

CORAL GABLES RETIREMENT SYSTEM
 Minutes of June 11, 2015
 Police Community Meeting Room
 2801 Salzedo Street – Police Station Basement
 8:00 a.m.

MEMBERS:	J	A	S	O	N	J	F	M	A	M	J	APPOINTED BY:
	14	14	14	14	14	15	15	15	15	15	15	
Andy Gomez	P	P	E	E	P	E	P	P	P	P	P	Mayor Jim Cason
Manuel A. Garcia-Linares	P	P	P	E	P	P	P	P	P	P	E	Vice Mayor William H. Kerdyk, Jr.
Michael Gold	-	-	-	-	-	-	-	-	P	P	P	Commissioner Patricia Keon
Rene Alvarez	-	-	-	-	-	P	P	E	P	P	E	Commissioner Vince Lago
James Gueits	P	P	P	P	P	P	P	P	P	P	E	Commissioner Frank C. Quesada
Joshua Nunez	P	E	P	E	P	P	P	P	P	P	E	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	E	Member at Large
Donald R. Hill	P	P	P	P	P	P	P	P	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Elsa Jaramillo-Velez	P	P	P	P	P	P	P	P	P	P	P	Human Resources Director
Keith Kleiman	P	P	P	P	P	P	P	P	P	P	E	City Manager Appointee
Pete Chircut	P	P	P	P	P	P	P	P	P	P	P	City Manager Appointee

STAFF: P = Present
E = Excused
A = Absent
 Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan E. Greenfield, Board Attorney
 Dave West, The Bogdahn Group
 Daniel Johnson, The Bogdahn Group

GUESTS:
 Ludwig Janiga, City Employee
 Dan Thornhill, Firefighter

Chairperson Randy Hoff was unable to be present Dr. Gomez calls the meeting to order at 8:12 a.m. Mr. Hoff, Mr. Garcia-Linares, Mr. Gueits and Mr. Kleiman were all excused due to conflicting schedules.

1. Roll call.
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 and Executive Summary minutes for May 14, 2015.
- 2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.
 1. For the Board's information, there was a transfer in the amount of \$2,500,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of May for the June 2015 benefit payments.
 2. For the Board's information:
 - Hiram Concepcion, Automotive Supervisor, passed away on May 9, 2015. He retired from the City on January 1, 2006 with No Option. His benefits have ceased.
 - James Harley, Police Chief, passed away on May 29, 2015. His retirement date was February 1, 1999 and separated from the City's employment on April 26, 2001. He chose Option 2B – 66.7%. His beneficiary began receiving her post-retirement monthly benefit on June 1, 2015.
 - John Sparkman of the Fire Department passed away on May 21, 2015. He retired from the City on April 1, 1988 with No Option. His benefits have ceased.
 3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date May 3, 2015 in the amount of \$177,009.06 was submitted for deposit on May 12, 2015.
 - Payroll ending date May 17, 2015 in the amount of \$175,508.07 was submitted for deposit on May 27, 2015.
 4. Copy of the detailed expense spreadsheet for the month of May 2015 is attached for the Board's information.
 5. Employee Benefit Statements from Gabriel Roeder Smith & Company for October 1, 2014 were distributed to the active members of the Coral Gables Retirement System in June 2015. A summary of the statements are attached for the Board's information.
 6. Two articles from the Wall Street Journal regarding public sector pensions in the State of Illinois are attached for the Board's information.

7. A copy of a class action regarding the Louisiana Firefighter's Retirement System v. Northern Trust Investments is attached for the Board's information.
8. For the Board's information the Northern Trust Securities Lending Summary Earnings Statement for May 2015 is attached.
9. A copy of the May 2015 FPPTA Newsletter is attached for the Board's information.

2C. The Administrative Manager recommends approval for the following invoices:

1. The City of Coral Gables invoice for period ending March 31, 2015 in the amount of \$29,127.26 for expenses of the retirement system paid out of the general ledger account of the city.
2. GRS invoice #414075 dated May 13, 2015 for actuarial consulting services for the month of April in the amount of \$21,432.00.
3. The Bogdahn Group invoice no. 12164 dated June 15, 2015 for Performance Evaluation and Consulting Services from March 1, 2015 to June 30, 2015 in the amount of \$36,250. This invoice is in accordance with the contract between The Bogdahn Group and Coral Gables Retirement System signed on June 1, 2008 and in accordance with the fee increase approved by the Board and signed by the Chairperson on April 28, 2011.

2D. The Administrative Manager recommends of Retirement Benefit Certifications (no benefit was subjected to the benefit limitations under the Internal Revenue Code Section 415): Vested Retirement Benefits: John Keckler, Reynaldo Esteban Bermudez, Juana Darce, Natalie Borgan, Michael Fernandez, Carmen Lima, Eugenio Lage, Gregory Green. Retirement Benefits: Laura Rodriguez, Juan Smith, Rodney Carbonell, Wade Hill, Olga Alfonso, Irela Ferrer. DROP Benefits: Oliver Chen, John Holman, Jennifer Zuriarrain, Stinson Davis, Sebrina Brown, Bryan Barker, Karen Nakamaki, John Williams, Sharon Swikehardt, Charles Arguinzoni, Tania Jorrin

A motion was made by Mr. Hill and seconded by Mr. Easley to approve the consent agenda. Motion unanimously approved (7-0).

3. Items from the Board Attorney

Mr. Greenfield introduces his daughter Allison who accompanied him to the meeting. Mr. Greenfield then advises the Board that he had spoken to Mr. Jim Linn the City's pension council. There has been no real activity in the Nyhart case. His firm is working on coming up with the Board request for discovery to be served to Nyhart. There was some initial discussion with counsel with Nyhart for early mediation and Nyhart attorneys have declined that suggestion.

The Board is filing a claim on behalf of the Board for a deceased participant over paid funds. Ms. Groome has made several attempts to make contact with someone but was unsuccessful in retrieving the funds. The claim has to be filled during the claim period. This is not a guarantee

that funds will be received. If there are no assets in the estate then there are no funds that can be collected. Ms. Gomez asks how much the amount is and how did it occur. Ms. Groome replies that the payment was for \$2,590 and the death was found by running a search through GRS's death search. The retiree passed away in February and was paid four payments of \$647.61. Ms. Gomez asks how often the death check done. Mrs. Groome responds that it is done quarterly. It is suggested that the check is done monthly.

4. Discussion continuing the March 2015 meeting regarding Board member education and attendance at conferences. (This item was deferred at the last two meetings).

The item was deferred until the next meeting.

5. Investment Issues.

Mr. West reports that the Fund picked up a net 80 basis for the month. Fiscal year to date they are at 7.72% and calendar year to date they are at 8.77%. The three year is at 12.86% and the five year is at 11.48%. The total equity for the fiscal year to date is 10.32%. Their active managers have really done well for this period. The total fixed income is also ahead of the policy at 2.31%. Real Estate continues to do very nicely. Eagle Capital is well ahead of the Russell 2000 value benchmark at 11.43% and MD Sass is also ahead at 11.2%. The S&P 500 index fund is at 8.39% after picking up 1.29% for the month. Winslow Capital is back ahead at 11.1%. Wells Capital was at 11.96%. The very big beneficiary of the increased allocation to the mid-cap section was the S&P 400 index fund was up 12.35% compared to the benchmark which was at 8.39%. They have been really able to capture the out performance of the mid-cap sector. In the international portfolio both managers have performed very well. The RBC GAM International Fund was at 7.54% and the WCM Focused Intl Growth (WCMIX) was at 9.19% compared to the benchmark which was at 3.2%. The Board completely restructured their portfolio and it has worked very well so far. The bond managers are both in line with the benchmarks at 2.5%. PIMCO Diversified index fund was up 3.6% versus the benchmark which was at 2.90%. The Templeton Global bond strategy has performed very well. A lot of the strategy comes from currency overlays and they have been long with the Korean won and short with the Euro which has been exactly the way to be so currency has neutralized the negative total return effect and the Barclay's Global Bond index is down fiscal year to date pretty materially. Most of that is due to currency translation. With the active currency overlay the Templeton fund is maintained. DISCO II fund is at 2.31%. The JP Morgan Fund Strategic Property fund was at 9.14% and the JP Morgan Special Situation fund was at 11.16%. The PIMCO Tactical Opportunities fund was at 4.45%.

Mr. West reports on the cash flow for the month of May. The total fund opened up with a market value of \$357,693,791. Distributions going out were \$2,500,015. The contributions for the period were \$17,099. Investment management fees invoiced and paid for the month were \$28,298. Other expenses were \$3,317. Investment Earnings were broken down into income which the plan earned \$653,543. The appreciation was up \$2,228,935. As of May 31st the fund closed with \$358,061,748. There are no questions on cash flow. Fiscal year to date they have earned \$7,409,977 in income and \$20,868,694 in appreciation. They continue to make great progress under new GASB measurement standards. It is always good to start out ahead of the game with nice investment gains. There are no manager issues.

Recirculation of the interviews will be made at the next board meeting. Discussion of the interviews for the hedge fund manager is deferred to the next meeting for a full quorum.

Mr. Easley comments that the fixed income managers usually mirror the returns of their benchmark. Is that the case in the long run or is it something that they need to pull out money from the active manager funds? Mr. West explains that historically they would use active fixed income managers because you have a custom mandate that can't necessarily be purchased from an index fund. In this case they are running against the intermediate aggregate index fund benchmark. If they were to go buy an index fund it would be aggregate bond market index fund. In this case they have taken an active step to provide a more customized mandate with the idea that by using an intermediate benchmark they are capturing most of the returns coming from the bond market but are leaving a lot of the volatility off in that the managers and the index do not include long dated securities. The interest rate sensitivity of this benchmark is less than the benchmark of the aggregate portfolio. With the active imprint on the program they have to get an active manager to implement that strategy. It is not possible to actually purchase an index fund under the current mandate. The question is fair. They are expecting to get some active performance by the value add whether it is risk adjusted or total return above the benchmark. Historically, speaking to the investment grade space, it is a very tough area for bond managers to add value above the index. There is a viable case to be made to have a portion indexed and a portion active. There was a period all through the 1990s, it was almost 89 years, where bond managers could not differentiate themselves in anyway during a period of Shangri-La during that time. No one could earn any extra yield or extra income doing anything. The return dispersion amongst the active management community was very narrow. Their active managers seem to bring the most value to the table after a crisis event occurs. Back in 2008 and 2009 a lot of managers took advantage of the extreme dislocation of the market place, unloaded their treasuries and went in and bought cheaply priced non-treasuries, corporate bonds, mortgage backed securities and during those periods of extreme is when active management seems to bring the best value to the table. Going forward from an active management standpoint since they have normalized it is possible they are entering a period of time where it may be difficult for active management community to bring additional value to the table. There is one caveat. If you look at the composition of the bond index because of the treasury debt issued US Treasuries make up a far greater portion of that benchmark. If interest rates go up, US Treasuries are the most vulnerable securities for price decline because it has the lowest coupon to offset that. There is an opportunity for active managers to bring value to the table by underweighting treasuries and managing the interest rate sensitivity in the portfolio assuming they can make that correct call and time that. They may be entering a period of more normalized investment management from the bond manager's perspective. There still may be opportunity out there given the reconstitution of the index that active managers may still be able to add value going forward before they completely revert to a period where they may should look at the index as an alternative. Mr. Gold adds that they don't see the portfolio statistics and one of the things he said was that portfolio statistics of these fixed income portfolios are very different from the indexes. Duration is shorter. Credit is different but they are getting the same performance as the indexes. There is value there. Mr. Johnson gives some statistics from the active fixed income managers. The duration of the Richmond Capital portfolio is 3.03 and the duration of the index is 3.62. So if interest rates rise the Richmond

portfolio is positioned to protect them if interest rates rise and still give the same amount of yield as the index by utilizing corporate and credit research.

6. Old Business.

a. Retirement Board workshop.

Dr. Gomez advises that the speakers for the workshop have been identified and a date has been agreed upon. The date is June 25, 2015 for two hours. One hour for the speakers and one hour for the Board to interact with the speakers. Since he started this conversation, the idea is not to find a solution but to begin to identify paths to that particular solution. Given the political climate not only in this City but in the State or any State in the Nation it would be difficult for the politicians to move along and try to identify these issues. If they do not get a quorum they may have to postpone the workshop but even if they get a small quorum he would like to have the workshop so they don't prolong it any further. Ms. Groome informs that Mr. West from Bogdahn and Mr. Strong from GRS will be the speakers along with Pete Hapgood who works with the FPPTA. He was the Administration Manager for the Massachusetts Pension. Kim Ryals will also be in attendance. She is the CEO of the FPPTA. The FPPTA will be funding the workshop. The Board will be inviting persons as courtesy observers the Budget Advisory Board, the Commissioners, the City Manager.

7. New Business.

a. Sample Peer Comparison by MSCI Peer Universe & Management Fees (item deferred from May meeting)

Ms. Groome informs that she received a solicitation from MSCI. They are independent and do what Bogdahn does which is to monitor the managers. Mr. West explains that they are a database provider to consulting firms. Their services were reviewed by Bogdahn and they opted not to use their services. They are offering to provide a universe that is extremely similar to the universe that is in the performance reports. Ms. Groome informs that she was asked by one of the MSCI representatives to bring it before the Board for consideration. It was concluded that the services of MSCI were not needed since they already have that service with the investment consultant.

8. Public Comment

Mr. Janiga, a City employee, addresses the Board in regards to a previous request for an estimate. He found errors and would like an explanation that would provide a clearer clarification as to how the pension estimates are calculated. He acknowledged that he received two separate drop statements that have conflicting balances. Mr. Janiga advised that the balances do not match. He asks if the figures are compounded and if they will be reflected in the statements after retirement. Mr. Hill advises that if the retiree files a particular form with the IRS then the taxes will be adjusted. Mr. Janiga does not believe they are speaking on the same matter. Mr. Chircut asks if Mr. Janiga is speaking to when receiving his statement if it will have both his tax and pretax contributions. Mr. Chircut advises that upon retirement the

City provides a statement for tax purposes. He asks when Mr. Janiga requested the statements. Mr. Janiga informs that the statements were requested approximately two months ago. Mr. Chircut asks Mr. Janiga when he entered the drop did he sign a document discussing simple interest. Mr. Janiga does not recall signing that type of document. He believes there is a miscommunication because he thinks the benefit is compounded daily. He is always receiving different calculations. Ms. Groome explains that Mr. Janiga was provided an estimate. He is an excluded employee. The estimate was sent to GRS and Mr. Strong of GRS reviewed the estimate and agreed with the estimate I prepared. Mr. Janiga has not been certified yet as the certifications are sent by employee groups. GRS can only move as fast as the numbers can be sent to the actuary for certification. Ms. Gomez asks how the interest is compounded and if the Summary Plan Description provides that information. Ms. Groome informs that the procedure was in the contracts and was removed from the contracts by the previous City manager. Ms. Groome informs that the interest in the DROP is compounded annually. She adds that her office workload has been backed up and once they are caught up with the work and the actuary resolves these issues it will be a more clear process. Dr. Gomez states that the Board needs to be clearer on providing a summary of how benefits are calculated. Ms. Groome informs that each employee was provided a Summary Plan Description and signed an acknowledgement of receipt of the booklet. Dr. Gomez adds that it is always good to improve how they convey the information to the employees.

9. Adjournment.

There is no Retirement Board meeting in July. The next scheduled Retirement Board meeting is set for August 13, 2015 at 8:00 a.m. in the Police Community Meeting Room (Police Station Basement).

Meeting adjourned at 9:00 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER