CORAL GABLES RETIREMENT SYSTEM
Minutes of January 13, 2022
Community Meeting Room - A
Public Safety Building – 2151 Salzedo Street
8:00 a.m.

MEMBERS:	J 21	F 21	M 21	A 21	M 21	J 21	A 21	S 21	O 21	N 21	J 22	APPOINTED BY:
Andy Gomez	P	P	P	P	P	E	P	P	P	P	E	Mayor Vince Lago
Alex Mantecon	P	P	P	P	E	P	P	P	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	E	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	E	P	P	P	P	P	P	P	P	Commissioner Kirk Menendez
Katherine Newman	-	-	-	-	-	P	P	A	A	A	A	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	E	P	P	P	P	A	P	P	Police Representative
Christopher Challenger	P	P	P	P	P	P	E	P	P	P	P	Member at Large
Marangely Vazquez	P	P	P	P	P	P	E	P	P	P	E	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	E	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	P	E	E	P	P	P	P	E	E	P	E	City Manager Appointee
Andy Mayobre	-	-	-	-	-	E	E	P	P	P	E	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 8:02am. Dr. Gomez, Mr. Alvarez, Mr. Mayobre and Ms. Vazquez were excused. Ms. Newman was absent. Mr. Gueits and Mr. Mantecon were not in attendance when the meeting began.

2. Comments from Retirement Board Chairperson *(Agenda Item 4).*

   Chairperson Gold thanks Mr. West and Mr. Strong for their recommendations and support to the pension system.

Mr. Mantecon arrives to the meeting at this time.

3. Investment Issues. *(Agenda item 14).*

Mr. West reports on the investments. Strong economic growth and persistent high inflation has pushed the Federal Reserve to move faster and there has been a policy shift to accelerate the rate moves likely coming in 2022. The unemployment rate has steadily declined down to 3.9%. The Conference Board Salary Increased Survey, which indicates that employees can expect compensation to increase by about 3.9% in 2022. The inflation issue is the number one item. Global equity markets were broadly higher and large cap stocks were up 4.5%. Small cap stocks were up 2.2%. Price to earnings ratios remain elevated but as long as the earnings continue to grow it will bring valuations into reasonable ranges. Value stocks continue to outperform growth stocks. There has been a good sell-off of the micro-oriented tech stocks. This is the cyclical playbook. As interest rates rise, the valuation put on the earnings stream of growth stocks tends to be hit. International equities performed very well but the influence of the strong dollar was extraordinary during this period. The MSCI EAFE over all country world index was up 7.8% in dollar terms but in local terms XUS dollars was up 13.04%. In the bond market, the yield that bond investors are getting after inflation for tenure notes is very negative. The bond investor on a 10-year note average for the last 50 years, the real yield is about 2.63%. The Federal Reserve's decision to print money in the amount of about half of the GDP has pushed up the price of bonds and enforced a real rate to a negative 4.6%. He thinks the more defensive moves they made in their bond portfolio includes the Treasury Inflation Protection Securities have been good moves and should help the bond portfolio. The bond returns were positive versus the aggregate bond index which was down about 1.5%.

Mr. West reviews the December 2021 performance. They are off to a good start. The net return for the month was at 1.96% and for the fiscal year-to-date was at 3.48%. The calendar return was at 15%. The total equities were up 4.5% versus the policy benchmark of 6.7%. There was a lot of rotation going on during the month of December in domestic equities. Domestic equities were up 4.9% versus the policy benchmark of 9.2%. The total fixed income fiscal year to date was at .38% versus the benchmark at .05%. The bond returns have been positive through January in the face of continued increases in rates and decline in fixed income returns. The biggest return came from the opportunistic fixed income at 6.3% calendar year to date. The real estate portfolio continues to provide some very nice returns at 23% calendar year to date. They are expecting for the quarter a continuation of the 1.4%.

Despite the headwinds of the US dollar strength both the international equity managers are performing and continued to perform very well. RBC was up 6.4% for the month. WCM was at 3.8% for the month. Both managers calendar year-to-date and fiscal year to date are performing well. The real estate managers and alternative assets portfolios all performing well. The J.P. Morgan Strategic Property fund was up 8% and the Special Situation fund was up 7.5% for the fiscal year to date. The PIMCO Tech Ops and Ironwood portfolios continue to get nice returns. The total value of the portfolio stands at $527,648,644 at the end of December 2021. They are on policy targets marginal overweight to domestic equity and they continue to be underweight to non-core fixed income. They completed all the administrative rebalancing and movement of money during the quarter which further reduced the fixed income but added to alternative fixed income. That was where they increased the allocation to the Treasury Inflation Protected Securities. They discussed the movement of funds that they would expect once they get the capital calls from the new real estate managers. They have a little over $10 million ready for distributions and operating funds for any capital calls.

They are working diligently with Ms. Groome to complete the contracts. Everything is in with TerraCap and with Boyd Watterson. They have completed all the paperwork and will be in the queue for capital calls. They should be receiving the partial distribution from JP Morgan coming in January. They have completed the redemption paperwork for the PIMCO portfolio. They will not see the first part of the redemption until June. He thanks Ms. Groome for her diligence on completing some massively complicated paperwork to get these private investments and real estate investments funded.

Dr. Gomez asks what impact there will be, if any, with the increase in interest rates. Mr. West responds that the markets have already discounted the current thinking and is looking for two to three rate hikes in 2022 and a complete stopping of the tapering the buy back of government bonds. The bond market is leery of this as this has provided a lot of support and some would argue has very overpriced or led to overpricing of the treasury market. They are already seeing some rate increases there as far as bonds go. It will likely continue to have a negative effect on the on the bond portfolio. As far as equities go, typically in this part of the cycle if you are increasing interest rates, you are increasing them because the economy is healthy and you expect a continuation of corporate earnings and likely appearance of some sustainable rate of inflation. It has generally been positive historically for equities. An inflationary environment is typically positive for hard asset real estate. He thinks the net result will be if they follow the historical playbook as market cycle goes a moderate rate of increase for interest rates from the Federal Reserve should be viewed generally positive over the intermediate and longer term for investment returns with one exception being bonds. He thinks they have made appropriate adjustments there.

4. 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. The Administrative Manager recommends approval of the Retirement Board meeting minutes for November 18, 2021.

2B. The Administrative Manager recommends approval of the following invoices:
1. AndCo Consulting invoice #39833 for October 1, 2021 to December 31, 2021 in the amount of $38,062.50 for investment consulting services.
2. Gabriel Roeder Smith invoice #468449 for administrative services during October 1, 2021 through December 31, 2021 in the amount of $8,802.00.
5. Gabriel Roeder Smith invoice #467209 for actuarial services during the months of November and December 2021 in the amount of $2,200.78.

2C. The Administrative Manager recommends approval of the purchase of Other Public Employer Service time of Tiffany Hood requesting to buy back 1,825 days (5 years).

A motion to approve the Consent Agenda was made by Mr. Easley and seconded by Mr. Nunez. Motion unanimously approved (7-0).

6. Discussion of actuary recommendation to reduce the investment return assumption for the October 1, 2021 Actuarial Valuation. *(Agenda Item 7).*

Pete Strong informs that he is before the Board to talk about the investment return assumption. This is a conversation they have been having every year lately over the last few years or so. The latest capital market forecast assumptions are quite a bit lower than they have been in the past. It is a crystal ball forward-looking estimate but because of where interest rates are and where they are expected to head and because of where valuations are with price to earnings ratios there is a consensus amongst the investment consulting world that the future is not going to be as bright as the last 10 years have been. The forecasts are lower than they have been in the past years. The current investment return assumption is 7.4%. If they run that through their model that 7.4% has about a one-third probability of being achieved over the next 20 years. The probability of that happening is 33%. The 50th percentile would be about 6.1%. The FRS reduced their investment return assumption from 7.0% down to 6.8%. About 5 or 6 years ago the FRS was using a 7.75% investment return assumption and at that time it matched the investment return assumption for Coral Gables. Now, FRS is down to 6.8%. Their investment consultants are recommending they go down further next year. That is on a downward trend.

GRS has an average return assumption amongst their municipal clients in Florida is between 6.8% and 6.9% and those amounts are trending down. The 7.4% is kind of an outlier right now. They have very few plans that are above 7.25%. They have had a lot of plans that used to be at 7.5% and 7.75% that have come down at least 7.25% and are trending down further from there. The actual return during fiscal year 2021 was very good at 22.7%. They smooth assets and the return on an actuarial value basis for reflecting smoothing is going to be around 11.5%. That is going to be enough to generate a gain of $18 to $20 million and that means the unfunded liability will be $18 to $20 million lower than it would have been if the fund had earned 7.4%. The gain is going to lower the City's contribution by about $1.8 to $1.9 million for fiscal year 2023 which is payable on October 1, 2022.

If they went down to 7.25% from 7.4% it would increase the liability about $8 or $9 million and the City's contribution would go up about $0.8 to $0.9 million. Combining those two together you will see a net decrease of about $10 million in the unfunded liability even if they lower the return assumption to 7.25%. It would have a net decrease in the contribution of about $1 million. He is splitting the difference here by allowing half of that good news to go through to the bottom line to the contribution requirement and the unfunded liability but using half of it to strengthen the assumption a little bit. Their recommendation is to lower the return assumption to at least 7.25% as of October 1, 2021. He also calculated what it would take to be exactly neutral year over year and that would be 7.1%. If you wanted to use all the recognized experience gains this year and have about the same contribution you had last year that could get you to 7.1% but 7.25% is splitting that difference.

Ms. Gomez states that the Board and the City had agreed to lower the assumption rate by 5 basis points and if the fund had a gain for the year to lower the assumption rate to 10 basis points. One of the main goals of the City is to pay down the unfunded to get to a fully funded position as soon as possible. The last conversation they had in the joint meetings was that it could potentially be in 2026 or 2027. Making the change to 7.25% how far does it push the fulling funded back then? Now the unfunded liability is going up. Is that going to add another year or two to that timeline? This is really the main focus of the City. To reduce the assumption return by so much in one given year is a lot. Chairperson Gold comments that there is a fully funded politically and a fully funded in reality. If this number was at 8% you could have it fully funded tomorrow. Ms. Gomez agrees but they know that is not realistic. Even if they go down to 7.35% or 7.3% it is still an acceptable rate. It is a judgment call. A win-win would be having the City continue to move in the direction that they want to be going and they have been working so hard to be going and yet still have a rate that is acceptable and they are moving in the correct direction.

Mr. Strong explains this was an extraordinary year and he knows previous conversations have been to trend 5 basis points down and 10 basis points down in a good year but he considers a good year to be anything north of 10% returns. This past year was a 22.7% return. He thinks in an extraordinary year when capital market forecast assumptions are moving down that it strengthens the argument to go down more than 10 basis points when you have good experience to back it up. Ms. Gomez states that they have been lowering the return assumption every year. The goal of the City is to get fully funded and now it will be further down the line. Mr. Strong responds that it will not be very far down the line, a half a year at most. When they did the forecasts, they looked at if you went down to 7% it was only a year or two moved forward by doing that. Ultimately that is where they need to be trending.

Ms. Gomez comments that they either make the rate or they do not. Fifty basis points does not really make much of a difference. Mr. Nunez states that it is the same thing during the years the fund was doing so well but there were no additional contributions to the fund. He thinks the point is that they have done well these last three years. Ms. Gomez replies that the City is contributing extra now. Mr. Easley points out that in the early 2000's the fund's numbers were falsely high which is why they had the lawsuit to bring the assumption rate down from 9% which was unrealistic. That is when they moved it down.

Mr. Gueits asks if they calculated what the impact to the City's contribution would be if they reduced the rate of assumption by 5, 10, and 15 basis points at each interval. Mr. Strong answers affirmatively. It is about a $0.8 million to $0.9 million increase by going to 7.25%. If you divide that into 1/3, you are looking at about $300 thousand dollar increase for each 5 basis points. The gain you are going to have this year is going to result in about a $1.8 million to $1.9 million dollar decrease. You can be about breaking even with that gain by going all the way to 7.1%. He thought 7.25% was a happy median to use half of the gain of the experience this year to get the best return assumption closer to the goal. Mr. Gueits states that it is not like the increase is millions of dollars. Both sides of the argument are valid. They go through this every single year. It is agonizing. What happens if they do not move the assumption return down enough and then they have years that they do not meet the return. What will that look like apart from just the financial impact? If they do not move fast enough, they will behind the curve. They have to think about all these things. Mr. Strong explains that you are looking at the compound average over the next 20 years. That is where you want to achieve and have a realistic expectation of what you are going to achieve the benchmark.

Mr. Mantecon states that his position is obviously they are all numbers based on assumptions. If you are going to have a goal, you have to achieve a goal that you and your heart truly believe. If that goal has a 30% chance that it is a realistic goal and that is what they are all shooting for now. That is what they are telling their Commissioner saying, hey this is what you want to achieve but there is a 30% chance that the real goal is a lot further. He does not believe that is being genuine. He thinks they are setting the bar so they can say it looks good, they are going to try and get there and they know it is going to be further down the road. He does not believe in fooling himself. He thinks they have to make a decision. If you see that you are a part of the goal then there is a lot less pressure from everybody. Whatever the picture is, it is. To be the one municipality that it has assumptions that are much lower than the rest of the threshold of the rest of the municipalities is somewhat embarrassing.

Ms. Gomez is concerned that they will be lowering the assumption rate so drastically in one year. Chairperson Gold believes that the City will benefit by a million dollars less the mandatory contribution. Mr. Strong agrees. Chairperson Gold states that they will keep the level contribution. Ms. Gomez understands but it is going to take longer for them to get to fully funded status.

Mr. Strong states that 7.25% puts them into a range of reasonability that that they can get behind. He thinks 7.4% is kind of a little bit outside of that range of reasonability right now. Getting down to 7.25% based on where the Capital Market forecasts are gives them more comfort.

Mr. West comments that there has been an extraordinary amount of work done over the years to complete a sound funding policy which integrates all these elements working with Mr. Strong and the Board. He thinks the Board has done an extraordinary job working together with the City to come up with a funding solution that worked for the City. From the FRS they are below 6%. That is not Coral Gables. Their liability situation is unique. Every plan is different and they need to be discussing solutions that work best for this program. Looking at the December flash report, the inception annualized rate of return is 7.99% percent and that goes back to October 1, 2003. He thinks that is a reasonable time period. Having come off a very strong period this is a great time to take any action if there is going to be an action to be taken. He supports any discussion to consider lowering the rate of return. He thinks it all has to be done constructively and in a manner that that best serves all parties. When they miss the rate of return assumption, they really miss it because of a bear market. The rest of the time in normal markets it is a positive trajectory over time. Overtime, he thinks they can have confidence that they are going to achieve that number but it is those interim periods that are creating the problem. He thinks Mr. Strong is correct in pointing out the compounded rate of return impact and he thinks the Board is correct and in discussing how any rate reduction might be implemented. It should be done in a manner that is consistent and best meets the needs of this program. Many years ago, this plan had a 9% rate of return assumption and the asset allocation was pushing over 70% equities. They have had a lot of discussions and reworking of the portfolio. There is the asset allocation side of the equation here and an important element here is they want to meet the rate of return assumption but they want to do it in a manner that best minimizes volatility because that has a direct impact on the City contribution. He supports the discussion of the assumption rate of return. He encourages that as they are doing the discussion to come up with a customized solution that best meets the program needs.

Mr. Strong clarifies that Mr. West would be alright with lowering the assumption rate by 10 or 15 basis points. Mr. West responds that from an investment consultant standpoint, they are not going to make any changes. He thinks that running the forward modeling, if they are going to miss it, they are going to miss it by a lot. The current allocation over time reasonable period of time they will probably consistently outperform that as it has in the past. Bottom line, they would be fine with that from their perspective.

Mr. Easley suggests that if the fund does greater than a 10% return then they go with a 15 basis point reduction of the assumption return, if the fund does a greater than 7% but less than 10% then they do a 10 basis point reduction of the assumption return. Anything less than 7.25% return they do a 5 basis point reduction of the assumption return. If they return anything negative then they do not do smoothing on that amount meaning it cannot turn positive just because they did a five-year smoothing and no reduction of the basis points. It is just a suggestion. It does not have to be exactly that but he thinks it is fair because it works with the market just like the smoothing does and the negative return will be the only thing that is going to be affected by the no smoothing method. Mr. Gueits asks if that would be for next year. They make the change to 7.25% this year.

Mr. Strong states that most plans issue the Actuarial Valuation and a lot of plans have been on a glide path like Coral Gables. Some plans have come down 10, 15 and sometimes 25 basis points at a time and targeting in the low to mid 6% range. The lowest return assumption of his clients right now is 6.15% and the highest is 7.45%. Coral Gables is the is the second highest at 7.4%.

Ms. Groome comments that the last time they changed the assumption rate from 7.5% to 7.4% it was done in May because of the participants in the DROP. They have already had people leave the DROP in October and November. If the Board changes the assumption rate to 7.25%, when will it take effect? Mr. Strong informs he has had offline discussions with a couple of people about the DROP percentage which is anywhere from 3% to whatever the investment return assumption is. It skews the DROP interest crediting rate below the expected rate of return because your cap at the expected rate of return and anytime you are below that and experience you are somewhere between 3% and the expected return. He went back and looked at the last 11 years of DROP activity and in the years that the fund has earned more than the expected rate of return versus the years that it has earned less than 3% overall the fund has made about $14.7 million dollars in excess returns on the DROP assets over the last 11 years. That is because of the cap at the expected return and looking at all the years that the fund has earned more than 7.4% to 7.75%. In his opinion the Board would be okay having a higher ceiling of the expected return and the fund would still make money off the DROP over time.

Mr. Garcia-Linares comments that Ms. Groome's issue is that if there is any change in the return assumption that it be made beginning January 1st so it does not affect anyone in the DROP. Mr. Strong explains that historically the DROP has been changed based on what the fund has done on January 1 of each year. They can make it effective in January because interest has not been credited for January yet. Last year they applied the rate of return assumption to October 1 but the DROP interest was changed in May.

Chairperson Gold asks if they are comfortable with Mr. Easley's recommendation. Ms. Gomez states that the Board agreed that they would reduce the return assumption by 5 basis points every year and if they had a good year then they would reduce it by 10 basis points. That is what they agreed to and the City agreed to that. Mr. Nunez thinks that is consistent with Mr. Easley's recommendation. The fact that it was over 10% they would reduce the return assumption by 10 basis points but Mr. Easley's recommendation is if the return is above 10% then they would reduce the return assumption by 15 basis points. It is a status quo to what they agreed to previously. Ms. Gomez understands both sides but at the end of the day, the City is trying to make sure they pay down the unfunded liability in an expeditious manner in a way they can get there so when there is a COLA, it can be on the table in the next 5 to 7 years as opposed to now they keep pushing down the return assumption which adds extra years to paying off the unfunded liability. She understands that the rate should be where it should be but if they are still within the acceptable parameters why do they have to be at the lower end. Why do they have to be at the higher end of the standard? Why do they have to rush to get to the lower end when they are within the acceptable standards? Chairperson Gold states that they are not close to the lower end. Ms. Gomez understands. They have a plan that they have been working on for the past 5 to 6 years and the City has been consistently doing what they said they were going to do. She believes that they had already agreed on 5 basis points every year and 10 basis points when they have a good year.

Mr. Strong remembers when that decision was made a few years back. The capital market forecasts were predicting about 6.75% to 7% future return. There was not a big rush going around 5 or 10 basis points from 7.75% down towards 7%. He agreed to that because they were on a glide path to be at 7% target within 5 to 10 years. Now that target has moved down into the low to mid 6% range because of capital markets shifting down in the forecast. They are still not moving it down as far as capital market forecasts have come down. Capital market forecasts have come down more than 25 basis points in the past year. I've come down more than 25 basis points. Because that has gone downward it justifies a bigger move than 5 or 10 basis points.

A motion was made by Ms. Gomez and seconded by Ms. Elejabarrieta to change the rate of return assumption to 7.3%.

Discussion:

Mr. Garcia-Linares points out that the motion would go against the recommendation of the actuary. Ms. Gomez asks if 7.3% is inappropriate. Mr. Strong informs that they can still sign a valuation report a 7.3% but he would still say that it is at the upper end of reasonability. The rate of return assumption of 7.25% would give him a little bit more comfort. Mr. Gueits thinks the issue is that they have not moved fast enough in prior years. Mr. Mantecon explains that the way the capital markets work is there is a finite level of returns they are going to achieve over a long period of time. What has happened to them now is they have taken a good chunk of that over 3 years. The reality is that this is they are not going to have those types of returns in perpetuity going forward. They are taking advantage of these major returns. They have had these amazing runs and they are still saying they think they could still have good runs for the next few years but they all know that is not the case. They are going to take advantage of it but just going to keep the old return assumption. He does not think that is prudent. By reducing it more now you get the compounding effect of those reductions over a longer period. If you do not reduce it now you are going to evaluate yourself 10 years from now and ask if you are fully funded. Well, they are not really fully funded because the reality is they need to compare something with their peers which is X and now they have not taken advantage of the compounded difference over the last 10 years. In order to be able to get there, it is not a 5 or 10 or 15 basis point drop, it is a significantly larger number in order to get to that point and with less time now they do not have the benefit of it so they are still going to be funded at the same amount of time and the same. It makes no difference; they are kind of fooling themselves.

Mr. Gueits proposes an amendment to the motion. He proposes that they split the difference between the five basis points that are discussing. Mr. Nunez states that Mr. Strong's initial recommendation was 7.1% and he is settling for 7.25% and now they are taking that back further. They are trying to average out their gains this year and at 7.25% they are still up a million dollars for the contributions of the City.

Chairperson Gold calls the question.

Motion restated:
A motion was made by Ms. Gomez and seconded by Ms. Elejabarrieta to change the rate of return assumption to 7.3% Motion denied (2-5). Mr. Easley, Mr. Mantecon, Mr. Nunez, Mr. Gueits and Mr. Challenger dissenting.

A motion was made by Mr. Mantecon and seconded by Mr. Nunez to change the rate of return assumption to 7.25% starting in January 2022. Motion approved (6-1). Ms. Elejabarrieta dissenting.

Mr. Gueits comments that if they have a bad year then they do not have to make any changes. Mr. Strong supports that. IF they have a really bad year, he would support taking a break from reducing the assumption return.

Mr. Mantecon left the meeting at this time.

7. Items from the Board Attorney. *(Agenda Item 5).*

Mr. Garcia-Linares informs the Board that he met with the City Attorney regarding reviewing the Retirement Ordinance and the City Attorney has been in touch with Jim Linn, the City's pension attorney, to review the language that has been proposed. They will get his comments and they will go from there.

8. Attendance of retiree Walter Holmes, via Zoom, to discuss the reduction in his monthly pension and payment arrangement to Retirement System regarding overpayment of monthly pension. *(Agenda Item 9).*

Mr. Garcia-Linares reports that Ms. Groome discovered that Mr. Holmes did not notify the Retirement System that his wife passed away and therefore he had been overpaid over many years. At this point after the letter sent to him on October 25, 2021, he owes $101,954. At the last meeting in November, he and Ms. Groome recommended to not only reduce the pension amount to Mr. Holmes by 50% and in addition to deduct $1,000.00 per month to pay back the Retirement System. There were some questions asked by members of the Board as to whether there were limitations on the amount that they could reduce. He researched with his office and there are no limitations. Jim Linn on behalf of the City did the same research and there are no limitations. They can reduce Mr. Holmes' pay by $1,000.00. He was asked by the City Attorney to write a letter to Mr. Holmes giving him an opportunity to appear before the Board and to discuss the amount of the repayment. They agreed to reduce his January monthly pension by $500.00 instead of $1,000.00 because they did not have direct direction from the Board.

Where they are right now is, Mr. Holmes is going to address the Board and tell the Board his situation on how they are going to get the $101,000 paid back and then it will be up to the Board to give direction to Ms. Groome regarding the next payment to Mr. Holmes as to whether they will continue to deduct $500 or $1,000 or some other number the Board wants to do. Chairperson Gold recalls that one of the details of this issue was that the spouse's Social Security number was incorrect and that is why they did not know of her death. Mr. Garcia-Linares explains that there was an issue with the Social Security number in the information the System had on file. Going forward, Ms. Groome is requesting copies of the beneficiary's Social Security card so that the number provided by the retiree will be verified.

Mr. Holmes was not in attendance.

9. Discussion regarding Board member Marangely Vazquez request for a letter from the Retirement Board detailing her duties as a Board member in regard to attending the FPPTA Trustee Schools. *(Agenda Item 8).*

Mr. Garcia-Linares informs that Ms. Vasquez asked to take the issue off the table but he put it on the agenda because he was surprised, he was asked to write a letter stating she can attend these conferences. His understanding was that folks attended these conferences in the past. He was contacted by Ms. Vazquez who told him her boss was asking for a letter explaining what her duties were to be able to attend the conference. He has never been asked and he does not remember Mr. Greenfield being asked to write letters like this in the past. Chairperson Gold thinks the information is that these conferences are not mandatory but they can attend these conferences. A point of clarification is these conferences are voluntary and not mandatory. They have the ability as Board members to go but it a voluntary thing.

10. Attendance of Wendy Henderson, PenChecks Senior Vice-President, to explain the January 1, 2022 monthly pension payments to retirees.

Mr. Garcia-Linares informs that Wendy Henderson from PenChecks is going to address the Board of the problem they had at the end of December that Ms. Groome has been dealing in regards to the retirement payment in January 2022. Ms. Henderson thanks the Board for their time. She will provide some detail on the January 2022 payments and what happened with those. PenChecks is a company that processes retirement payments recurring as well as single one-time lump-sum payments for terminations and employee separation of service. Essentially, what happened with the January 2022 Coral Gables retirement payments, they were uploaded into their system as if they were a standard one-time lump sum type of payment. With that service type, their system is designed to automatically calculate and deduct any required Federal and/or State taxes. That is what happened in this instance. The payments not only posted early to the retirees' accounts, they posted with that tax withholding. As soon as it was discovered they made corrective payments and additional payments to those retirees to reimburse them for any withholding that was deducted in error. All these payments will be considered as January 2022 and will not impact their 2021 1099-R tax situation. This was primarily a human error and they have taken steps to add additional checks and balances into their manual processing systems as well as working with their tech team to automate even more of this process to avoid these types of issues moving forward. They certainly are not pleased with this situation at all. It is not representative of the service standard they hold themselves to but it is something that they have addressed with additional training as well for the team that is responsible for these payments. She will be glad to answer any questions the Board may have regarding the situation.

Ms. Gomez asks if everything has been correct. Ms. Henderson answers affirmatively. All of the payments have been processed. She believes it was on December 30th or 31st. The corrective payments went through and everything has been corrected at this point in time. Ms. Gomez asks if all the information has been corrected in the system and they will not have an issue at the end of the calendar year for tax purposes. Ms. Henderson answers affirmatively. All the payments will be considered as 2022 tax year payments. Ms. Gomez asks when the 2021 tax payments going out. Ms. Henderson informs that the 2021 tax payments will be going out the week of January 24th. Those forms will be mailed. If the Board would like, they can send a draft of the report in Excel format.

Chairperson Gold clarifies that the point of this is that the human error is not an error of the human who works for the Board. He thanks Ms. Henderson for addressing the issue with the Board. Ms. Henderson states that this was not human error on the part of Ms. Groome or anyone on the Board side.

Mr. Garcia-Linares returns to the issue regarding Mr. Holmes. He is not in attendance via Zoom. He asks if Mr. Holmes was sent the information. Ms. Groome answers affirmatively. She included Mr. Holmes' email in the Board's package which he asked to have a deduction of $500 instead of $1000. Mr. Garcia-Linares asks if the Board wants to give Mr. Holmes another opportunity to address the Board at the next meeting and how much do they want to reduce him on his next check. Mr. Easley wants to understand that the regular check amount going to be reduced. Mr. Garcia-Linares informs that the regular check was already reduced. His initial amount was $3,400 and it was reduced to $1700 because of the 50%. He should have been getting $1700 as of May 2018. That number was reduced by $500. The question is, how much does the Board want to continue to reduce him going forward. Do they want to give him an opportunity to address the Board? They need direction from the Board. Ms. Gomez thinks they should reduce him by $1,000. Mr. Garcia-Linares informs that in January, they reduced his pay by $500 and he wrote to Ms. Groome and basically said he was comfortable with that number, that his kid was still in college and he wanted to get his finances in order. Reducing him $500 a month will take 20 years to recover the amount owed to the fund and at $1000 a month it will take them 10 years. Mr. Gueits states that they have an obligation to make the fund whole.

A motion was made by Ms. Gomez and seconded by Mr. Easley to reduce Mr. Holmes $1,000.00 a month and revisit the issue in 5 years. Motion unanimously approved (7-0).

11. Election of Chairperson for the Retirement Board [Retirement Ordinance Section 46-92(a)]. **A motion was made by Ms. Gomez and seconded by Mr. Easley to nominate Mr. Gold as Chairperson. Motion unanimously approved (7-0).**

12. Election of Vice-Chairperson for the Retirement Board [Retirement Ordinance Section 46-92(b)].

    A motion was made by Ms. Gomez and seconded by Mr. Easley to nominate Mr. Mantecon as Vice Chairperson. Motion unanimously approved (7-0).

13. Election of Investment Committee members [Retirement Ordinance Section 46-129]. The members of the Investment Committee shall be the Trustee, a Commission-appointment Retirement Board member, two participant Retirement Board members and three other Retirement Board members selected by the Retirement Board. The chairperson of the investment committee shall be elected by a majority of the investment committee members. The 2021 Investment Committee members are Joshua Nunez, James Gueits, Troy Easley, Michael Gold, Alex Mantecon and Andy Mayobre.

    A motion was made by Ms. Gomez and seconded by Mr. Easley to nominate the 2021 Committee members to the 2022 Investment Committee. Motion unanimously approved (7-0).

14. Update of Pension Administration System implementation.

    Ms. Menegazzo reports that they are doing the rollout for the Board members to logon to the pension portal. They would like their feedback on the functionality of the portal and the way it viewed as far as the display of the data. They want to make sure it is user-friendly and easy to understand. PensionSoft is very willing to make any changes on how it is viewed. Right now, there are 334 retirees that have officially registered in the system out of 893. PensionSoft informed that their average participation rate for retirees is about 50%. There are also 700 active members that will be receiving registration codes. Ms. Groome informs that after the issue with PenChecks, everyone she spoke to wanted their registration codes so they could logon to the portal.

    Ms. Menegazzo continues. Adriana from the IT Department really stepped up and helped with getting the rest of the data they needed. The bi-weekly payroll feeds continue to go into the system so that everybody has real-time updated information. Ms. Groome has access to this report.

Ms. Gomez goes back to the Holmes issue. If Mr. Holmes is willing to write the Retirement System into his life insurance policy or some type of equity then the Board could consider reducing the deduction from his monthly benefit. Mr. Garcia-Linares states that it has to be something he cannot cancel.

15. Old Business.

    There was no old business.

16. New Business.

    There was no new business.

17. Public Comment.

    David Vargas, IAFF, asks if he will be able to calculate his retirement through the portal. Ms. Menegazzo informs that they will be able to calculate their monthly benefit. Regarding the DROP estimate, you cannot really customize it, it automatically assumes you will be in the DROP for the full time. Ms. Groome adds that you will be able to project if you want to leave the DROP early or for the full DROP but the future DROP interest will be based at 3%. There is a benefit calculator that when you put a year before your normal retirement date, it will not calculate your benefit. You have to put in your Normal Retirement date and then it will do the calculation.

    Ms. Gomez asks if they are going to get the yearly statements anymore. Mr. Strong responds that is up to the Board. PensionSoft will generate benefit statements now so it would be a duplication of work. If we print out statements, when they are going to be now readily available in pension soft. We could still print one out to have a hard copy of one, but you know, that is up to you. Anyone who is active can print a statement.

18. Adjournment.

Meeting adjourned at 9:39 a.m.

APPROVED

MICHAEL GOLD
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER