

CORAL GABLES RETIREMENT SYSTEM
 Minutes of January 9, 2020
 Police Community Meeting Room
 2801 Salzedo Street — Police Station Basement
 8:00 a.m.

MEMBERS:	J	F	M	A	M	J	A	S	O	N	J	APPOINTED BY:
	19	19	19	19	19	19	19	19	19	19	20	
Andy Gomez	P	P	P	P	P	P	P	E	E	P	P	Mayor Raul Valdes-Fauli
Rene Alvarez	P	P	P	P	E	P	E	P	P	E	P	Vice Mayor Vince Lago
Alex Mantecon	-	-	-	-	-	P	E	P	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	A	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	E	P	P	P	P	P	P	Commissioner Patricia Keon
Joshua Nunez	P	P	P	P	E	P	P	P	P	E	P	Police Representative
Christopher Challenger	-	-	-	-	-	-	-	-	-	-	P	Member at Large
Election needed	-	-	-	-	-	-	-	-	-	-	-	General Employees
Troy Easley	P	P	P	P	P	P	P	E	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Carter Sox	-	-	-	-	-	-	E	P	P	E	P	City Manager Appointee
Pete Chircut	P	P	P	P	P	P	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Manuel Garcia-Linares, Day Pitney LLC
 Dave West, AndCo Consulting

P = Present
 E = Excused
 A = Absent

GUESTS:

Ben Zack, Ironwood Capital Management
 Bill Phillips, Ironwood Capital Management
 Mark Guariglia, Entrust Global
 Sophia Mullen, Entrust Global
 Jeff Marano, Entrust Global
 Yolanda Menegazzo, LagomHR

1. Roll call.

Chairperson Nunez calls the meeting to order at 8:10 a.m. Mr. Gueits and Ms. Carter were not present at the start of the meeting. There was a quorum. Chairperson Nunez welcomes new member Christopher Challenger who was elected as the At-Large Board member.

2. Consent Agenda.

All items listed within this section entitled "Consent Agenda" are considered to be self-explanatory and are not expected to require additional review or discussion, unless a member of the Retirement Board or a citizen so requests, in which case, the item will be removed from the Consent Agenda and considered along with the regular order of business. Hearing no objections to the items listed under the "Consent Agenda", a vote on the adoption of the Consent Agenda will be taken.

2A. The Administrative Manager recommends approval of the Retirement Board meeting minutes for November 14, 2019.

2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.

1. For the Board's information, there was a transfer in the amount of \$3,900,000.00 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 November 2019 for the December 2019 benefit payments.
2. For the Board's information, there was a transfer in the amount of \$3,800,000.00 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 December 2019 for the January 2020 benefit payments.
 - Payroll ending date November 10, 2019 in the amount of \$181,265.41 was submitted for deposit on November 18, 2019.
 - Payroll ending date November 24, 2019 in the amount of \$187,251.59 was submitted for deposit on December 10, 2019.
 - Payroll ending date December 8, 2019 in the amount of \$194,875.10 was submitted for deposit on December 19, 2019.
 - Payroll ending date December 22, 2019 in the amount of \$182,199.25 was submitted for deposit on January 3, 2020.
3. Copy of detailed expense spreadsheet for the months of November 2019 and December 2019 are attached for the Board's information.
4. The Day Pitney detailed invoices for the months of October 2019 and November 2019 are attached for the Board's information.
5. Attached for the Board's information is a report from the Berwyn Group showing no death records found from the current list of retirees' and beneficiaries' Social Security numbers as of December 16, 2019. The report states that retiree Charlie Davis' Social Security number on file is

incorrect and that he is deceased as of November 1968. Mr. Davis retired from the City on January 1, 1995 and the reported Social Security number is the number given by him at the time of his hire in 1953. The report also states that retiree Keith Taylor's Social Security number on file is incorrect. Mr. Taylor separated and left the DROP on August 31, 2019 and his reported Social Security number is the number given by him at the time of his hire in 1989.

6. For the Board's information the Northern Trust class actions report for the 4th quarter of 2019 is attached.
7. A copy of the Election Results for the At-Large representative member of the Retirement Board is attached for the Board's information.
8. A copy of a letter is attached from Pete Strong of GRS informing that the net rate of return on market value of assets during the year ended September 30, 2019 was calculated to be 3.9%. Since the return does not exceed 10% a cost of living increase is not eligible to be granted on January 1, 2020.

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

1. Gabriel Roeder Smith & Company invoice #450822 dated November 13, 2019 for actuarial services for the month of October 2019 in the amount of \$2,472.00.
2. South Florida International Orthopaedics, PA invoice for additional expenses (records review and x-ray) during the Independent Medical Evaluation of Aldo Carozzi in the amount of \$2,374.00.
3. AndCo invoice #33821 dated December 31, 2019 for consulting services and performance evaluation for October 1, 2019 to December 31, 2019 in the amount of \$38,062.50.

Mr. Gueits and Ms. Carter arrive to the meeting at this time.

Dr. Gomez comments that he does not see why it is necessary that the Retirement System has to send disability applicants to a separate doctor. Mr. Garcia-Linares explains that it is a requirement in the Retirement Ordinance and the City would have to change the ordinance. Dr. Gomez understands but it is an added burden on the applicant and it is an added cost to the System. Ms. Gomez believes it is an added guarantee that someone independent confirms that the applicant is disabled. Dr. Gomez states that the employee is sent to a doctor by the City. Wouldn't that qualify? Chairperson Nunez thinks this is something they can suggest to the City to change the ordinance. Mr. Garcia-Linares informs that he would be happy to contact the City Attorney regarding this issue. Chairperson Nunez asks for Mr. Garcia-Linares to get some feedback from the City Attorney.

A motion to approve the Consent Agenda was made by Dr. Gomez and seconded by Mr. Easley. The motion was unanimously approved (12-0).

3. Comments from Retirement Board Chairperson.
There were no comments from the Board Chairperson.
4. Discussion of recommendation from the Administrative Manager to approve the Service Connected Disability application of Aldo Carozzi based upon the doctors' reports submitted by the applicant and the Independent Medical Evaluation addressed to the Retirement Board. Estimated monthly disability retirement benefit is \$5,171.30. If Mr. Carozzi would have retired on his Normal Retirement date of March 1, 2025, his estimated monthly retirement benefit would have been approximately \$5,280.00. Employee contributions to Retirement System as of February 21, 2019: \$51,219.07. (*Agenda Item 5*).

Dr. Gomez states that the information received regarding Officer Carozzi's disability is very clear.

A motion was made by Dr. Gomez and seconded by Mr. Easley to approve the disability application of Aldo Carozzi. Motion unanimously approved (10-0).

5. Presentation of Ben Zack (Partner, Managing Director, Investment & Risk Committee) and Bill Phillips (Partner, Managing Director Investor Relations) from Ironwood Capital Management. (*Agenda Item 7*).

Dave West, AndCo Consulting, informs that they have interviews for the hedge fund fund-of-funds manager. At the last meeting they did a general review of the validity of whether or not to continue with the hedge funds and they also did a suitability review of whether the current manager was the optimal manager for the system. They concluded that there was still a place for the hedge fund allocation and that it was in their best interest to invite Ironwood for presentation. They wanted manager strategies for this investment space that was open ended with reasonable liquidity in the investment. It is their recommendation, for this type of program, that they only have room for one manager at the hedge fund fund-of-funds approach which manages multiple underlying manager funds together in a reasonable risk way to achieve some type of reasonable rate of return between stocks and bonds. The purpose of the hedge fund in this portfolio is an alternative investment they can look at while interest rates are so low and they can get a low volatility return that is hopefully be better returns than bonds but maybe not as high as equities. The strategy they were trying to bring to the table was a fund strategy that did exactly that. They also have Entrust Global presenting as a member request. Entrust is an approved manager at AndCo but when they were reviewed it was determined that their particular product was not a direct fit of what they are trying to get done here. Titan is the incumbent hedge fund manager and they are looking at a mandate of approximately \$8 to \$10 million which is approximately 5% of the overall asset allocation.

Bill Phillips informs that he heads up the investment relations group. He is joined by Ben Zack who will go over most of the information on their portfolio and their process. Mr. Phillips begins. Ironwood is a San Francisco based alternative investment manager focused on constructing multi-manager hedge fund portfolios. They were founded in 1996 and are 100% employee owned with eight equity owners and 33 employees. As of December 1, 2019 they had \$3.7 billion in assets under management. Ironwood is focused on generating attractive, low-volatility returns in a consistent and repeatable manner with limited dependence on broader debt and equity markets. Ironwood aims to serve as a core solution within an alternative investment allocation in an investor's portfolio. They are trying to achieve mid to high single digit returns between 5% and 9%. They want to do it with bond like volatility. They take a very diversified approach across various hedge fund strategies. Mr. Zack reviews the portfolio construction and investment process. They are at about \$3.7 billion. There are people in the market place that are trying to put a lot more money to work than they are. Given that they are trying to work between \$3 and \$5 billion but there are some organizations they compete with that are trying to put in \$50 to \$100 billion to work. They identify managers who deliver a combination of high barriers to entry, functional expertise and industry and financial asset specialization. As of December 1, 2019 they have hired two new managers and terminated one; allocated capital to two new funds operated by existing managers; tactically increased exposure to relative value fixed income strategies and scaled certain otherwise closed managers. There are 15 managers in the portfolio and their top 10 managers comprise 84% of the portfolio. Their focus is to diversify and grow specific low-net strategy exposures and identify and invest in new top-down opportunities. They want managers that complement each other. For 2019, the fund is going to be up around 8% net of fees. This is a fund where they want to have a lot of consistent sales and earn 5% to 8% net for their clients. They want to manage volatility and do it in a way that complements the other investments across credit, equity and income. The terms of Ironwood is a one year lock up with semi-annual liquidity at 95 basis points.

Mr. West states that he usually leads any manager presentation with the AndCo disclaimer. AndCo receives no fee, in any shape or form, from any manager, product or service provider they present to their clients. The only fee they receive is the fixed fee charged quarterly to the client.

6. Presentation of Mark Guariglia (Managing Director, Business Development) from EnTrust Global Securities. (*Agenda Item 8*).

Mr. Guariglia introduces himself. He is the Managing Director of Entrust Global. They are an \$18 billion alternative investment manager with a global presence. He is joined by Jack Morano who is a Senior Advisor in Florida and Sophia Mullen who is a Senior Managing Director. The product they are talking about this morning is the Opportunistic Co-Investments Special Opportunities Fund which falls under Ms. Mullen's leadership. Ms. Mullen explains what the co-investment is. The co-investment is an individual idea. What the Special Opportunities Fund is it is not comprised of a collection of manager funds so they are not allocating to manager's funds but rather to a collection of managers individual highest conviction best ideas. At the end of the day a fully funded Special

Opportunities Fund portfolio would be comprised of 30 to 40 highest conviction ideas of managers. They are not underwriting funds of investment managers funds but a collection of their highest conviction ideas. Of the ideas that they look at and source they only invest in less than 10% of the ideas that they underwrite. It is a very highly subset of individual investments that make it into this portfolio. They are trying to invest in situations where they believe the value is created by specific events they believe are going to occur within the targeting company. For example, they want to invest in Company X because they believe certain things will happen specific to Company X to create value. It is very different to invest in Company X because they think the economy will remain strong, they see some macro tailwind but rather where they think there will be concrete events in a specific company they are investing in to create value to the upside. Examples of those types of events they are looking for in target investments are operational turnaround, management change, restructuring and corporate transactions. Not only are they investing in situations where they believe there are specific events with the value creation element but where they are aligned with investing with the manager who has some way, shape or form is in a position of influence to insure that those events occur. Some examples are because the manager they are investing with for that particular idea is the largest stakeholder, maybe they have one or more board seats, maybe it is a credit situation where they are head of the creditors, or maybe they have some heightened relationship with the target company's management. These are elements they are always looking for in their co-investments. They expect the maturity of their co-investments to take about two to five years. They believe a slightly longer, patient and bold approach allows them to optimize profits from any co-investment. Rather than be reactive and look at the market every day this strategy is designed to be patient with slightly longer terms, not long, long term like infrastructure, private equity or real estate and other investment classes you may be invested in, but to hold for a slightly longer, two to five year period for the deliberate purpose of maximizing profits from that one individual co-investment. The co-investments are investments in individual ideas where the ideas exhibit three characteristics; event driven where they are co-investing with a manager who is in some way, shape or form in the driver seat where they can insure that those events they expect for value creation will actually happen and where the liquidity profile is a slightly longer duration to the five years so they can maximize the profits they generate any given idea. Aside from the characteristics she has noted the co-investment is a very flexible mandate. By design this is meant to be an opportunistic strategy that in any given market environment they can target the areas they believe are the most attractive in that market environment. The structure of this fund is a draw down structure which means any person who invests makes a commitment up front. They have the right to call a portion of capital from the investor to invest in items they see in the market. There are no fees on the commitment or when capital is called. Fees are applied when money is actually put to work in the market.

Mr. West states that this particular product is a continuation of the Opportunistic Co-Investment Fund IV and as a new investor there are currently no investments and at one time you might have just one investor. Ms. Mullen agrees. They start calling money over a three year period and as soon as that three year period is over they start generating profits and send those profits back to the investor. On average they pay no management

fee. They pay a 10% incentive fee but they only pay incentive fees to the investors is upon the realization of the investment. On top of that there is a 1.25% management fee and it is a 10% incentive over a 7.5% hurdle and you have to make the management fee back. Looking at the history of their performance in this strategy they have fully exited and crystalized returns on 67 individual co-investments. They have achieved 13.59% in medium IRR in this strategy.

Mr. West thinks the nature of the products was pretty clear and both managers are fully vetted and approved by AndCo. His job is to provide the most suitable manager for this plan. The recommendation is to consider Ironwood for replacement of the Titan fund based on the analysis they reviewed at last month's meeting. The action item on the table is to terminate Titan and retain Ironwood and directing the Board Attorney to complete the engagement. The primary driver to replace Titan was that it was a disappointment. The returns were okay but they are going through a process to try and optimize each investment component as it relates to the whole.

Mr. Gueits asks about Entrust. Their strategy seems to be very different. He asks what Mr. West would recommend. Entrust does not look like Titan. It does not even emulate that strategy so why were they brought to the Board? Mr. West explains that the Entrust presentation was requested by some Board members. Mr. Gueits comments that the strategy is interesting. Mr. West states that it is another product area to consider but they are not recommending anything.

7. Update of the Pension Administration System RFP responses by Yolanda Menegazzo of LagomHR. (*Agenda Item 6*).

Ms. Menegazzo informs that they reviewed all the responses from the RFP. They had nine companies that responded. Of the nine, three are offering the essential services as well as the non-essential services. The three that offered the essential services are CBIZ, GRS with Pension Soft system and Pension Technology Group (PTG). They do not have to narrow down the list of companies. She would like to schedule the demo for these systems so they can have a recommendation for the February meeting. The demos are about one to two hours long. Ms. Gomez asks about PTG. Did they not offer a third party administration? Ms. Menegazzo informs that they did not offer it. Ms. Gomez asks if that is because they do not have a third party administrator. Ms. Menegazzo states that she spoke with PTG she asked them about the third party administrator and they did not feel comfortable with third party administration. However, they do have other respondents that are offering the non-essential services like third party administration so it is important to look at those companies because if PTG is selected they can try and see if they would work with another third party administrator. Ms. Gomez asks if PTG has worked with other third party administrators. Ms. Menegazzo answers affirmatively. Ms. Gomez asks if PTG is selected would they have to do another RFP for a third party administrator. Ms. Menegazzo thinks that during the demo they should ask them if they could work with one of the third party administrators who submitted a proposal. The most important issue is to get the system first. Ms. Gomez understands but if they are not providing that information in their response she does not think they can technically add

that one later with proper procurement. She wants to be comfortable in what they are doing and how they proceed. Mr. Garcia-Linares asks for Ms. Menegazzo's recommendation. Ms. Menegazzo recommends that they review the three companies' demos. Dr. Gomez thinks they need to choose who reviews the demos and not use the Investment Committee. He would like for Ms. Gomez, Ms. Groome, Chairperson Nunez, Mr. Easley and Randy Hoff as the retiree for the review. Mr. Garcia-Linares states that to avoid a procurement issue, if they are going to include PTG for the demo review he thinks they need an answer now from PTG as to who they are going to use as a third party administrator which would be part of the presentation that is made to the group.

A motion was made by Dr. Gomez and seconded by Mr. Mantecon for Ms. Gomez, Ms. Groome, Chairperson Nunez, Mr. Easley and Randy Hoff to review the demos. Motion unanimously approved (12-0).

The Board returns to the investment manager presentations. Chairperson Nunez asks Mr. West to restate his recommendation. Mr. West informs that the recommendation is to terminate Titan and hire Ironwood.

A motion was made by Mr. Alvarez and seconded by Dr. Gomez to terminate Titan and hire Ironwood as the hedge fund-of-fund manager. Motion unanimously approved (12-0).

At this time Ms. Carter left the meeting.

Mr. West informs that the only Ironwood mandate is the only allocation for the hedge fund space. Mr. Mantecon asks if there is another allocation for the Entrust fund. Mr. West explains that the concluding analyses from the last meeting was to bring Ironwood forward to present at this meeting with the intention of hiring them. Mr. Mantecon asks why Entrust was brought in to present. Mr. West responds that it was a Board member request. Mr. Gueits asks where they would fit in their portfolio. Mr. West states that Entrust is an interesting product. It would fit if it was a cold return objective and it would fit in a complementary to a core hedge fund space. If they were seeking to expand in their hedge fund investment it would be an interesting investment. It is a private equity structure as far as capital lock up and it is very concentrated in the nature of the product. They have clients invested with Entrust but those are clients who have a built out hedge fund allocation and have chosen to take that direction but this portfolio is a bit more conservative and generic in the allocation. Mr. Chircut asks if they can increase the allocation. Ms. Gomez asks if they could change the allocation to allow for a little bit of it in the portfolio. She likes Ironwood but also likes Entrust for a why not try to see if it is something that can work for the portfolio. Mr. West understands. They have to consider for any allocation to have any meaningful impact for the portfolio they would have to have a minimum investment around 2.5% to 3% of total assets. They need to consider that as a public fund any time they make an investment into something that is potentially risky and the return is not favorable they will have to deal with the fallout and the criticism of the public. It is a total return strategy and a very interesting strategy and would be a great complement but he encourages keeping an open mind and doing that

type of strategy early in the cycle rather than later in the cycle when they are trying to get a safer and higher quality outcome.

Mr. West reports that they need to rebalance for cash for operating funds. They will need a total of \$12 million. He recommends raising \$6 million from the S&P 500 index fund and \$6 million from Richmond Capital. Mr. Easley asks why they are taking \$6 million from Richmond Capital and not from Garcia Hamilton. Mr. West responds that consistent with their quality upgrade they are trying to allocate and give Garcia Hamilton as the super high quality bond manager preponderance of the funds. They stay underweight and at some point they do need to close that gap but they need to take that on a month at a time.

A motion was made by Mr. Mantecon and seconded by Mr. Alvarez to approve raising \$6 million from the S&P 500 index fund and \$6 million from Richmond Capital to rebalance to cash for operating funds. Motion unanimously approved (11-0).

8. Items from the Board Attorney. (*Agenda Item 4*).

Mr. Garcia-Linares reports that Ms. Coffy signed the Separation Agreement so that has been completed. He received an email from Ms. Groome from Mr. Greenfield that fell through the cracks to do her job evaluation so he asked Ms. Groome to send the Board members the evaluation form to complete. Please fill out the form and send it back to him so he can compile the responses. In regards to GRS, they offered to pay 50% of the amount that was owed. It was approximately \$60,000 that was owed and they were offering to pay \$30,000. The Board asked for him to go back to them and counter-offer with 75% in 24 months and they responded that they will pay the 75% in 36 months. He recommends the Board take the offer of 75% of the money owed in credit against their fees for 36 months.

A motion was made by Mr. Gold and seconded by Dr. Gomez to accept the GRS offer that GRS will pay 75% of the amount owed in credit against the Retirement System's fees for 36 months with only cost of living increases in their fees. Motion unanimously approved (11-0).

Mr. Garcia-Linares informs that he has a conflict for the next two meetings. He will be out of town. Chairperson Nunez asks Ms. Groome to try and rearrange the next two meetings.

9. Election of Chairperson for the Retirement Board [Retirement Ordinance Section 46-92(a)].

A motion was made by Dr. Gomez and seconded by Mr. Alvarez to elect Joshua Nunez as Chairperson. Motion unanimously approved (11-0).

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

A motion was made by Dr. Gomez and seconded by Mr. Alvarez to elect Michael Gold as Vice-Chairperson. Motion unanimously approved (11-0).

11. 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 2019 Investment Committee members are Joshua Nunez, James Gueits, Troy Easley, Michael Gold, Pete Chircut and Alex Mantecon.

A motion was made by Mr. Alvarez and seconded by Ms. Gomez to elect the following members to the Investment Committee: Joshua Nunez, James Gueits, Troy Easley, Michael Gold, Alex Mantecon and Pete Chircut. Motion unanimously approved (11-0).

12. Old Business. (*Agenda Item 13*)
There was no old business.

13. New Business. (*Agenda Item 14*)
There was no new business.

14. Public Comment.
There was no public comment.

15. Investment Issues. (*Agenda Item 9*).

Mr. Easley states that he noticed that some of the Board members expressed interest in Entrust. He knows Mr. West does not feel it is the best time but he would like for Mr. West at the next meeting to have ideas of where they would place Entrust and where they would pull the investment from to fund them and why they are not timely now. Mr. West explains that he can address this now. If they pulled the money now it would likely come from real estate or equity. It is a private equity structure even though the type of investments is mixed. It is a very equity like type of product so they would have to consider pulling it from equity. Going forward he thinks they are going to be increasingly dependent on domestic equity to make their required actuarial return. His ongoing recommendation strategically is to maintain an overweight in domestic equity going forward. They need to get real estate back to target. At some point if interest rates rise then they are going to be pulling from the hedge fund space to move the conservative core fixed income allocation back to target. He informs that he has other ideas that he would like to present to the Board.

Mr. West reports on the December 2019 performance. For the fiscal year the portfolio was at 6.08% and for the calendar year 2019 the portfolio was at 21.07%. The fixed income portfolio was at around 7%. The opportunistic fixed income portfolio came in a bit light at 7.84% and the real estate numbers are coming down now across the industry and was at 5.34%. They have no manager issues. They are off to a great start for fiscal year 2020.

16. Adjournment.

Meeting adjourned at 10:16 a.m.

APPROVED

JOSHUA NUNEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER