

CORAL GABLES RETIREMENT SYSTEM
 Minutes of March 10, 2022
 Community Meeting Room - A
 Public Safety Building – 2151 Salzedo Street
 8:00 a.m.

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

STAFF:

Kimberly Groome, Administrative Manager	P = Present
Manuel Garcia-Linares, Day Pitney LLC	E = Excused
Dave West, AndCo Consulting	A = Absent

GUESTS:

Yolanda Menegazzo, LagomHR

1. Roll call.

Chairperson Gold called the meeting to order at 8:18am. Mr. Nunez and Mr. Gueits were excused, Ms. Newman was absent and Dr. Gomez participated through Zoom.

2. Discussion regarding issuance of amended 2021 1099-r forms.

Mr. Garcia-Linares informs the Board of an issue that was discovered by PenChecks. When the 2021 1099r forms were sent out an issue came up and now they have to issue corrected or amended new 1099 forms for 2021. The information they have been putting in Box 5 of the 1099r forms has not been the correct number.

When an individual retired, they received a letter from System that said you purchased prior City or prior service time for X number of dollars and those dollars are post tax dollars. For example, if you paid \$20,000.00 but based upon your age you have to deduct that at \$1,000.00 a year over a 20-year period. The amount that should have been in Box 5 would be \$1,000.00 and the number that was being put in Box 5 was \$20,000.00. PenChecks discovered this error and they are going to be reissuing the 2021 1099 forms that show the correct number. A letter of information and the amended 1099r forms will be going out to the retirees affected and they can take it over to their CPA to correct their taxes. There may be the possibility that some people, for whatever reason, decided they wanted to deduct the whole \$20,000.00 for everything from tax year. Those people may have an issue having to amended returns, but that is on them because they got a letter from the City that said what they were supposed to do.

The new 2021 1099r forms are going to go out by March 31st. The second issue is there are 51 1099r forms that were going out to people who went out on disability. PenChecks had a question as to whether all of them under their job classification should receive the money tax-free. This issue came up two days ago and they have not looked at it. They are waiting for PenChecks to ask Ms. Groome what information they need. They will get them the information and see who is going to make the determination as to what the numbers should be for those individuals. It is a reporting issue.

Since this is an issue that affects prior years, they have to go back and correct all open tax years. Right now, the open tax years are 2018, 2019 and 2020. He does not know how long this is going to take to get done. They are going to try and do it as quickly as possible. PenChecks has asked for them to put together a spreadsheet with the individuals name, the amount of post-tax contributions, how many years they can deduct the amount and that amount will be reported on the 2021 1099r forms in Box 5. The City will have to update the forms for the prior years. do the ones from prior years that they weren't involved with the prior years.

Ms. Groome has been on jury duty for the last seven to 10 days. Ms. Menegazzo stepped up and has been helping them with this issue. She thinks she can help Ms. Groome get this done quickly. He asks the Board to authorize Ms. Menegazzo to help Ms. Groome put together the spreadsheet so they can get the information over to PenChecks to get the 2021 1099r forms out by March 31st. The other thing he wants to point out is that this is not a PenChecks problem. For some reason, the retirees are trying to blame PenChecks for this issue. One retiree filed a Better Business Bureau complaint against them. They are doing what they need to do and they are the ones who found the problem. It is not an auditor issue. The auditors are only looking at the System's financials and do not look at the 1099r forms.

The meeting is turned over to public comment on the issue.

Linda Kiser states that she is one of the retirees who spoke with Mr. Garcia-Linares and she has spoken to several people at PenChecks since about February 14th because she had not received her 1099 form. She informs that she filed a Better Business Bureau

complaint two times mostly because she keeps getting different answers as to what is going on and supposedly, she was told there were several meetings with the Board and then she was told those meetings did not happen and then was told then the latest response was from PenChecks to the Better Business Bureau. The response mentions that PenChecks have drafted a letter and they want this letter to go with the 1099s. That is what they have reported to Better Business Bureau and she has that in writing. It is all these little stopgaps that they are doing.

She uses TurboTax to do her taxes and when she puts in the full amount that is in Box 5 TurboTax computes it based on the large amount and not the small amount. It only deducts about \$800.00 a year from her gross and then makes her taxable income. If she puts a lesser amount in TurboTax it is going to amortize the lesser amount and she will have like two pennies off her gross income and then the taxable income will be like two pennies less. She does not understand why they have to go back and amend the previous 1099r forms. It is going to create a lot of money for the retirees. Some people do not know how to do taxes. They do not have Turbo Tax. They do not have the money to go to H&R Block or have somebody do their taxes for them and they owe money there is going to be interest payments on that money they owe. If they go forward, that is not a problem but if you go back to 3 years, that is going to create a big problem for 753 retirees. It is not the retirees' fault that this was done incorrectly and she thinks it was not done incorrectly. The previous 1099r forms said the taxable income was not determined and it was left to the taxpayer to do this. This is okay with IRS. If you put \$1,000.00 in Box 5, it is going to screw up everything especially the amortization schedule. Who is going to pay for all these people to go and have all this done by CPAs or H&R Block or whatever because a lot of them probably do not know how to do it. If you do the amended it is really going to hurt a lot of retirees.

Mr. Garcia-Linares responds that the reason that PenChecks stated that the Board approved a particular letter is because this issue came up between Board meetings. The Board meets once a month and this issue came up between Board meetings. In that period is when this issue was discovered. There are two letters that will be going out. One letter will be going out with the updated 2021 1099r forms by March 31st and explain the fact that there will be amendment for prior tax years. The City is under an obligation to provide corrective 1099 for open past years. If you have been reporting the taxes correctly, there should not be an issue. You should not have to go back and amend your tax return. If somebody did not go to a CPA or did not go to H&R Block and did not take the letter and the 1099 with them, it is on them if they decide to do it. They are going to have to correct it if it was done incorrectly. It is the City's responsibility to correct. The individual returns are filed by individuals. He is not a tax attorney but two tax attorneys from his office have reviewed this and given this advice. They are doing what they need to do. Chairperson Gold states that because none of them are tax professionals the advice comes from the attorneys in the Board Attorney's office who are tax professionals. That is why they are restating the prior two years.

Ms. Kiser explains that she used to do taxes. If they change the figure that is in Box 5, TurboTax will amortize it. The amortization schedule is based on your age. Each person

has a different amount that is in Box 5. They do not all have the same exact amount. Every year for her has been the same amount and every year for each individual has the same amount every year. But if you put what should be deducted from the gross proceeds, which is Box 1 on the 1099 form and you deduct \$1,000.00 from the gross proceeds, then you would probably come up with your correct taxable income. But if you do it with TurboTax it will end up being instead of taking a thousand dollars from the gross proceeds it will take pennies, which will be incorrect. She has a difference of opinion with what PenChecks wants to put in Box 5 of the 1099r forms.

Ms. Gomez states that it is very clear in the IRS rules for the 1099r in Box 5 that the amount in Box 5 is the amount that is to be deducted for the current year. You have your letter too so you could put the full amount in there and calculate it correctly. You should deduct the amount that you are allowed to deduct for that year. If TurboTax does not allow that then you have the information to do it. Ms. Kiser asks what letter she is talking about. Ms. Groome informs that she started sending out the post-tax contribution letter in 2007 to retirees who first received their 1099r forms. Before that, it was given out to retirees who questioned what was in Box 5. The letter can be done for any retiree who wants one.

Bart Barta wants to make sure he is clear on a couple of things. According to the statement that was said earlier regarding Box 5, this was dealing primarily with retirees who had purchased prior service. Ms. Gomez responds that it is people who were making contributions prior to the City becoming a pre-tax retirement system. It is purchase of service time as well as anyone who made post-tax contributions into the retirement system.

Mr. Barta asks what year the tax change occurred on the pension. Chairperson Gold responds that it was in 2008. Mr. Barta states that he has heard about letters going out. He has not received the first letter regarding anything related to this 1099 or anything else. He does not know how many other retirees have received these letters and he would like to know why. He contacted the Finance Director nearly a month ago to inquire what was going on because when his accountant was preparing his tax return for 2021, he discovered that that Box 5 was empty but in previous years there was a number in that Box 5. Ms. Gomez states that this issue was discovered in between Board meetings. The Board had not been able to act on this issue until this meeting. No letters regarding this issue have been sent out yet. They are in the process of preparing letters.

Dr. Gomez asks Ms. Groome when she started as the administrator of the Retirement System. Ms. Groome responds that it was December 2001. Dr. Gomez asks if every year since she started was a letter was sent out to the retirees on this issue. Ms. Groome replies that she did not sending out the letters until 2007. Dr. Gomez asks why it started in 2007 and not prior to 2007. Ms. Groome informs that she was not aware of what Box 5 was when she started in 2001.

Dr. Gomez states that they have retirees who have received letters and retirees who have not received letters. Ms. Gomez informs that no one has received a letter on the current

issue. Mr. Garcia-Linares states that he and Ms. Gomez assumed that all retirees received a letter regarding the post-tax contribution and now they are being told otherwise. They have to go back and figure out how many letters they have in the system. Ms. Groome has been on jury duty for the last 10 days when they have been in the middle of all this.

Harry Pickering informs he retired in 2006. He did not receive a letter and is distressed about it. He has a personal situation where he has extra taken out of out of his check so he can get a larger refund at the end of the year to pay medical bills. His wife is a cancer patient and her medication cost \$3,000.00 a month and this is causing an extreme hardship upon him. He has offered to the Retirement Board to put out communications via their retiree network through the Fraternal Order of Police. They have over 220 retirees, both civilian and sworn, that are on the network and he can easily reach out to them. The other comment he has heard from quite a few retirees that are still under the age of 65, they would get a letter another letter from the City regarding the Public Safety Officers Act where they can deduct \$2,000.00 of insurance payments from their taxable income. Ms. Groome would mail this information out every year and they have not received that letter this year.

Ms. Gomez comments that there is a copy of a letter that was issued to Mr. Pickering.

Eugenio Arencibia informs he retired from the Police Department. He thanks Mr. Pickering for informing him through email. When his accountant was getting ready to prepare his taxes, he found a lot of issues on the 1099r form. There was nothing in Box 2 and nothing in Box 5. He is fortunate that at his tax guy has done his taxes for years and years. If it was somebody else, it would have been a big problem for him. If it was not for his tax guy or Mr. Pickering, he would have never known anything about it.

Tim Daniels states that he has not received a letter of any kind. The only way he knew about this issue is that Ms. Groome communicates well with retirees on Facebook and then hearing from other retirees who he keeps in touch with and they are all having this problem. He also never received a 1099 from the City amending the original. He hears that this was discovered between Board meetings and he does not see how that is relevant. The preparation for these forms should have started in January. They have an IRS obligation to have 1099s available to retired employees by January 31st. Now he hears that he should have a corrected 1099 by the end of this month. He has no confidence in that statement whatsoever. You have to understand that this is very frustrating for the retirees and hard to explain and inexcusable. He wants to know who can assure him and the other retirees that this is going to be done correctly. It seems that since 2008 when he retired there was not a problem until this year. It is just coincidental that the City decided to privatize some of the retirement activities but he cannot make an accusation because he does not have any facts but it sure is a coincidence.

Chairperson Gold reminds the audience that one of the reasons they have not received a letter because as they have stated this has happened in between Board meetings which are subject to Sunshine Laws. Mr. Daniels states that this is the City's Finance Department which ultimately has a responsibility. It has nothing to do with the Board. Ms. Gomez

replies that the Finance has nothing to do with it. The Board is a separate entity. Mr. Daniels knows that and he was the Chairman of the Board for several years. He understands the obligations. He understands that division, but the Finance Department is who makes up the facts and figures and keeps track of all of this. Ms. Gomez disagrees. In the past yes, the Finance Director had more involvement and the administrator was part of the Finance Department, but that has not been that way for a very long time. It has not been that way in the 10 years she has been with the City. The Finance Department does not do the administration of the pension system. The pension system is its entity and the Board directs the administrative manager and the Board makes all the determinations for everything that happens with the pension system. Mr. Pickering states that they have two Department heads on the Board that knew about this who could have got ahold of the City Manager and communicated this to the retirees.

Mr. Garcia-Linares asks for a motion to retain Ms. Menegazzo on an hourly basis to work with Ms. Groome to create the spreadsheet that needs to be created so PenChecks can send out the updated 1099r forms by March 31st. Ms. Groome has confirmed to him that the 1099s were sent out on January 31st to everyone and those are the forms that are being updated by March 31st. Mr. Gold asks Ms. Menegazzo what the rate will be and what is the expectation of number of hours that they need to engage. Mr. Garcia-Linares asks that they pay Ms. Menegazzo her time because she has been working for the Board and they have not paid her since December. He knows she was doing some cleanup work but while Ms. Groome has been gone over the last 7 to 10 days, Ms. Menegazzo has been their point person and he thinks she deserves to get paid for her time.

Ms. Menegazzo comments that she has been completing the implementation project for the pension portal. She stopped billing the Retirement System in December. She was completing the work in January and February and she did not bill for that. She is not asking to be billed for the work this month as she was serving as a liaison when PenChecks reached out to her to make sure she communicates with everybody so that everybody is on the same page. She is more than happy to assist. It does look like they will have to go back and do the calculations for the retirees and provide PenChecks with the spreadsheet for the retirees. PenChecks needs time to reissue the 1099r forms. PenChecks has not submitted the actual filing to the IRS yet. Her hourly rate is \$150.00. She does not know how many hours it will be. Chairperson Gold recommends an authorization for up to 10 hours a week for the next three weeks. Mr. Garcia-Linares thinks that Ms. Menegazzo should be paid for the time she has been working while Ms. Groome was at jury duty. He also thinks she should be paid for the time she has been working since January. Chairperson Gold states that they had a lengthy engagement that included wrapping up but this is over and above the separate from the implementation of the systems that she recommended and walked them through the fruition. Finishing that project, he thinks is included in what was the extension into January. Going over and above work he would consider but not the true implementation from January.

Dr. Gomez strongly supports what Mr. Garcia-Linares presented. He thinks Ms. Menegazzo should be compensated for the work that she has done leading up to today. He wants to know why the letters informing the retirees as to how much post-tax can be

deducted from their taxes have not been prepared and sent out yet. Ms. Gomez states that it appears that some of the letters were done at the time that the person retired. She had assumed that everybody was provided a letter at time of retirement. Now they have found out that is not the case. The letters started being given to the retirees in 2007 after having a lot of retirees question what amount was in Box 5 of the 1099r form. At that point, the letters were prepared. Prior to that nobody had prepared letters. In 2007, it was decided by the system administration to start doing this letter. No other letter has gone out to this point because this Board has not met until today to make the determination on how to move forward and the Board cannot meet outside of the public meeting to discuss these things. That is why they are discussing it today. They are going to correct it and move forward.

Richard Waugh informs he retired in 2015. He wants to understand if the amount in Box 5 should be a lump sum amount or the amortized amount. Chairperson Gold responds that it is the amortized number. Mr. Waugh clarifies that it should not change unless there was a mistake made in the past. Chairperson Gold responds that in the past it was the lump sum number and it should have been the amortized number.

Dr. Gomez asks if the tax attorneys are present. Mr. Garcia-Linares answers affirmatively. Dr. Gomez would like to hear from them for the record.

David Doyle informs that he is an employee benefits tax partner. The amount in Box 5 of the 1099r forms is supposed to be the amortized number and not the gross number. That is the way the 1099-r requirements from the IRS are stated. That is what this correction is for. It is very clear that is the correct number that should be in Box 5 of the 1099r form each year. Dr. Gomez comments that by what Mr. Doyle is saying, a mistake was made prior years by not including that number. Mr. Doyle replies that he has not looked at a single 1099r but based on what he has heard, that is probably correct. He thinks the 1099r were not filled out correctly.

Mr. Pickering points out that retirees under the age of 65 who contribute to their health trusts a statement was sent out informing of the dollar amount that they had paid out of their monthly retirement for their insurance premiums for the year. The statement would come with a letter and include a handout from the IRS about the Public Safety Officers Act. No one has received this information yet for the 2021 year. Ms. Groome informs that the information is in the portal. The insurance amount can be found on the December 2021 retiree payment notice.

Ms. Kiser asks who will be figuring out the amortization amount for Box 5. Mr. Garcia-Linares informs that Ms. Groome will be doing it on behalf of the pension system.

Javier Bruzos, FOP President, informs that he has seen a lot of frustration with the retirees. He has been getting a lot of calls and he knows that Ms. Groome is getting a lot of calls. He believes their frustration is very well warranted in this situation. They had an issue in late December with the money they got and now this issue. The flow of information has been difficult. A lot of times they get their information through a retiree.

They call the City and they call Ms. Groome. Then Ms. Groome gets bombarded with phone calls and she should not be. There should be a message coming out saying that someone is working on the issue. Mr. Garcia-Linares informs that there will be letters going out with the corrected 1099r forms. Dr. Gomez asks what the timetable for the letters to go out. Mr. Garcia-Linares informs that March 31st the corrected 2021 1099r forms need to go out.

Ms. Kiser states that Ms. Groome sent information to PenChecks with what was supposed to be in Box 5 on February 21st. Now they are talking about a spreadsheet that someone else needs to send. Mr. Garcia-Linares informs that they received information that Ms. Groome believed needed to go on the 1099 and that was the gross amount that PenChecks discovered was incorrect. Thankfully they discovered and brought it to their attention and now it is being corrected. They do not have the individual information for each person. They have to receive the amortization information from the Retirement System.

A motion was made by Ms. Gomez and seconded by Mr. Alvarez to hire Ms. Menegazzo at an hourly rate not to exceed the monthly amount that she had previously been charging to help us get this taken care of and issued and PenChecks correctly by the time that they need in order to file correctly and timely. Motion unanimously approved (8-0).

Mr. Challenger comments that he thinks that there is a lot of miscommunications regarding messaging to the retirees. He points out that Mr. Pickering is the Police Officers representative for the retirees. He emails information to them. Maybe an email can be sent out saying that an issue has been pointed out and that it is being addressed.

3. 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.

3A. The Administrative Manager recommends approval of the following invoice:

Verdeja DeArmas Truillo invoice #33391 for final installment of auditing services in the amount of \$2,800.00.

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

3. Comments from Retirement Board Chairperson.

There were no comments from the Board Chairperson.

4. Items from the Board Attorney.

Mr. Garcia-Linares reports that the City Attorney did get back to him regarding the proposed changes to the ordinance related to the disability issues. It has been reviewed by City counsel and he has looked at it. They will start the process of moving forward to make those changes. Dr. Gomez asks for the Board to have copies of that information for the next meeting. Mr. Garcia-Linares answers affirmatively.

5. Presentation of the draft 2020-2021 audit report by Verdeja DeArmas Truillo.

Tab Verdeja reports on the audit as of September 30, 2021. They gave a clean opinion. They have provided a management letter and they have one finding of a significant deficiency that they will discuss. The first test they do is a contribution test to the main areas of the plan, benefit payments, eligibility and investments. Those are the areas they focus on the audit, as far as contributions. They test to make sure that the participant contributed through payroll is the correct amount. They also look at investments. They look at the investment statements. They confirm the investment balances and they do certain analytical and then distributions which are benefits paid. They recalculate these numbers. They also look at balances that those amounts were paid through the payroll register and they do a walk-through of internal control. They understand the automation process and there are some new controls around that.

There was a net increase of \$78 million compared to \$29 million the previous year. That is the plan's profit or the excess of revenues over expenses. It is a considerable increase from the previous year and that has to do with the market and investments. The other areas which are the revenues are very similar to the previous year. They expect the total contributions to be very similar and the biggest swing is the investment income. The benefits paid were slightly higher than last year at \$51 million versus \$47 million the previous year.

Because of market conditions there was a decrease in what was invested in bonds and there was more investment in common stock. The plan produced significant gains in the current year. As of February 28, 2022, the plan had total investments of \$489 million. As of September 30, 2021 the plan had \$482 million. The rate of return for the fiscal year was 23%.

The funding status of the plan has had an upward trend with the City contributions and investment gains over the years. They are on their way to 100% funded hopefully and they had a big increase in the plan from the prior year. The City is making additional contributions to the plan over what the actuary is projecting. There is an excess of \$5 million or so in the current year and every year since 2016.

The management letter provides a significant deficiency. There is only one person in the Retirement Office. There is not adequate accounting oversight or segregation of duties

because there is just one person and there is accessibility for human error. They are mentioning to the Board, especially in light of what they were talking about this morning. There is an elevated risk of just having one person. He thinks what they have been doing and continue to do with moving to automation will fix all that. He has been working with Ms. Menegazzo and discussing how they will move forward. They can even move a little bit quicker in that route but he thinks the automation will solve some of these issues that are due to human error or lack of just other accounting oversight in that department.

Dr. Gomez thanks the auditors for their report. Based on where they stand today do the auditors recommend that the Board goes ahead and outsources the remaining part that the Board currently controls? Mr. Verdeja answers affirmatively. He thinks that will help to prevent any future issues. In their line of business automation and moving that route is the future and technology will help to prevent any future errors that are human errors or fraud or anything like that. Thank you.

A motion was made by Ms. Gomez and seconded by Mr. Alvarez to accept the audit report with a few minor changes that may be necessary. Motion unanimously approved (8-0).

Mr. Garcia-Linares states that from a legal standpoint, they have a management representation presented to the Board that there is a significant issue. The auditor's recommendation is that the Coral Gables fund should move quicker towards the third-party administrator function that the Board is in the process of moving to rather than in a slower pace. He clarifies with the auditors that is their recommendation. Mr. Verdeja answers affirmatively. Dr. Gomez asks Ms. Menegazzo what the timetable is to be fully automated. Mr. Garcia-Linares believes those are different things. Dr. Gomez rephrases his question. Based on the report they heard from the auditors' and where the Board stands in outsourcing the operation, how long would it take to be fully outsourced? Ms. Menegazzo responds that it takes approximately 90 to 120 days and the way that that would look like if the Board decides to outsource, it would have a shadow interior to make sure they understand all of the intricacies involved in providing that type of service.

Mr. Garcia-Linares makes it clear that no one is firing Ms. Groome and no one is talking about Ms. Groome losing her job. The issue if they should move to a third-party administrator quicker. Clearly what happened with the 1099r forms, Ms. Groome was following the instructions of which she was told to do and how she was taught to do it but Ms. Groome is not in accounting and not part of the Finance Department and was not overseeing this and it took a third-party, PenChecks, to figure out that the 1099r forms were being issued incorrectly. There could be other issues they do not know about because they do not have someone like that in place and the Board is on notice now that their auditors have told them about the problem.

Ms. Gomez comments that the Board has talked in the past that Ms. Groome is in the DROP and will be exiting the City and the Retirement Office in the next couple of years and they have talked about the fact of outsourcing the administration of the pension system. From her standpoint as a Board member and as the Finance Director as the

Trustee she has noticed that sometimes it is very difficult to get things clearly communicated and there is nobody other than Ms. Groome dealing with it. These past couple weeks was very proof point. She was called to jury duty and went to jury duty. Then the 1099r issue and the audit and a lot of things were not being done with just one person. She does not think that is the best way to manage the administration of the system. Moving towards the third-party administration can help the Board get past some of the problems over the next couple of years while Ms. Groome is still here, whether it is just as a liaison or however the Board has her function and review her role once GRS has taken over. She thinks the Board should not wait to the very end of Ms. Groome's time with the City. She could pick up tomorrow if she wants to and decide that she does not want to be here anymore because she is already in the DROP. She would like to make a motion to move faster towards the outsourcing the pension administration. Chairperson Gold suggests the item be put on the agenda at the next meeting.

Dr. Gomez left the meeting at this time.

6. Update of Pension Administration System implementation.

Discussed with audit report.

7. Investment Issues

Dave West reports on the February monthly performance. His recommendation for this meeting is to take no action in the portfolio. He thinks the portfolio is positioned appropriately and is holding up well in what has been a very challenging market environment.

In the bond market, two years yield is up to 1.86%. Short interest rates have gone up and longer interest rates stabilized. The bond market is suggesting that this is a flattening of the yield curve to the bond market and is suggesting caution that they may see a slowdown in the economy. Credit spreads are widening. Corporate bonds are underperforming. High quality U.S. Treasuries is important because they did a big quality upgrade when they added the alternative Treasury Inflation Protected Securities allocation and they are invested in very high-quality bonds. Bond manager Garcia Hamilton by design is a very high-quality manager. No matter what happens, they have liquidity in the plan through a very conservatively structured bond allocation. The domestic equity allocation is holding up reasonably well. Half of that portfolio is in value stocks. The growth stock universe has been bearing the brunt of the market decline. The real estate managers continue to perform well as well as the alternative investments including the hedge fund. At the last meeting they were directed to rebalance and that was done when the market was already down and they moved additional money into equities at that time. He suggests they stay the course with the current asset allocation.

International manager WCM is the growth manager and own one stock that is dual domiciled in the US and Belarus and it is included as having exposure to the Russian region. The exposure to Russian companies is less than 4%. International manager RBC

has indirect exposure to one Russian stock. They own Alrosa which is one of the major diamond producers in a market. They are looking to exit that position and that is the only stock exposure with RBC. The Northern Trust exposure in the All-Country World index fund and the index funds are eliminating Russian stock exposures. At the end of February, the exposure across the MSCI All Country World index fund that this fund is invested in is at 1.4%. They are working to minimize allocations there. The MSCI EAFE index is moving Russian securities from emerging market status to stand alone status at the close of business March 9th. All managers are taking appropriate actions to exit their positions in the Russian stock exposure.

The total fund assets opened the fiscal year at \$493,646,442 million. All the rebalancing and transfers that took place dropped down the non-core fixed income. They moved \$15 million dollars into the Treasury Inflation Protection Security and it has performed very well. The management fees fiscal year-to-date are \$1,331,044. The line-item expenses were \$46,727 and the income earned through the end of February was \$6,116,820. The depreciation component was \$18,789,954. At the end of February, the fund was at \$489,452,513.

The net return was a negative 1.53% for the month and for fiscal year-to-date was negative 2.81%. If you look at the market exposure on March 8th, they saw another correction of about 2.4% in the S&P 500. They have experienced about half of that climb with roughly a little more than half of the assets of market exposure. He thinks the plan asset allocation is very strongly positioned to weather every anything going forward and they have liquidity if they need it and the liquidity is a very high-quality bond portfolio in place. He has no recommendations. There are too many variables in the current environment to take any action.

8. Old Business.

There was no old business.

9. New Business.

There was no new business.

10. Public Comment.

There was not public comment.

11. Adjournment.

Meeting adjourned at 9:39 a.m.

APPROVED

MICHAEL GOLD

CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER