

CORAL GABLES RETIREMENT SYSTEM
Minutes of September 25, 2013
Youth Center Theater/Auditorium
405 University Drive
8:00 a.m.

| MEMBERS: | A | S | O | N | D | F | M | A | J | A | S | APPOINTED BY: |
|--------------------------|----|----|----|----|----|----|----|----|----|----|----|-----------------------------------|
| | 12 | 12 | 12 | 12 | 12 | 12 | 13 | 13 | 13 | 13 | 13 | |
| Andy Gomez | - | - | - | - | - | - | - | - | P | P | P | Mayor Jim Cason |
| Manuel A. Garcia-Linares | P | P | E | P | P | P | P | P | P | P | P | Vice Mayor William H. Kerdyk, Jr. |
| Bob Campbell | - | - | - | - | - | - | - | - | E | E | P | Commissioner Patricia Keon |
| Jon G. Ridley | - | - | - | - | - | - | - | - | - | P | P | Commissioner Vince Lago |
| James Gueits | P | P | E | P | P | P | P | P | P | P | P | Commissioner Frank C. Quesada |
| Joshua Nunez | - | - | - | - | - | - | - | - | P | P | P | Police Representative |
| Randy Hoff | P | P | P | P | P | P | P | P | P | P | P | 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 |

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|--|-------------|
| STAFF: | P = Present |
| Kimberly Groome, Retirement System Administrator | E = Excused |
| Diana Gomez, Trustee/Finance Director | A = Absent |
| Alan E. Greenfield, Board Attorney | |
| Dave West, The Bogdahn Group | |
| Randall Stanley, Nyhart Actuaries | |
| David Harris, Nyhart Actuaries | |

GUESTS:
Craig Leen, City Attorney
Jim Linn, Attorney
Mike Tierney, Actuary
Ken Harrison, Sugarman & Susskind, P.A.

Chairperson James Gueits calls the meeting to order at 8:05 a.m. There was a quorum present.

1. Roll call.
2. Attendance of Randall Stanley and David Harris of Nyhart Actuaries presenting the 2012 Actuarial Valuation Report revised August 28, 2013. (*Agenda Item 4*).

Randall Stanley presents the 2012 Actuarial Valuation Report revised on August 28, 2013. If you look at the asset values the actuarial value of assets really didn't change but the market value assets went up about \$39 million. The good news is it was a good year but the bad news they haven't recognized most of that good as of October 1, 2012. The market value has grown but the actuarial value has not grown. That is what you want to see in a comparison of actuarial value and market value. The present value of projected benefits for 10/1/2012 is \$562,149,137. That is the funding target. If they had assets of \$562 million in the trust as of 10/1/2012 theoretically members and the City would not have to pay any more for anyone in the system at that point. That is the target. The actuarial valuation process is looking at that and funding

toward that amount. They don't expect for them to ever get to it. They don't have any clients who have gotten to it. The portion of the \$562 million that is allocated to prior service is \$512,948,494. It includes all the present value of benefits for inactive members and it includes a portion of the present value for active members that are attributable to prior service. Mr. Garcia-Linares states that it looks like the unfunded liability has gone up. Mr. Stanley informs that the unfunded liability has gone up from \$235 million to \$247 million. They are in worst shape but they are not counting that excess asset in this calculation. You are counting the \$265 million and not the \$279 million.

Mr. Campbell asks what would happen if they lowered their assumption rate. Mr. Stanley responds that it would raise the City's contribution. Mr. Campbell asks if that would be a problem. Chairperson Gueits responds that it has created serious problems in the past. Mr. Campbell asks what the Board's role is and what their fiduciary responsibility is. Mr. Hoff is thrilled with that question. He gets chastised on a regular basis because apparently some people are confused as to the Board's position and where their responsibility lies on this Board. Mr. Garcia-Linares informs that there is a report that Mr. Stanley prepared for the Board where he recommended they change a number of the assumptions and as a compromise they went a third of the way. Mr. Campbell asks if the Board is in charge of the assumptions or if someone else is in charge of the assumptions. Mr. Garcia-Linares responds that the Board is in charge. Mr. Stanley explains that in the Experience Study they took the assumption rate down to 7.5%, 7.25% and 7%. Each one of those steps was about \$3 million in annual City contribution. If they went to inflation of 3% and 7% investment return it would be about \$5.5 million increase in the City's annual contribution. Mr. Campbell asks if their assumption is higher than most. Mr. Stanley responds that the assumption is right in the middle. They do not have many clients that are too far below or above the assumption rate. They have been pretty consistent on the 7.75% for some time.

Mr. Stanley continues. The City Contribution requirement for 2013/2014 fiscal year is \$24,863,082. There is a \$128,000 reduction in annual City Contribution requirement due to putting in the 415 projections in. In their judgment, that is a pretty modest change.

Ken Harrison asks about the mortality tables in the report. He asks the question because looking at the letters that are going out to people who may or may not be affected by the 415 limitations and also talking to the actuary who is doing the 415 limitation calculations, they are using a 1951 mortality table. It appears to him based on this valuation it is the 2000 mortality table. Part of what they do when they calculate the 415 limits is they amortize those amounts over the expected lifetime. What they have is a significant miscommunication as to what mortality table is correct and how that implicates the 415 limits on individuals of this plan. As he understands how this works, by moving to a mortality table that projects life over a longer period, it will increase the maximum allowable under 415 and decrease the benefit that applies to the individual. All of these letters going out are incorrect. They may not have the number of employees being impacted as they think they do. He asked the actuary who told them to use this mortality table and they sent him an email from the Administrator and from Nyhart. This is significant because these letters are starting to go out to people on whether or not they are being impacted by the 415 limits and if they are not going to be impacted they need to get the letters to these people in a timely and accurate matter and that is not happening.

Mr. Hoff asks if Mr. Stanley has to leave after he presents his report or can he stay to answer this question. He would like to get through the presentation first before the question is answered. Mr. Stanley would like to answer the question. Chairperson Gueits explains that they would like for Mr. Stanley to finish the presentation of the report and then stay for the discussion of the 415 issue which is the next item. Mr. Stanley thinks he finished his presentation of the report unless someone has a question. Mr. Campbell asks if the Board gets involved with the assumptions or does the actuary get involved with the assumptions or is it a mix. Mr. Stanley responds that it is a mix. They make recommendations. They would ask for the consultants' input and then come back with a recommendation to the Board. Mr. Campbell asks if they would have a meeting where they agree on the assumptions they will use for the actuarial report. Chairperson Gueits believes that they met last year and changed some of the assumptions. Mr. Garcia-Linares informs that they are due to look at the assumptions again because Mr. Stanley made several recommendations and they are a third of the way there. He thinks they are due to look at it again to make more changes. Mr. Stanley states that they try not to change assumptions too frequently. They do monitor them very carefully and periodically recommend changes. The last time they did, they changed the expense assumption and that reduced the City's contribution.

Mr. Hoff states that during a recent meeting there was an issue a few years ago that there was no contribution on the City's part reflected in the report. Mr. Stanley doesn't remember a year the City didn't make a contribution. If a City or sponsor underfunded the plan then they will want more money in the future. The whole process is self-adjusting. They are counting what the bottom line is.

A motion was made by Mr. Easley and seconded by Mr. Campbell to approve the 2012 Actuarial Valuation. Motion approved (8-1) with Mr. Hill dissenting.

Chairperson Gueits informs that they do not have a specific item on the agenda but he had an idea that it would come up as discussion and it is the 415 question that continues to surface. Craig Leen, City Attorney, reports that at the last Commission meeting Ms. Berryhill came to the Commission meeting with a letter she received that basically said that she could be affected by the 415 limit and it had some options for her. She was very upset. The Commission just settled with Maria Landin and she is part of the Preservation of Benefits plan. There was an emergency ordinance passed at that Commission meeting which closed the Preservation of Benefits plan as of August 22nd. There is another option offered to employees who are affected by the 415 limits who leave the City's employment after August 22nd. Ms. Berryhill left City service on August 30th. The reason why she left after that date and did not leave service earlier is that she was not aware until she left service on August 30th that she was affected by the 415 limits. She received the letter from Foster and Foster on September 19th. Ms. Berryhill was not on the list of employees who may be affected. This is a tremendous concern for the City Commission. So the City Commission asked him to come to the meeting today to inform the Board that they are extremely concerned about this and they would like every employee who may be affected by the 415 limits to receive a letter as soon as possible. It was mentioned that there have been some changes to the pension ordinance regarding DROP. What it means is if someone receives a letter about the 415 limits then an employee can move their DROP date or end their DROP date and go back into City's service until there is a time where the 415 limits would not affect them and retire. That option was provided. They only have a 90-day window.

There is a window of time now where people may not know they are affected. The other question they have is what can be done to make sure this doesn't happen anymore. What he is bringing to them from the Commission is a strong request that they take a look at this issue and come up with a plan of action and have staff implement it so this issue doesn't come up any more.

Chairperson Gueits asks for an explanation of what Foster and Foster has done. Ms. Groome informs that the list they received from Nyhart of the 23 people they thought were possibly affected by the 415 limits went to Foster and Foster and they are going through it and verifying it and sending letters. Mr. Garcia-Linares asks if they are independently looking at the list of employees. Ms. Groome responds that they are not looking at everyone in the DROP. Mr. Easley thinks it might be a good time to look at the mortality table that Foster and Foster is using for calculations. Mr. Stanley explains that the 1951 table was inherited from the prior actuary several years ago. The 9% assumption they inherited from the prior actuary at the same time. They updated the mortality table to the most current table a year ago. They are using one table for actuarial equivalence in the benefit calculations and that doesn't have to be the same thing as the one they are using for funding calculations. Mr. Easley asks why. Mr. Stanley responds that you generally don't change your benefit calculations basis very often because it is usually in their ordinance. But they considered that they had the leeway to change the mortality table and they did for the funding calculation. If their interest assumption is too high and their mortality assumption for actuarial equivalence is too archaic they are working against each other. It is very likely that the 9% component can penalize people in plans that have an actuarial equivalent reduction for early commencement. He defers to the Board Attorney whether you can address that part of it. They don't think that this system has an actuarial equivalent early retirement. IRS 415 says there are two areas you have to convert from some form of benefits to some other form and one of them you have to annuitize your DROP balance. Then you use the least of three different factors and you divide the least factor into the DROP balance and that says that could overstate the annuity that is due to the DROP balance particularly if you have 9% in it. The other place is the early retirement. The IRS regulations say the least of three factors if you have an actuarially equivalent early retirement and they don't think this plan has it. Mr. Easley thinks that question would be more for the City Actuary and not the Board Attorney.

Mr. Hoff asks if this is something set by ordinance. Mr. Greenfield responds that what the participants are entitled to get is set by ordinance. How you get there is based upon the actuarial assumptions. Mr. Garcia-Linares asks if there is an ordinance that says we use this table. Mr. Greenfield replies that there is not. Ms. Groome points out that other cities have actuarial equivalence definitions in their ordinance but our ordinance does not.

Mike Tierney informs that the reason why most plans specify the actuarial equivalence, factors and interest used in calculations and whatever has to do with plan adjustments and the reason why is the IRS requires the benefits be kept interminable. They have opined that in order to do that they have to specify a table and therefore it is harder to change that table unless it is specified because the result changes so there are issues with that. ERISA requires that table be specified to the plans and the determination as to whether the plans qualify generally includes that. That is why most people have put it in their ordinance provisions. They have a statement in their ordinance that talks about some benefits that specify the current rates used by the plan

in the latest actuarial average. There is a basis in the ordinance that says what the basis of actuarial equivalence is for lump sums. The IRS specifies the interest rate and mortality table to use for the 415 calculations. Mr. Easley asks what table they specify. Mr. Tierney replies that the statutory table is one of the RP 2000 mortality tables and 5% rate of return. The mortality table is not the important factor but the statutory rate is. Mr. Garcia-Linares states that if Foster and Foster is hired to do the 415 calculations and now Mr. Tierney has said that the with the 415 calculations you are supposed to use the RP 2000 mortality table then why would they write a letter saying they are using something other than the RP 2000.

Dr. Gomez states that this is his third meeting and the ambiguity of their discussions is unacceptable. Policies and procedures are meant to be amended every once in a while and he is listening to members asking questions that are fairly simple and they cannot get an answer. Chairperson Gueits expected Foster and Foster to follow the letter of the statute. Why is Foster and Foster not following the statutory language? Why is Foster and Foster using something else? Mr. Harrison states that Foster and Foster received an email from the Administrator. Ms. Groome comments that Foster and Foster sent her an email asking for the definition of actuarial equivalence. She contacted the Board's actuary to find out what the definition was and then she forwarded that email from the Board's actuary defining the actuarial equivalence to Foster and Foster. Mr. Harrison states that Foster and Foster's position is that this is what they were told to do. Mr. Hoff states that in contrast to what is the accepted practice of the State then he expects the person that should know better to say that they may be told to use one thing but let me put a disclaimer that says I'm using your table even though it is in contrast to the statute. Chairperson Gueits agrees. He thinks the bottom line is that Foster and Foster should have said whatever your actuary is using is fine but you should be aware that the statute says "x". The question is why Foster and Foster didn't raise that as an issue.

Mr. Tierney informs that he did speak to Foster and Foster and he told them that he didn't agree with their basis of the calculations and that they should be using the statute and they didn't agree with him. Every actuary he has asked uses the statutory method in a normal retirement calculation. Mr. Hoff states that it is going on for a year that they have actuarial issues and they have been going back and forth. He asks Mr. Stanley his opinion. Mr. Stanley replies that he and Mr. Tierney are in agreement. He had a long discussion with Brad Heinrichs and a second discussion with one of his employees and he believes they are in disagreement with Foster and Foster. Mr. Tierney states that at the last meeting the Board asked them to provide a basis of their calculations and this is the reason so they would know what they were doing to know they were using an appropriate basis. Mr. Easley states that basically all the letters they have sent out to everyone involved whether on the list or not on the list is possibly incorrect. Mr. Garcia-Linares states that they went out and hired an independent actuary and that independent actuary has not followed the 415 statute. Mr. Campbell asks if they missed someone on this list because of the actuarial calculation. How there could be change in the list? Mr. Tierney explains that Mr. Stanley came up with a list that used the statutory rate which means that there would be fewer people on it but then when you do a calculation with a different basis there will be more people affected. Mr. Garcia-Linares asks when Mr. Stanley came up with the list of people was he using the 5% and the 2000 mortality table that is in the statute. Mr. Stanley replies that he would have to check but he thinks they were. The direction they were given was to give a list of all possible people who may be affected. Mr. Leen thinks that if they stay with this rate from Foster and Foster then they need to send out letters to

everyone in the DROP and they need to send a letter out for everyone who enters the DROP. Mr. Garcia-Linares feels that they are in a box. The City told the Board that they can't hire Mr. Stanley. So then they went to someone else and this group uses a totally different standard than what the City's actuary and Mr. Stanley believe is standard. Now they are back to Mr. Stanley and Mr. Tierney agree but they aren't supposed to be using Mr. Stanley. He feels like they are in a box because they go to a third party but now they don't agree with the methodology of the third party. Mr. Leen would defer to the Board Attorney. They can direct the actuary to use the other method. Mr. Garcia-Linares doesn't think they are going to direct an actuary to do something because they are not actuaries on this Board. They have to rely on the professionals they hire. Ms. Groome clarifies that at the last meeting the Board directed her to start sending the certifications of the people who are going into the DROP and then bring it back to be approved by the Board. She is doing that. People who are leaving the DROP are also getting certified. It is not just the people on the list being reviewed. It is people who are going in the DROP and leaving that are being certified by Foster and Foster.

Elizabeth Gonzalez informs that she has worked for the City for 28 years. She is not on that list but she has been certified by Foster and Foster. She went into the DROP last year and wasn't certified until recently. She had to hire an attorney because Foster and Foster gave her this letter that said that she may be affected by the 415 limits. If they are using a supplemental table they have to be subject to IRS regulations in order to prove the basis of using a supplemental table. Now, 18 months have gone by and she is still employed by the City but she made decisions based on this. She has 90 days to make a decision to either continue to work or advance her DROP date. She is only allowed one more year to advance her DROP date because according to the ordinance she is allowed 3 years after she reaches 25 years to enter the DROP. So instead of retiring at age 51 she would be retiring at age 54 and if you use the 1951 mortality table she would still be affected. What would be the point for her to extend her time in the DROP another year. Why isn't she afforded the same right as the excluded employees to enter into the Preservation of Benefits Plan? According to Mr. Leen that is a collective bargaining item. Mr. Leen informs that the Preservation of Benefits Plan has been closed for all employees.

Jeannie Berryhill informs that she spoke in front of the Commission about her situation. She is very upset. She has been out of the DROP for a few weeks and received a phone call from Ms. Groome about the letter from Foster and Foster. The Commission directed her to come to the Board to have some questions that have already been raised as to why they are using this chart and why she wasn't notified. When this 415 issue came up she spoke with Ms. Groome and she was told she would not be affected and Ms. Groome told her that Mr. Stanley had checked everyone who was in the DROP and the only ones who were affected were on the list of 23 people. Now she is back in front of the Board asking how this happened. What is this Board going to do? This is not fair.

Mr. Garcia-Linares informs that they are finding out for the first time that they have this issue. Ms. Groome informs that Foster and Foster has had the list for about one year. They have been sending her the certifications of people and there are some people that she has not received a certification for yet. Mr. Garcia-Linares thinks the problem is they cannot rely on Foster and Foster because they are on notice they are using the wrong table. He is worried about the fact that maybe most of the actuaries out there don't know about this. It seems that the allegations

here is Mr. Stanley should have told them about it. No one has really brought these issues up during this whole time. Do they need to go out and find someone who is a specialist for 415? Mr. Tierney states that to assume that no actuaries know about 415 is an invalid subject. There are actuaries that do. Actuarial science and 415 is way more complicated than you can imagine. Dr. Gomez states that this has got to be fixed. Mr. Garcia-Linares thinks that the problem here is they are being told they can't use Mr. Stanley and he is the one that came up with the initial list. How do they know the initial list is right if the City is telling them they can't use Mr. Stanley? He thinks they need to go back to the drawing board and analyze everyone in the DROP by someone who knows 415.

Mr. Tierney understands that Foster and Foster was asking for the plan regulations because they interpreted the regs that this exception would apply to use the plan regulations. That is the only reason why they asked. They weren't asking what to do; they were asking for the plan regulations because they chose the exception.

Mr. Hoff thinks they need to fire Foster and Foster and hire an actuary that is a specialist in 415. He explains that at one of the FPPTA conferences, he spoke with an actuary from GRS who is a 415 specialist. They are not actuaries and they are relying on their professionals to give them information and advice. They have a specific person who is a specialist in 415 and she seemed to know what she was talking about. Mr. Greenfield states that what concerns him is the time that another actuary would take in coming up with the figures. Mr. Leen informs that he will give the employees an opportunity to get an updated letter so they can make a decision on whether or not they will stay in the DROP.

Mr. Easley informs that he just reached out to Mr. Heinrichs from Foster and Foster and asked him why they used that mortality table and he stated "that is the plan's definition of actuarial equivalence" and then he said "yes, I think it is crazy also." So he got it from somewhere. But he didn't have to follow it. He could have said that he couldn't do it because it conflicts with the 415 statute. Mr. Stanley informs that his office interpreted their request in May to be for actuarially equivalent factors and did send them the 9% and the old mortality rates. Ms. Groome informs that Foster and Foster asked for the definition of actuarial equivalency for the plan. She sent the request over to Nyhart and they sent it back to her and she sent it to Foster and Foster. They asked for the definition. Mr. Tierney explains that the actuarial equivalent definition is for the calculation of benefits. That is because they are thinking they are supposed to be using the exception. Ms. Gomez adds that when Mr. Stanley sent a letter regarding the list of the people that may be affected he indicated that he was using the 5% annual rate which is the statutory rate. Mr. Tierney agrees with that. Foster and Foster has interpreted the regulations to include the definition of actuarial equivalency. What happening here is Mr. Stanley did not know the purpose for why they were requesting the definition of actuarial equivalency and it wasn't anything related to 415 in Mr. Stanley's mind. Mr. Garcia-Linares states that Mr. Stanley and Mr. Tierney interpreted the 415 to say one thing and then Foster and Foster have interpreted that they can use the exception. How does the Board know who is right? Mr. Easley thinks that Foster and Foster just misapplied the statute. Mr. Garcia-Linares disagrees. Chairperson Gueits states that Foster and Foster's determination to apply this exception is either correct or incorrect. How do they know whether the application of that exception is correct or incorrect? What factors can he look at to make that decision? Mr. Tierney thinks the only alternative is to hire someone that follows the statutory regulations.

Mr. Garcia-Linares states that he is relying on Mr. Tierney now to tell them that is the correct standard. Mr. Tierney states that all he can tell them is that he has used that basis for years and up until now no one has ever used anything else. He has talked to several other actuaries and Mr. Stanley has checked with other actuaries to what they use and he can't find anybody who uses something other than the statutory basis for normal retirement calculations.

Mr. Linn thinks that the way that Foster and Foster has done this is not consistent with the regulations. Mr. Campbell thinks their first priority is to solve 415 and then find out how they don't have a mess like this going forward. He wouldn't change actuaries. If they have an issue then they should have another meeting and resolve this actuarial assumption of methodology so they can put 415 behind them. He assumes it is as simple as if you make the right decision for actuarial calculations then 415 is done for this group of employees. It seems like this Board is taking on the role of management. He thinks the first thing they need to do is solve the 415.

Dan Thornhill, International Association of Firefighters Local 1210, thanks the Board for the time and the stress they put themselves through. This IRS 415 issue is something that has come around in recent months. What he did was he went to the attorney who handled it for Pat Salerno in Sunrise and his name is Robert Klausner and they hired him. He is very exact as to how the 415 rules apply. If you have someone like himself who has been in the DROP for four years to come back now arbitrarily and reduce his benefit it is illegal. Neither the City nor the unions have the right to do that. You can go forward and remedy it but you can't go back and remedy it which is what is happening to some of the employees here today. When they enter the DROP it is very clear on the application that it is irrevocable. They can remedy from here forward but from here back is an issue. What table are they using? What they said today has tremendous impact. He thinks they should hire Robert Klausner because he is the foremost expert in this in this area. He handled it for Pat Salerno with his own personal 415 as well as the City of Sunrise. He is very well versed and he has worked for the State and the International Association of Firefighters which is a national organization. This affects peoples' lives here.

Mr. Tierney feels like he has to correct Mr. Thornhill's statement. Mr. Klausner is not involved in Preservation of Benefits for Pat Salerno; he was as well as Theora Braccialarghe from GRS. She is the one that worked on the 415 issues in Sunrise when Pat Salerno was City Manager there and he is the one that worked on the Mr. Salerno's personal 415 calculations. Mr. Klausner was the attorney for the Board. He did not work on the calculations. He feels he should also say that he believes that the Foster and Foster letters are inadequate. Giving the choice of lump sums does not serve the employees well. To him, you always give lump sums so that your benefit can grow as 415 grows and that maximizes the situation. Mr. Garcia-Linares asks if Mr. Tierney is recommending they hire GRS. Mr. Tierney responds that if they are asking if that would be a good hire then yes. Mr. Garcia-Linares asks if Mr. Tierney has confidence in them. Mr. Tierney answers affirmatively.

Mr. Leen states that if the Board does go with a new actuary and new letters are sent out to the employees then his interpretation of the ordinance regarding these new letters then the 90 days in the ordinance would run from these new letters. Chairperson Gueits asks the Board if they want to continue using Foster and Foster as the existing actuary and use them for the new methodology.

Mr. Greenfield states that if part of what they are trying to do to get the employees information as rapidly as possible recognizing that even this new person will take time he thinks they should give some consideration if the City would permit them to use Mr. Stanley because in November when Mr. Stanley wrote his letter with the list of people he clearly said he would use 5%. That is consistent with what he and Mr. Tierney have been talking about. Mr. Stanley could probably get that information for them much faster than a new actuary. Mr. Leen points out that there is the issue of pension litigation. He thinks they could have him interact with Foster and Foster and have them do the calculation however he still thinks they should give consideration of bringing in a new actuary to do this.

A motion was made by Mr. Hoff and seconded by Mr. Garcia-Linares to terminate Foster and Foster effective immediately and hire GRS who is a specialist in 415 and have GRS review everyone who has received a letter and are on the list that may be affected by 415 done in 15 days.

Discussion:

Mr. Tierney thinks they should have a specific assignment to get one calculation done quickly and that will tell them the basis and they will have confidence that now they know the path they are on and then they can follow up with the other 23 because once you know this it will tell you a lot. If you ask for one calculation you can get that a lot faster than if you do all 23 people on the list. They aren't even set up yet. That will take about two weeks. Mr. Garcia-Linares informs that his problem is they are going with someone that all of them have represented to the Board as someone who is an expert in 415. None of them on the Board are actuaries or experts on 415. If they come to them with a third version of numbers, he doesn't think any of them know the difference between them. He thinks the direction is hiring someone else and they can redo everybody. Mr. Tierney informs that he is trying to get something they all can rely on to build up confidence. It is going to take two weeks to do one calculation because they are not set up. Ms. Groome adds that they don't have the information. Mr. Campbell asks once they do get set up how long will it take for them to do all the calculations. Mr. Tierney responds that it would be about three weeks.

Motion unanimously approved (9-0).

Sebrina Brown, the Concurrence Administrator for the City, informs that her retirement date is November 1, 2013 and based on all the commotion going on with the 415 she has no direction that is why she is at the Board meeting. She would like direction and questions answered that they can't get answered. She is meeting with Ms. Groome this Friday and she would like to know when she would receive this 415 letter. Mr. Garcia-Linares states that Ms. Brown has to elect to go into the DROP by November 1st. Ms. Groome responds that she has to elect to go into the DROP and November 1st is the first time she can go into the DROP. Mr. Garcia-Linares asks if she can wait to go into the DROP. Ms. Groome informs that she has three years to go into the DROP. Mr. Garcia-Linares asks if people are getting the 415 letter before they elect to go into the DROP or after. Ms. Groome responds that it is after they elect to go into the DROP. Mr. Garcia-Linares asks that according to the new ordinance if someone gets a letter post entering the DROP they are being allowed to pull out of the DROP. Ms. Groome replies that they have 90 days to make that decision. Mr. Garcia-Linares states that she can go into the

DROP on November 1st and if she gets a letter stating she is affected by 415 then she has 90 days after receiving the letter to make the decision to get out of the DROP or not.

Mr. Garcia-Linares states that once they get through with this issue then they are going to have to have this actuary do calculations for people before they go into the DROP. Ms. Groome states that they need some type of preliminary letter for when she gives out her estimates. Mr. Garcia-Linares disagrees because Ms. Groome is not an actuary and if she miscalculates then the blame comes back to her. He thinks that they have to go to a professional. He doesn't think Ms. Groome needs to be in the business of giving advice and providing actuarial numbers to people. They have learned their lesson here that once they get over the hump whoever this person is they are going to have to hire an actuary for every single person going into the DROP to go ahead and give an estimate prior to making that election so the employee can have something to rely upon. Mr. Easley states that just because you give an estimate it is just an estimate it could be a little under or over.

Chairperson Gueits leaves the meeting at this time.

Mr. Campbell asks who is paid for by the City for pension matters. Mr. Garcia-Linares responds that it is Ms. Groome and then the Finance Director who acts as the System's Trustee. Mr. Campbell states that it seems that Ms. Groome is the one person to talk to regarding pension issues on City payroll. Mr. Garcia-Linares informs that Ms. Groome is a City Employee but paid for by the Retirement System. Mr. Campbell states that there is one full-time person involved in pensions. Mr. Garcia-Linares asks Mr. Greenfield if he could work with Ms. Groome on recommendations on whether or not they should add an employee to work with the System and find out what other equivalent sized cities are doing.

Mr. Hoff informs that he just spoke with GRS and that they have an entire committee dedicated to the 415 and that once they get all the back-up data then they can do 30 calculations within a week.

3. Consent Agenda. (*Agenda Item 2*)

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. Approval of the Retirement Board meeting minutes and Executive Summary minutes for August 19, 2013.

2B. Report of Administrative Manager.

1. For the Board's information, there was a transfer in the amount of \$3,400,000.00 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 August for the September 2013 benefit payments.

2. For the Board's information:

- Emil Sierens, Assistant Finance Director, passed away on August 13, 2013. He retired on February 1, 1992 with No Option. His benefits have ceased.
- Edward Dowling of the Parking Department passed away on August 19, 2013. He retired on March 1, 1987 with Option 2B-2/3. His beneficiary began receiving Post Retirement Survivor benefits on September 1, 2013.
- David Hammerschmidt and Mark Hammerschmidt were receiving Post Retirement Survivor benefits as of November 1, 2010. Their benefits have ceased due to the 5 year certain rule. They are the beneficiaries for pre-retirement survivor Eddie Hammershmidt who passed away on October 12, 2010.
- Walter Reed entered the DROP on November 1, 2008 and left the DROP on August 22, 2013. He received his first retirement monthly benefit on September 1, 2013.
- Martha Salazar-Blanco entered the DROP on August 1, 2011 and left the DROP on August 22, 2013. She received her first retirement monthly benefit on September 1, 2013.
- Lonnie Hill entered the DROP on September 1, 2008 and left the DROP on August 30, 2013. He received his first retirement monthly benefit on September 1, 2013.
- Jeannie Berryhill entered the DROP on September 1, 2008 and left the DROP on August 30, 2013. She received her first retirement monthly benefit on September 1, 2013.

3. For the Board's information, the following employees terminated their employment with the City and were paid back their retirement contributions:

- Otto Cordova, Fleet Analyst, Public Works – Automotive Division
- Manuel Salazar, Mechanical Inspector, Development Services – Building Division
- Nicole Cueto, Assistant to the City Manager, City Manager's Office

4. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:

- Payroll ending date August 11, 2013 in the amount of \$175,241.61 was submitted for deposit on August 19, 2013.
- Payroll ending date August 25, 2013 in the amount of \$172,284.59 was submitted for deposit on September 3, 2013.
- Payroll ending date September 8, 2013 in the amount of \$172,331.51 was submitted for deposit on September 12, 2013.

5. A copy of the detailed expense spreadsheets for the months of August 2013 is attached for the Board's information.
6. For the Board's information, a letter is attached dated September 12, 2013 from Clark Winslow of Winslow Capital giving an update on their firm.
7. A letter dated August 30, 2013 from Arthur Bell Certified Public Accountants is attached for the Board's information informing that the IRS will not be making any adjustments to Crabel Fund LP/Princeton Futures Fund.
8. A letter dated September 4, 2013 from Princeton Futures Fund is attached for the Board's information regarding their privacy policy notice.
9. For the Board's information, a letter dated September 6, 2013 is attached from the State of Florida informing that the 2012 State Annual Report was reviewed and approved.
10. Copies of letters from the State of Florida are attached for the Board's information regarding the release of the 2012 Premium Tax Distribution to police and fire.
11. For the Board's information, copies of letters from Foster and Foster regarding employees' participation in the DROP and the affected of IRS 415(b) limitations are attached.
12. A copy of the August 2013 Florida Public Pension Trustees Association monthly E-newsletter is attached for the Board's information.
13. An invitation to the BLB&G one-day seminar The Nuts and Bolts of Shareholder Litigation at The Weston Diplomat Resort and Spa in Hollywood, FL on Wednesday, October 16, 2013 is attached for the Board's information. This seminar is complimentary.

2C. Submission of Bills.

1. The Bogdahn Group invoice no. 9354 dated September 13, 2013 for Performance Evaluation and Consulting Services from July 1, 2013 to September 30, 2013 in the amount of \$36,250.00. 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.
2. Foster and Foster Actuaries and Consultants invoice #5214 dated August 20, 2013 for final DROP distribution certifications and preparation and attendance at August 19, 2013 Retirement Board meeting in the amount of \$7,350.00. This invoice is in accordance with engagement letter signed by the Chairperson on October 19, 2012.

3. Nyhart invoice #0096841 dated August 30, 2013 for revision to October 1, 2012 Actuarial Valuation showing impact of IRS Section 415(b) limitations on benefits and discussions with Foster and Foster and Actuarial Concepts in the amount of \$11,911.00. This invoice is in accordance with the contract between Stanley, Holcombe & Associates and Coral Gables Retirement System signed on December 17, 2008. Stanley Holcombe & Associates merged with Nyhart in June 2011.

A motion was made by Mr. Easley and seconded by Dr. Gomez to approve the consent agenda.

Discussion:

Mr. Garcia-Linares points out that the Board received a letter from the State that has told them that they need to go and look at the assumptions they have and once they get over the 415 issue he thinks they need to address the issue of the assumptions again.

(Motion unanimously approved 8-0).

4. Items from the Board Attorney.
Mr. Greenfield reports that they have very little to report on. He works with Ms. Groome on almost a daily basis. Ms. Groome asked him to help her with a letter to the retirees regarding the COLA because she was getting a lot of inquiries and at the last Board meeting the Board suggested they come up with a letter. So they are looking for the approval or disapproval. Mr. Garcia-Linares states that he is fine with the letter. Vice-Chairperson Hoff informs he is fine with it also.

Mr. Greenfield informs that he has been working with Mr. West in regards to the Investment Policy. They have come up with a revised Investment Policy. He reviewed it and had some additions to it and they have been incorporated into the Investment Policy.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to approve the Investment Policy Statement. Motion unanimously approved (8-0).

Mr. Greenfield reports on an employee who terminated his employment with the City. The employee had a judgment against him and the holder of the judgment garnished his pay with the City. The ordinance does not allow someone to come in and garnish or take the benefits. They are protected. So the question came up if we could take out money that he owes the City from his contributions that were returned to him. The City overpaid him and the City wanted to get back the money from him so they asked if we could take it out of his contributions that were returned to him. He told Ms. Groome that the Retirement System was never garnished and has no responsibility under any court order. It would be up to Mr. Sansores who was in charge of this matter to contact this employee and get it straightened out. Well the employee did not want to pay back the amount owed to the City so he was paid out the full amount of his employee contributions.

Mr. Greenfield points out that the Florida Public Trustee's Association is having a school in September at the PGA in Palm Beach. He and Ms. Gomez are going to get their certification as a Certified Public Plan Trustee. He urges the Board members to go to these schools and get themselves certified but even if they don't get certified they will learn a lot of things at these schools. You get a lot of information to help them be a better Board member and according to the Florida Statute they do have to have continuing education.

Mr. Greenfield informs that there have been a lot of new ordinances amending the Retirement Ordinance going before the City Commission. He thinks there has to be some type of coordination between the City and the Board because they are working together for the same purpose and that is to guard the money and invest it prudently all for the benefit of the employees and retirees. The Board doesn't legislate or pass new ordinances. They don't do anything except follow the ordinance. If the City Attorney or whoever was working on the ordinance would say to the Board that this is the ordinance they purpose and to take a look at it to see if you have any suggestions because the Board is the body that administers it but they don't do that. They don't even know there is a new ordinance until the agenda comes out. It is just a matter if you are going to work together the Board should at least see it. He suggests that they recommend to the City Attorney through the Commission that they do something like that in regards to keeping the Board informed during the drafting process.

5. Discussion of approval of the Goldstein Schechter Koch audit and engagement letters regarding the year end September 30, 2013 audit and 2013 State of Florida Annual Report. There is no increase in their fees for the audit or Annual Report for 2013. (*Agenda Item 5*).

A motion was made by Mr. Campbell and seconded by Mr. Garcia-Linares to approve the Goldstein Schechter Koch engagement letters.

Discussion:

Ms. Groome informs that there is a retainer amount in the letter so she is asking to pay the retainer once she receives the invoice so she does not have to wait for Board approval to pay it. Mr. Garcia-Linares responds that it should be paid when the invoice is received.

Motion unanimously approved (8-0).

6. Investment Issues.
Dave West informs that they have a City Contribution coming in on October 1st which will be around \$25 or \$26 million. Their recommendation is to rebalance those funds to policy targets as they have done in the past. They suggest reloading their index fund allocations so the recommended priority allocation of those funds is to the S&P index fund, to the international equity index fund and the balance going to investment grade bond managers.

A motion was made by Mr. Hill and seconded by Dr. Gomez to rebalance to policy targets with the City Contribution starting with the S&P 500 index fund. Motion unanimously approved (8-0).

Mr. Campbell states that they talked earlier about Ms. Groome and Mr. Greenfield coming back to the Board with recommendations for process. They are struggling with their actuary, with the employees and with technical issues like 415.

A motion was made by Mr. Campbell and seconded by Dr. Gomez that Ms. Groome, Mr. Greenfield and Ms. Gomez meet and come up with additional recommendations for processing and organizational improvement. Motion unanimously approved (8-0).

Mr. West updates the Board on the investments. The total fund net of investment management fees is at 12.95%. They are carrying forward valuations from last month of both real estate products, the alternatives products and the international equity product. This understates where they are because they haven't carried forward valuations. Mr. Easley asks who have been the laggards. Mr. West responds that it was international equities. They funded the TacOps on August 1st. Fiscal year to date through September 20th the plan has earned an income of \$7,170,060 and appreciation of \$31,762,430 so they are just under \$40 million in investments going into that actuarial calculation. They are in excellent shape as they close out the fiscal year. Mr. Easley asks about Princeton. Mr. West informs that they continue to monitor Princeton. The research group met with them again. They will review that program and take a look at the attributions and some of the things that are going on in that program. They are seeing some asset flow leave that product and that is raising some minor concerns but they don't have any concerns to bring to the table. He would like to do an annual asset allocation review and he acknowledges the line item in the State Actuary's response with regard to the asset allocation meeting the 7.75% rate of return requirement. They can do a special meeting in November.

Vice-Chairperson Hoff asks Ms. Groome to go over the process the Board will be going through at the next meeting regarding hiring the actuary. Ms. Groome informs that there were 13 RFPs sent out. Yesterday was the deadline for questions and she will respond to everyone with the answers to the questions by this week. The deadline for receiving the final RFPs is October 1st. There is an Investment Committee meeting on October 9th. All the Investment Committee members receive the RFPs for review. She will create a matrix for the Committee members. Then at the October Board meeting the Board will interview the top three or four companies that the Investment Committee members choose.

7. Old Business.

Vice-Chairperson Hoff states that Dr. Gomez brought up an issue earlier about the potential or the necessity of an executive session for this Board. He has questions for the Board Attorney dealing with litigation on the 415 issue perhaps the Board should be taking into effect. He knows they have had Executive Sessions before. Ms. Groome informs that the meeting has to be posted but it is not open and they will have to hire a court report because she cannot attend the meeting. Dr. Gomez asks if they could just call an Executive Session after a regular meeting. Ms. Groome informs that she will have to talk to Mr. Greenfield. Vice-Chairperson Hoff informs that his reasoning is concerning legal issues with this whole 415 issue. Ms. Groome informs that the Board members can contact Mr. Greenfield directly. Vice-Chairperson Hoff asks Ms. Groome about the procedure for having an Executive Session. Ms. Groome responds that the meeting has to be posted, there has to be a court report, only Board members, the Board Trustee and attorneys are able to attend. Mr. Campbell asks if there are

published minutes of this meeting. Ms. Groome informs that once the issue is complete the minutes can be viewed but before that they are sealed.

Mr. Hill states that he wanted to ask the Board Attorney about the opinion from the attorney about the City's benefit that would recalculate the way the people who were going into the DROP that wasn't being done by State regulations. Vice-Chairperson Hoff remembers that the issue was the people that were eligible to retire at the time of the imposed contract. Ms. Groome informs that they never received an answer from the City Attorney. She thought the City Attorney was supposed to address the Board on that issue. Vice-Chairperson Hoff states that when the contract was imposed and/or ratified in his opinion the Florida Statute says that an individual that was either in the DROP or eligible for the DROP or retire at that time their benefits cannot be changed. Ms. Groome informs that the ordinances that changed the retirement system for the Police Officers and Firefighters had a clause that says anyone who is eligible to retire at this date when everything changes stays in the old system but when they did the ordinances for the General and Excluded Employees they did not have that clause. It is in the State Constitution.

8. New Business.

Ms. Groome informs that the client representative from Northern Trust will be attending the Board meeting in November.

Mr. Ridley asks if there was an ordinance passed that expanded the size of the Board. Ms. Groome informs that the ordinance was passed on first reading but there was opposition from Union attorneys so the Commission asked the City Attorney to send a letter to the State to see if the City could expand the Board. They are waiting for a letter from the State before they pass the ordinance on second reading.

9. Public Comment.

There was no public comment.

10. Adjournment.

The next scheduled Retirement Board meeting is set for Wednesday, October 16, 2013 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 11:04 a.m.

APPROVED

JAMES GUEITS
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR