

CORAL GABLES RETIREMENT SYSTEM

Minutes of September 13, 2018
 Youth Center – 2nd Floor Classroom
 405 University Drive
 8:00 a.m.

MEMBERS:	A	S	O	D	J	F	M	A	M	J	S	APPOINTED BY:
	17	17	17	17	17	18	18	18	18	18	18	
Andy Gomez	P	P	P	P	P	P	P	P	P	P	P	Mayor Raul Valdes-Fauli
James Gueits	P	P	E	P	P	P	P	E	P	P	P	Vice Mayor C. Quesada
Javier Baños	P	P	P	P	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	E	P	P	P	E	P	P	E	E	P	P	Commissioner Patricia Keon
Rene Alvarez	P	E	P	P	E	E	P	E	P	E	P	Commissioner Vince Lago
Joshua Nunez	E	P	P	E	P	P	P	P	P	P	P	Police Representative
Randy Hoff	-	-	-	-	-	P	P	E	P	P	P	Member at Large
Carlos Fleites	P	P	P	P	P	E	P	P	P	P	P	General Employees
Troy Easley	P	P	P	E	P	P	P	P	P	E	P	Fire Representative
Diana Gomez	P	E	P	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Manuel A. Garcia-Linares	P	E	E	P	P	P	P	P	P	P	P	City Manager Appointee
Pete Chircut	P	P	P	E	P	P	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan Greenfield, Board Attorney
 Dave West, AndCo Consulting
 Pete Strong, Gabriel Roeder Smith

P = Present
 E = Excused
 A = Absent

GUESTS:

Michael Chickillo, IAFF
 John Baublitz, FOP Lodge #7

1. Roll call.
 Chairperson Gomez calls the meeting to order at 8:00 am. He informs that the meeting in August was cancelled because there were not many items on the agenda. All Board members were in attendance except for Mr. Garcia-Linares and Mr. Gueits. Mr. Gueits informed that he would be late.

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 June 21, 2018.
- 2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.
- 2C. The Administrative Manager recommends approval of the following invoices:
 - a. AndCo invoice #25403 dated June 29, 2018 for 2018-2019 fiscal year 3rd investment consulting service in the amount of \$36,250.00.
 - b. GRS invoice #439750 for June 2018 actuarial services in the amount of \$3,432.00.
 - c. City of Coral Gables invoice #335800 for general liability insurance for the months of July, August and September 2018 in the amount of \$1,268.75.
 - d. BDO outstanding invoice #000933788 dated August 6, 2018 for 2016-2017 audit services in the amount of \$5,111.00.
 - e. BDO invoice #001001908 dated August 9, 2018 for successor auditor review of September 30, 2017 audit file in the amount of \$750.00.
 - f. City of Coral Gables invoice for April 1, 2018 to June 30, 2018 due to the G/L in the amount of \$31,685.83 (note Report of Administrative Manager Item 6 for Retirement System FY 2018-2019 estimated budget).
 - g. Verdeja, De Armas, Trujillo invoice #19970 for retainer of audit of financial statements at September 30, 2018 in the amount of \$4,730.00.

A motion to approve the Consent Agenda was made by Mr. Banos and seconded by Mr. Hoff. Motion unanimously approved (11-0).

- 3. Comments from Retirement Board Chairperson.

Chairperson Gomez informs that the Retirement Office has finally moved and he would like to thank Ms. Groome and Ms. Coffy for their hard work. He continues that he has been having conversations with Ms. Groome and one of his concerns is how the Retirement System can continue to best serve the retirees. He believes one way would be to automate many of the services provided. With the Board's permission, he would like to sit with a few vendors who provide these types of services and see what they suggest and then bring it back to the Board. After meeting with the various vendors he would like for them to present to the Board and perhaps have further discussion and possibly discuss

options if it is cost effective and makes sense. It would also eliminate any minor human errors that occur. This could also decrease the amount of work and lack of technology in the office. He informs that he had a conversation with Mayor Valdez Fauli after the last meeting in reference on how to better fund the pension.

Mr. Garcia-Linares arrives at this time.

Chairperson Gomez states that this is not a policy making board. They simply make recommendations to the Commission. It is for the Commission to make either a good or bad decision but it is simply based on the Board's recommendations. There was a small committee consisting of Mr. Gold, Mr. Hoff and Mr. Banos who met and made some recommendations which will be discussed today before Mr. Banos has to leave the meeting. Mr. Banos asks to table the discussion. Chairperson Gomez feels that this is an important discussion and does not want to table the item.

4. Report of the Retirement Board Sub-Committee regarding their recommendations on lowering the Retirement System's unfunded liability.

Mr. Gold explains that the purpose of the meeting was to organize the discussion and to find the most effective way to lower the unfunded liability. Any and all options were discussed. There was a portion in the minutes from the Sub-Committee meeting where it states that he didn't care. He clarifies that he does care but meant that it is not up to the Retirement Board to make those decisions. He adds that the most important issue is that the City provides more funding for the plan. It is the most effective way of reducing the unfunded liability. The next options were a pension obligation bond, closing the pension to General employees, which was suggested by Mr. Banos, or make investment plan changes. He adds that another option was that the City negotiate the 175/185 funds which is about 1.3 million dollars. The other options discussed were reducing the assumed rate of return and floating a bond in annuities.

Mr. Banos clarifies that due to how large the Coral Gables plan is too large to simply close the plan which is why his recommendation is to close the plan to all General Employees. The City can offer those employees the ability to get all of their contributions back or the alternative which is essentially buying the annuity. He didn't want to leave anything out of the discussion and so primarily his goal is there is a realization that the plan is underfunded. Chairperson Gomez understands Mr. Banos' point. Part of the problem was there was a time for almost ten years that the City did not make any contributions to the plan. Ms. Gomez disagrees. Mr. Easley believes that there was a time when the City did not make any contributions to the plan. Ms. Gomez replies that she has looked at past Actuarial Reports and never saw a zero contribution. Mr. Garcia-Linares comments if it was not zero it was very close to zero. Ms. Gomez responds that the City made the required contribution. Mr. Garcia-Linares agrees. Ms. Gomez adds if the required contribution was zero then maybe there was a zero payment but the City has always made the required contribution amount. Ms. Groome comments that the

contribution was never zero. Ms. Gomez wants to clear the air on that because it has been said many times. The City has always made the required contribution. Mike Chickillo from the IAFF asks to address the Board. Chairperson Gomez asks for Mr. Chickillo to wait until he allows the Public Comments. There is nothing that can be discussed to fix what has already happened. He asks Mr. Banos if the City would manage the annuity option. Mr. Banos explains that what he has seen happen is whatever contribution they have in the plan that money can be used to buy them an annuity. The point is the City is obligated to provide the employee with certain benefits when they leave. The immediate pain for letting employees opt out will be high but over the course of time it will provide a huge benefit. Mr. Gold states that most of the burden of the plan is coming from its underfunded nature today and it is not coming from benefits. The City has taken great lengths in changing benefits for the employees.

Mr. Hoff explains that voting on the 175 and 185 monies could be putting the City employees on the Board in a situation. Mr. Gold points out that the Commission asked for the Retirement Board to come up options and so that is what has been done. Mr. Hoff adds that there have been great strides made in the recent years. If the Commission believes this will be fixed overnight it will not. Chairperson Gomez states that one issue that did arise in terms of the 175 and 185 money is that he is not sure if the City was able to touch those funds. The City Attorney looked into it and advised there can be negotiations as part of collective bargaining. However, this is not up for the Board to decide.

Pete Strong, Board Actuary, points out that the normal cost rate for General employees is about 13% and that is the total. Excludable General employees are putting in 10% in their contributions to the plan. The Non-Excludable General employees are putting in 15% in their contributions to the plan. The Non-Excludable General employees are covering their entire annual accrual. Mr. Fleites states that he took a \$30,000 pay cut to work for the City because of the benefits and because of the pension. People come and work for the City because of the pension. If the plan stays on course it is projected to be fully funded in about 17 years.

Mr. Strong comments that everyone should remember that the funded ratio five years ago was only 52% and that was with less conservative assumptions set forth. They were still using the 1973 Mortality table and 7.75% rate of return prior to the last Experience Study. If all the current assumptions were set in 2012 the funded ratio would have been less than 50%. It's apples to apples and it has gone from 49% funded to 62% funded even with the COLA settlement that reduced the funded ratio by about 2.5%. Apples to apples the funded ratio has increased in the past five years. A lot of it is driven by investments and the decisions made as well. If they earn 7.65% a year and stay on the current track the plan will be fully funded in 17 years. Mr. Gold explains that the options were to be brought to the Board and the Board should comb through them and then decide which of the options they would like to present to the Commission. Mr. Easley believes that this is an issue that will take time and it cannot be expected to obtain rapid results. However, he

would like the Board to look at all the things the Board has accomplished. They have reduced the amortizations, stopped counting overtime towards the pension, and the sale of annual leave is no longer counted toward pension. These are all huge changes that they may not see the benefits currently but will pay off in future years to come. The plan is in the right area at the right time and it is just going to take some time. Mr. Banos adds that Ms. Gomez and Mr. Easley made his point that it took years of poor management and poor leadership to create the unfunded problem. The changes by the Board and the City have been good for the plan. The long term solution is to limit the liability in the future. Limiting for these types of issues to occur again is most important. It takes leadership and commitment and unfortunately that is something that changes. Seventeen years from now who knows what will happen. The market will not be the same situation and they are not going to have the same leaders and that is his problem.

Chairperson Gomez informs that he is going to step out of order on the Agenda given the discussion and will be taken Public Comment at this time so Mr. Chickillo can participate in the discussion.

5. Public Comment.

Mr. Chickillo informs that he has been employed with the City for over 33 years. He appreciates what the Board has done. He has a problem with the Commission coming to the Retirement Board asking the Board to solve their problem. The problem is very simple. There are three things they can do. One is to cut employee benefits which they have already done. They cut the firefighters 35% and suddenly they want more. That is a big hit for them. The only other thing they can do is to cut services or raise taxes. He does not believe that this is the Board's job. The Board's job is to manage the fund and for the Board to tell the City the amount of money that is needed and then the City provides the requested funds.

Mr. Chickillo gives a brief history on the plan. The employees were contributing 8% to the fund and in 1980s the City came to the employees and said they wanted to give the employees a raise on their net pay and not the gross pay. At that time, the fund was actuarially sound. All the City had to pay was 1% by State law and they saved 7%. For anyone sitting here to say that for 16 years the employees were not contributing is wrong. The City told the employees that the City would put in for the employees and the current Mayor was the Mayor back then and so he is aware of this. Mr. Hoff believes that Mayor at that time was Corrigan. Mr. Chickillo states that he is not blaming the current Mayor but the politicians are the ones to blame for the mess they are in now. These funds have been around for 150 years and they worked right. He thinks things are going good and he thinks huge concessions have been made whether the Firefighters wanted them or not and they are still providing the best service in the State of Florida.

Mr. Chickillo comments on the 175 and 185 Funds. There is a misnomer that Police contribute 20% it just happens to be 20%. Fire pays \$52,000 and the City pays the rest.

He informs that the Firefighters do not get Social Security. These recommendations the Board has for the Commission is not the Board's job to do. Chairperson Gomez comments that they did not ask the Board to do this. Mr. Gold comments that the Board's job is to present the Commission with options. Mr. Chickillo states that he has worked for the City for over 30 years and he has never seen the Retirement Board asked to do this. Chairperson Gomez believes they need to bring this issue to the attention of the Commission as well as to the citizens of Coral Gables.

Mr. Chickillo makes one final comment. Hypothetically, if the City was paying \$26 million and then it went to \$22 million that is a \$4 million dollar savings the City had. Ms. Gomez disagrees agree with Mr. Chickillo's comment. Mr. Chickillo states that if the City was paying \$26 million and the required contribution amount dropped to \$22 million then the City says they were adding another \$1.2 million for a total of \$23.2 million is being put to the fund. There is still a \$2 million reduction. Are they really paying down the unfunded liability? For ten years the Fire Department has been dealing with cuts. Firefighters have worked overtime and not receive pay for it but instead they were given 36 hours of annual leave which could only be used if more overtime occurred. All the employee groups have given and there has been a lot of taking and no giving.

Mr. Banos recommends that all the options they are presenting to the Commissioners be backed up with numbers. Chairperson Gomez agrees. Mr. Banos believes this is certainly the time to do it while the economy is in a good shape. Chairperson Gomez asks Mr. Gold if he had any further comments. Mr. Gold adds that the specific question the Committee was asked to address was how to reduce the unfunded liability and then the Board would prepare a letter of recommendation. Chairperson Gomez would like for it to be referred to as a framework. He asks Mr. Gold to generate the letter and he will review the letter and forward it to the Mayor. Mr. Greenfield asks if the letter is being presented as ideas to the City or as recommendations. Chairperson Gomez informs he would like to call it a conceptual framework of discussion following the last joint meeting. He clarifies that the Board is not recommending one item over the other and rather than numbering the list he would prefer bullet points for each suggestion listed. These are not recommendations.

Mr. Easley asks if at any point was there discussion of entering the Florida Retirement System (FRS). Mr. Gold answers that in his conversations with Mr. Strong the affect that new employees have on this plan is so insignificant compared to what is being discussed it is almost a moot point. Mr. Banos adds that he is not opposed to adding that on the list. Mr. Easley replies that maybe it should not be added to the list but instead get data to see the costs.

Mr. Gueits arrives to the meeting at this time.

Mr. Strong states that not only will cost be higher for new employees but also part of the City Contribution to FRS will go to the FRS unfunded liability which the City would

have had no part in creating. So the City will be paying off the FRS unfunded liability once they become members of the FRS. Mr. Easley asks if someone was to recommend this as an option then it would not be a feasible option. Mr. Strong answers affirmatively. Mr. Gold does not believe that all seven ideas need to be presented. The idea was to bring options to the Board and then the Board would decide on the options to take to the Commission. Chairperson Gomez asks which three or four points should be listed. Mr. Strong would like to add to the list something the town of Palm Beach did. Their unfunded liability became a major focus in the last few years and so the Town and local news became aware of it. Their plan is about half the size of Coral Gables. They went through their budget and found a few thousand dollars they could free up. They actually ended up finding \$5.4 million dollars a year by cutting other things in their budget and they adopted a Council Resolution to put in \$5.4 million into the plan until the plan is fully funded. Mr. Gold states that if the Board is saying that they need more funding it is for the City to find those funds and that is not the Retirement Board's job. Ms. Gomez replies that the City has done that and there is supposed to be a \$3 million to \$4 million dollar increase each year. The City is making sure to fund more and there is a Commitment Resolution to do that. Chairperson Gomez calls on Mr. Gueits for any words of wisdom. Mr. Gueits believes the sub-committee did a great job and now it is time to turn it over to the politicians.

6. Items from the Board Attorney.

Mr. Greenfield informs that the retiree who embezzled funds from the City was found guilty of her charges. She embezzled \$85,000 from the City while she was an employee and was arrested back in March of 2017. She retired on May 2017. She had been receiving her retirement benefits and has continued to receive them after her arrest. The payments would be mandated unless she was convicted. On September 7th, she plead guilty to the charges and wanted to avoid trial. In pleading guilty she agreed to pay back the \$85,000. She was serving some time in jail. In pleading guilty the Board has the obligation to give notice to her, give her the opportunity to be heard at a hearing where the Board is to consider ceasing her pension benefits. He has spoken to the City Attorney and the retiree's attorney and believes they will be receiving a waiver to waive her rights to a hearing and her pension benefits. He asks to for the Board to set a hearing date and time to provide notice. He believes it makes since to have a policy appointing a Hearing Committee so that the entire thirteen Board members would not have to sit in the meeting. Chairperson Gomez asks if the hearing could start a 30 minutes before the next Retirement Board meeting. Mr. Greenfield believes that a 30 day notice has to be given and the next Retirement Board meeting is not within that time frame. However, he believes that he will receive the signed waiver and if so the hearing will not be needed. She has pleaded guilty and so payment can be ceased until there is a hearing, if there is a hearing. Mr. Banos recommends canceling her Retirement payments. Ms. Gomez informs that she is entitled to her contributions and she was advised by outside council that they should continue to pay until the hearing. Chairperson Gomez suggests they have the hearing first thing in the morning before the next Retirement Board meeting if the waiver

is not received. He asks how exactly will the hearing take place. Mr. Greenfield explains that he will present the Board the evidence. The retiree is entitled to be present with her attorney or to represent herself as to why she should not have to forfeit her retirement benefit. At the end of the hearing, the Board makes their decision. Under State law it is automatic that she loses the pension. Ms. Gomez believes that the hearing should be with the full Board. Mr. Banos agrees. Mr. Garcia-Linares asks Mr. Greenfield to forward whatever statute it is that the Board falls under in making the decision. The Board members should be able to read the statute before making a decision. Mr. Greenfield informs that it is State Statute Chapter 112.3173.

Mr. Banos leaves the meeting at this time.

7. Continuation of discussion regarding claims owed to the Retirement System.

Mr. Greenfield informs that they were able to collect money back for the fund. They received payments from Mr. Suarez and the Estate of Virginia Paul.

Mr. Greenfield explains that there was an issue of over payment due to the inability of Ms. Groome to know when a pensioner had passed on and there was a continuance of payments made. There were about four or five of them that totaled roughly \$120,000. He believes GRS has some responsibility in that. A demand letter was sent to GRS and there was communication with GRS attorney and the CFO. They understood the argument. It was agreed that that Retirement System should try to collect those funds and whatever amount that cannot be collected GRS will pay the funds that cannot be collected. It will be a future credit on the services by GRS. Mr. Strong states that that corporate office informed him that they will reimburse his office for any credits on the account. Mr. Gueits suggests assigning the chasing of the funds to GRS and having them worry about collecting those funds. Mr. Greenfield advises that he has sent out demand letters and has only received one response who said he will pay.

Mr. Hoff asks about the four people who opted out of the COLA. Have all of them taken the opportunity to come back into the Class? Ms. Groome responds that she has only received three letters but there are four in total. Mr. Strong points out that would not affect the impact statement. Ms. Gomez asks Mr. Strong exactly how the COLA for those persons would be granted. Mr. Strong replies that they would receive exactly what was granted to those originally in the lawsuit.

Chairperson Gomez announces that he wants the record to show that the issue with GRS in no way reflects upon the good work that Mr. Strong has done with the Board. They are a better Board today because of the information and advice Mr. Strong has given this Board.

Ms. Gomez and Ms. Elejabarrieta leave the meeting at this time.

8. Investment Issues.

Dave West informs that the fund has been doing very well during the summer. They do have a rebalancing issue to address after the review of the investments. He reviews the June investments. The critical function is that the total domestic fixed income is 8.6% underweight and part of his recommendation will be to move some additional funds over to the fixed income. At the end of June, the total fund fiscal year to date was 6.83%. The total policy was 4.86%. The fund was up 11.13% for the year and FRS released their final numbers and their result was recorded at 8.89%. From a peer group perspective fiscal year to date they are in the top 5th percentile. In a year over year bases they are semi-grossed at 11.75% and in the top 3rd percentile. For the three year and five year numbers they are in the top 4th percentile. All managers except for MD Sass have met policy compliance and peer group ranking. MD Sass numbers for the three and the five year are underperforming. They are in the 95th percentile. He gives an update on the steps that MD Sass took over the summer. They terminated their Lead Analyst and Portfolio Manager who were responsible for the health care, energy and industrials area of the portfolio which by AndCo's calculation both of those main areas was the cause of the underperformance. They did take a positive action there. That is a vacancy. From his research analyst perspective he has a note that he would make available for anyone to review. AndCo's research team suggests holding the line. They are still comfortable with the general process and MD Sass's strategies are still in place. They had to put them on high level watch and he will keep the Board informed as to what transpires.

Mr. West reviews the August investments. As of fiscal year to date in August the plan was at 10.24%. The total policy was up 8.1%. They outperformed the policy benchmark. The three and five year numbers all average nicely and well ahead of the policy benchmark. Other than MD Sass, they have no other manager issues.

Mr. West informs that looking at the asset allocation; the total domestic fixed income is a 8.6% underweight. They are 1.4% under policy minimum. Regarding the PIMCO Disco investment, PIMCO made a decision that they were going to close out the Disco fund. They made a determination that they didn't feel like they would make the returns so they were going to close out the fund. They are scheduled for reimbursement from the fund today. His recommendation is to take the \$15 million and reinvest the funds into Richmond Capital and that will put them into policy limits.

A motion to approve taking \$15 million from the PIMCO Disco reimbursement and investing it into Richmond Capital was made by Mr. Hoff and seconded by Mr. Easley. Motion unanimously approved (10-0).

Ms. Groome informs that the Retirement fund will be receiving the City's contribution on October 1st. Mr. West recommends to take that money and invest to policy targets and reload the index funds.

A motion to approve investing to policy targets and index funds was made by Mr. Hoff and seconded by Mr. Easley. Motion unanimously approved (10-0).

Mr. Hoff states that Mr. West has been around a long time and he would like to give him kudos for the incredible job he has done with this fund.

Mr. Greenfield asks for Mr. West to explain the issue with Eagle Capital. Mr. West informs that Eagle Capital has gone through a self-audit of the fee schedules and they came to the conclusion that the billing calculation method be adjusted to be consistent with their firm's practices. This will result in a rebate to the plan by giving credit for future invoices to the plan. Mr. Greenfield states that they have an agreement to be signed. He asks Mr. West if there is a way to require the other managers to do a self-audit also. Mr. West responds that typically the plan's auditors go through everything every year regarding the managers and their fees. Ms. Groome adds that since they have a new auditor this year, they will be going through the current contracts and manager fees.

A motion to approve signing the fee schedule for Eagle Capital was made by Mr. Hoff and seconded by Mr. Garcia-Linares. Motion unanimously approved (10-0).

9. Old Business.
There was no old business.
10. New Business.
There was no new business.
11. Adjournment.

Meeting is adjourned at 10:03 a.m.

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER

