie to the penny for the report to be valid and submittable. For the DROP, they had that discrepancy that was due to a miscategorization of a distribution. As soon as GRS in preparation of the DROP exhibit had noticed that difference, they notified Jeanne Kennedy it had an adjustment journal entry entered.

The draft financial statements that Jeanne Kennedy had prepared at the beginning were back in December. It wasn't until GRS got to the point where they were preparing the exhibits that they found that miscategorization and they notified her. It sounds like the resolution here is in the future, GRS should not be providing draft financials until they've gotten to the point where the data exhibits had been cross-checked against the financials so that there aren't different iterations. There are not iterative revisions of the financial statements based on GRS doing that due diligence, which they're doing, but it happens after that initial draft's provided. If that isn't ideal, maybe what they need is also to be in closer contact with the auditors throughout this process and to be clear about what is the ideal or best practice when it comes to providing information to them. All of this could be moot because GRS is now receiving reports through the year, the bookkeeper is reconciling them through the year and not late after the end of the fiscal year into the beginning of the next fiscal year.

GRS is using INFOR in part of their biweekly data uploads every year and the entire FY 2025 will be through INFOR. There will not be this need to go back and forth between Eden and INFOR. That transition process is now in the past. One of the other issues GRS had, again relating to PenChecks was in the issue they had with post-tax contributions that somehow was not integrated properly between the PensionSoft system and PenChecks and that feature though embedded in PensionSoft was only used for the first time is categorizing post-tax contributions for Box five. That part was a complication that they did not have in the past when they were doing the annuitants exhibit, so it added another layer of unforeseen discrepancies to work through. That's been resolved and is no longer an issue.

In summary GRS has already sort of set themselves in the right direction for FY 2025; they now have INFOR fully integrated for the fiscal year, they have the bookkeeper working through the bookkeeping throughout the year now that PenChecks has agreed to provide throughout the year reporting to her, and they're going to work more closely with the auditor as soon as the fiscal year ends because they have all those things now in place. They appreciate the patience and understanding of the Board and of the auditors. They are all on the same team and trying to work together to reach that point where everything is smooth.

Ms. Kennedy agreed with what Mr. Tramont has said. It's beneficial to get the statistical reports before they finalize everything. She didn't know these issues were brought up last year or she would have been more diligent and aggressive to get them. She thinks the problem between PensionSoft and PenChecks with their miscategorations has been corrected and moving forward, even for the first quarter of this year ending in December 31, they've made steps to make sure that their trial balance agrees with what has actually been distributed and received so Ms. Kennedy feels pretty confident about that.

Chairperson Gomez added that she thinks the Board really does understand that they've been going through some transitions between the City systems as well as the issues that we have been talking about over the past couple of months with PenChecks and the categorization. Chairperson expressed her gratitude to the auditors for highlighting it and making sure that there is a plan to move forward. The Board and the Administrator has a plan moving forward.

Mr. Verdeja thinks that those are great corrective action steps and 2025 should be better; it's just important to note that even though the differences auditors found may seem small the state report does not let them even submit the report until it ties to the penny. Mr. Garcia-Linares asked Mr. Verdeja whether these responses are been addressed to his satisfaction to which he responded that those steps are great and if they get a trial balance to begin the audit that agrees to the schedules from the beginning, yes, that'll be great for them to begin and start the process.

Mr. Tramont commented on the \$2 million miscategorization of the DROP distribution and explained the timing between when the auditors received a draft financial trial balance in December versus when GRS began working on the state annual report exhibit for the DROP. That timing difference is why there was an “error caught”, whereas GRS on their end knew about that as soon as they prepared the DROP exhibit. In the future, GRS won’t be sending a trial balance until they’re done with the DROP exhibit. GRS and the bookkeeper need to have these exactly matching and reconciled before they submit anything to the auditor because auditors are not supposed to be the ones catching these discrepancies.

Auditors recommend that reports can be provided to them by end of December or beginning of January, so they have time to complete their work. Mr. Verdeja moved on with addressing the benchmarks, plan memberships, statement of fiduciary net position, and a statement of changes in fiduciary net position, which would be the income statement.

Mr. Verdeja noted the net increase compared to the year before and stated the plan had an increase from 2023 to 2024 and primarily that increase was driven by the investment gains for the year. There's also a small increase in some pension benefits paid as compared to the prior year.

In regard to the investment results for the last seven years, 2021 and 2024 were the two years with the biggest investment returns; 2021 being 23% and 2024 following very close at almost 20%.

The plan has a total on net assets of \$529,440,419 and the projected assumed investment return is 7.15%.

**A motion to accept the financial statements barring any significant changes, and to submit the state report prior to the deadline was made by Mr. Nunez and seconded by Mr. Gueits. Motion unanimously approved (11-0).**

8. Investment Issues (CONTINUED).

Mr. West continued with his presentation and indicated that Board actions were needed on a couple of pending items.

**A motion to approve the changes to the Investment Policy Statement as proposed by the investment consultant was made by Mr. Easley and seconded by Mr. Rene Alvarez. Motion unanimously approved (11-0).**

**A motion to approve an additional \$10 million commitment to the Taurus Private Markets equity fund was made by Mr. McGrover and seconded by Mr. Rene Alvarez. Motion unanimously approved (11-0).**



Mr. West spoke about a third item that was discussed at great length and it was the potential investment in the Affiliated development Fund. Members of the Investment Committee that participated in the meeting had lots of questions, but there was no conclusion drawn yesterday. They interviewed the manager for almost an hour but there was no conclusion drawn by the committee on whether to invest or not to invest.

They spent a lot of time using the Mariner investment memorandum, which they put together because they were tasked with doing due diligence on this manager who was identified appropriately by trustees.

Mr. West is recommending a minimum commitment should the Board desires to move forward with the investment. Mr. Easley stated that on the Investment committee meeting the was held on the day before, they took a look at the numbers and at the memorandum that was put out by Mariner. Then, in fairness to other Board members everyone should hear the pros, the cons and they can go from there.

There was a brief discussion between Mr. Easley, Mr. Gueits and Mr. McGrover in terms of whether an investment should be made with Affiliated Development and Fund II. Mr. West also spoke about the creation of the Fund and the previous Fund.

**A motion to not proceed with investing in the Affiliated Housing Impact Fund II was made by Mr. Juan Lucas Alvarez and seconded by Mr. Rene Alvarez. Motion unanimously approved (11-0).**

9. Old Business.

There was no old business.

10. New Business

There was no new business.

11. Public Comments.

There was no public comment.

12. Adjournment.

Meeting was adjourned at 9:36 a.m.

APPROVED ON: \_\_\_\_\_