

CORAL GABLES RETIREMENT SYSTEM
RETIREMENT BOARD JOINT WORKSHOP WITH
THE MAYOR, CITY COMMISSIONERS AND CITY ADMINISTRATION
MEETING MINUTES
FRIDAY, DECEMBER 15, 2023
8:00 A.M.
COMMUNITY MEETING ROOM - A
2151 SALZEDO STREET – PUBLIC SAFETY BUILDING

RETIREMENT BOARD

Alex Mantecon, appointed by Commissioner Castro
Michael Gold, appointed by Commissioner Menendez
Manny Carreno appointed by Commissioner Anderson
Juan Lucas Alvarez appointed by Commissioner Fernandez
Christopher Challenger, Member-at-Large
Joshua Nunez, Police Representative
Troy Easley, Firefighter Representative
Sureya Serret, General/Teamster Employees Representative
Rene Alvarez, appointed by City Manager
Diana Gomez, Finance Director (per Ordinance)
Raquel Elejabarrieta, Labor Relations and Risk Management Director (per Ordinance)

CITY COMMISSION

Mayor Vince Lago
Commissioner Rhonda Anderson
Commissioner Kirk Menendez
Commissioner Melissa Castro
Commissioner Ariel Fernandez

Chairperson Alex Mantecon called the meeting to order and thanked all those who were able to attend the meeting. All Retirement Board members and City Commissioners are in attendance. City Manager Peter Iglesias and City Attorney Cristina Suarez were also in attendance.

1. Introductions:

Chairperson Mantecon introduced Dave West (Investment Consultant) of AndCo Consulting and Pete Strong (Actuary) of Gabriel Roeder Smith and turned it over to them for presentation of the status of the Coral Gables Retirement System.

Dave West began by informing he came on Board in 2007 as the Investment Consultant. He explained the purpose of this joint meeting is that by the end of the morning session everyone will have a great understanding of history, why the plan is positioned where it is financially, and some of the challenges and some of the very significant successes that we've been able to generate through working with the current trustees.

Mr. West spoke about his personal experience, investment career and the firm he works for. He said it has been their pleasure and privilege to have worked with this board.

Pete Strong began by informing he has been the actuary for the plan for a little over 10 years now, started in 2013, and when GRS came on as the actuary, the plan was 52% funded. He has been an actuary for about 27 years and moved to Florida in 2008 from North Carolina. Pete mentioned he used to work for a smaller firm and now he's concentrated just on the public sector for about 16 years or so.

2. Presentation and Discussion:

Pete stated that both Dave and him have put together a 15-page PowerPoint presentation.

Page 2, provides the general overview:

- Current City Contribution Requirement: \$21.1 million (down from \$22.4 million LY)
- Total Actuarial Liability as of 10/1/2022: \$616.7 million
- Assets as of 10/1/2022: \$409.3 million (Market Value); \$460.7 million (Actuarial Value)
- Unfunded Actuarial Liability as of 10/1/2022: \$156.0 million (was \$209.9 million at 10/1/19)
- Funded Ratio at 10/1/2022= 66.4% based on Market Value; 74.7% based on Actuarial Value (Note: It was 52.1% 10 Years Ago)

The next page of the presentation showed where the funding of the plan has come from, over the last 24 years; 52% of all the funding has come from City contributions, about 7% has come from member contributions and 41% has come from net investment. The same information was also illustrated on a similar chart, but breaks it down by year.

Mayo Lago pointed out that sacrifices made today will make a great impact in the future. He said it's very important and sometimes that's overlooked.

From a committee standpoint, Mr. Gold noted that the journey started some time ago and the City started contributing extra amounts in 2015. Somewhere in the 2030s is when they'd like to be fully funded.

Commissioner Anderson had a follow-up question regarding the dollars that are invested, to which Mr. Strong explained that he has calculated what the extra payments have done so far and then also what it looks like.

Commissioner Menendez inquired about what forces are out there that pushed things further back or up and are out of the City Commission's control. Dave West answered from the investment point of view and stated that they are subject to markets, and some policies force all of us to write down the value of every single investment we have, and every single investment in this portfolio. That was one of the most impressive actions. That resulted in a far more disastrous outcome for a fiscal year.

Pete Strong explained the value of the liability works kind of like a bond; when interest rates go down, the value of bonds go up because you're discounting for future payments, at a lower or higher rate.

A brief discussion was made between Mayor Lago, Commissioner Anderson, Chairperson Mantecon, Pete Strong and Dave West related back history of rate of returns, the Retirement System.

Mr. Strong continued to go over the presentation in details and the funding history of the Retirement System . From 1999 to 2012 the invest return consumption changed from 9% to 7.75% and there were other assumption changes that also increased the liabilities.

Mr. West added that one of the big changes is the liability, and that's why it's so important to get assets in the investment pool so we can have money to make money.

- The investment return assumption as of October 1, 2023 is 7.15%
- The compound average actual return on market value from 1/1/1999 to 10/1/2023 is 5.5%

Commissioner Menendez inquired about the current allocation to which Mr. West responded that it is very diversified and provided the percentages for each sector. He said very important considerations have been made that led to where we are today. The portfolio includes some international exposure, both active management and passive index management as well, so it's very diversified.

The current mortality that's been used is the FRS mortality. Mr. Strong indicated that they went to a more conservative mortality table and increased the liability each time. People are living longer.

Mr. Strong reviewed the history of extra contributions by the City mentioning they started in 2015.

\$4,076,780 Extra in October 2015
\$3,273,396 Extra in Oct. 2016 (for FY 2017)
\$3,347,274 Extra in Oct. 2017 (for FY 2018)
\$2,471,544 Extra in Oct. 2018 (for FY 2019)
\$3,971,709 Extra in Oct. 2019 (for FY 2020)
\$5,027,288 Extra in Oct. 2020(for FY 2021)
\$6,758,821 Extra in Oct. 2021(for FY 2022)
\$7,630,097 Extra in Oct. 2022(for FY 2023)
\$9,311,291 Extra in Oct. 2023(for FY 2024)

Mayor Lago noted that it's important to give Board members credit.

The funded ratio without the extra payments would have been 67%. With the extra payments, 74.7%. The average funded ratio in the State right now is around 80%.

Assuming the trend for the last few years continues and the investment return assumption is lowered to 7.0% by 10/1/2026, there would be a few different scenarios on the investment return assumption:

If Actual Investment Returns on the Market Value of Assets = 7.5%/Year, the Plan is projected to become 100% Funded by approximately 10/1/2032

If Actual Returns = 7.0%/Year, then by 10/1/2033

If Actual Returns = 6.5%/Year, then by 10/1/2034

If Actual Returns = 6.0%/Year, then by 10/1/2036

Mr. Strong explained the projected funded status each year that project funding ratio each year, broken down by year, and compared two scenarios; extra City payments continue towards the UAAL versus extra City payments towards the UAAL stop after 2023.

Commissioner Anderson expressed her appreciation to Pete Strong and Dave West for all the work they do.

Dave West moved forward with the presentation and finished commenting on the goals of the fund, and investment challenges. The most important thing is the consistency of results.

Commissioners Anderson asked about the immediate impact to COLA increase, to which Ms.Gomez responded a memo from the actuary was circulated in that regard.

Dr. Andy Gomez, former Chairperson, spoke to Chairperson Mantecon and commented on what he called the “finest” staff that he has have ever worked with, and dedicated board members. Dr.Gomez also spoke about his time working for the board and the ups and downs.

Dr. Gomez spoke about the opportunity he has had every week to talk to City employees and their financial structures. In that regard, Dr. Gomez mentioned the fact that the City Commission has just received a raise, and he humbly suggested that for next year’s budget, the City Commission take a look to see if there are funds available to repay all dedicated men and women from the Fire Department, Police Officers and especially General employees. Dr. Gomez referred to the COLA as a financial reward.

Mayor Lago reiterated his gratitude to everyone, especially the residents and wished everyone a Merry Christmas, Happy Holidays, or what is it they celebrate.

Commissioner Fernandez commented on the possibility of scheduling future meetings close or prior to the time the COLA decisions are made, and have a conversation like the one they’re having and prior to their vote at the City Council.

Commissioner Anderson also agreed that next year should have a discussion ahead of time so they understand the impact.

Commissioner Menendez added that meeting like this are very important, but going forward he would like everyone to take the knowledge and the compassion to help everyone find ways to make things happen. In government they are told “you can't do this”, “you can't do that”: the question is “what can we do?”, and help us get there. As Dr. Gomez said, reward the employee, give them a life preserver of some sort, for those that are struggling and let's find solutions.

Mayor Lago concluded the meeting by noting it was a very productive meeting, and thanked everyone.

3. Additional Public Comments:

There was no additional public comment.

4. Adjournment:

Meeting was adjourned at 9:45 a.m.

APPROVED ON: _____