CORAL GABLES RETIREMENT SYSTEM
Minutes of February 20, 2020
Coral Gables Youth Center
405 University Drive – Theater
8:00 a.m.

MEMBERS:	F 19	M 19	A 19	M 19	J 19	A 19	S 19	O 19	N 19	J 20	F 20	APPOINTED BY:
Andy Gomez	P	P	P	P	P	P	E	E	P	P	E	Mayor Raul Valdes-Fauli
Rene Alvarez	P	P	P	E	P	E	P	P	E	P	P	Vice Mayor Vince Lago
Alex Mantecon	-	-	-	-	P	E	P	P	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	A	P	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	E	P	P	P	P	P	P	P	Commissioner Patricia Keon
Joshua Nunez	P	P	P	E	P	P	P	P	E	P	P	Police Representative
Christopher Challenger	-	-	-	-	-	-	-	-	-	P	P	Member at Large
Marangely Vazquez	-	-	-	-	-	-	-	-	-	-	P	General Employees
Troy Easley	P	P	P	P	P	P	E	P	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	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:
Octavio Verdeja, Verdeja De Armas Trujillo
Tab Verdeja, Verdeja De Armas Trujillo
Michelle Del Sol, Verdeja De Armas Trujillo
Ben Baldridge, CFA, CAIA AndCo Consulting
Yolanda Menegazzo, LagomHR
Randy Hoff, retiree

1. Roll call.

   Chairperson Nunez calls the meeting to order at 8:10 a.m. Dr. Gomez was excused. There was a quorum. He welcomes new member Marangely Vazquez who was elected as the General Employees/Teamster Representative 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 January 9, 2020.

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 $5,800,000.00 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 January 2019 for the February 2020 benefit payments.

2. The following Employee Contribution checks were deposited into the Retirement Fund's SunTrust Bank account:

   - Payroll ending date January 5, 2020 in the amount of $199,167.01 was submitted for deposit on January 10, 2020.
   - Payroll ending date January 19, 2020 in the amount of $182,927.61 was submitted for deposit on February 3, 2020.

3. Copy of detailed expense spreadsheet for the month of January 2020 is attached for the Board's information.

4. The Day Pitney detailed invoices for the months of December 2019 and January 2020 are attached for the Board's information.

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

1. Verdeja DeArmas Trujillo invoice #25243 dated January 14, 2020 in the amount of $10,460.00 and invoice #25301 dated January 23, 2020 in the amount of $7,845.00 for auditing services.
2. Gabriel Roeder Smith & Company invoice #452113 dated January 7, 2020 for actuarial services for the month of December 2019 in the amount of $6,814.00 and invoice #452793 dated February 11, 2020 for actuarial services for the month of January 2020 in the amount of $9,824.00.
3. City of Coral Gables invoice #344375 dated February 1, 2020 for general liability services 2nd quarter FY 19/20 in the amount of $1,159.50.

2D. The Administrative Manager recommends approval of the purchase of other public employer service time of Paola Sobalvarro requesting to buy back 1,155 days (3 years, 2 months) and the purchase of prior City service time of Richard Gruich, III requesting to buy back 919 days (2 years, 6 months).

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

3. Comments from Retirement Board Chairperson.

Chairperson Nunez goes over agenda. They have the audit, some presentations and the discussion on the software review which they recently conducted and will go over once Ms. Menegazzo arrives. They will discuss what they reviewed and he would like to table the decision until the next meeting when Dr. Gomez will attend since the Board had to reschedule the meeting and Dr. Gomez had a prior engagement which is why he is not at the meeting. The decision making will be tabled until the next month. Then they have a couple of smaller issues and then Mr. West.

4. Items from the Board Attorney.

Mr. Garcia-Linares informs that he does not have many items for discussion. He reminds the Board members that he is still waiting on the completed evaluations of Ms. Groome. He has only received two. The GRS matter has been signed off. Since the last meeting he went back to GRS with the Board's concerns about what would happen if the contract was terminated and they added a sentence to the agreement that if there was a termination that GRS would continue to pay and the amount but it would be reduced by half and extended by twice the amount of the remaining months. The Chairperson has signed it and the reductions off the invoices should start coming through. He and Ms. Groome also worked on a QDRO. There is a class action claim that Northern Trust says they cannot file on our behalf so Mr. West has agreed to assist Ms. Groome in filing the paperwork.

5. Request from Aldo Carozzi for approval of the return of his contributions on the purchase of other public employee service time in the amount of $53,802.99. Mr. Carozzi was approved for Service Connected Disability retirement on January 9, 2020 and will no longer need to continue the purchase of his service buy back since disability retirement is not calculated based upon service time.

Chairperson Nunez informs that there is a request from Mr. Carozzi who retired on disability a few months ago. He is requesting that he receives the return of his buy back contributions. Mr. Garcia-Linares informs that this is standard.

A motion was made by Mr. Gold and seconded by Mr. Alvarez to approve the request. Motion unanimously approved (12-0).

6. Request from Jorge Rivas for approval of the return of his contributions on the purchase of other public employee service time in the amount of $23,196.67. Mr. Rivas resigned from the City of Coral Gables on December 4, 2019 and has requested that this money be transferred back to his Nationwide Retirement Solutions account.

7. Chairperson Nunez states that Mr. Rivas has the same request as Mr. Carozzi. He resigned from the Police Department and has requested his buy back contributions be returned.

   A motion was made by Mr. Easley and seconded by Mr. Alvarez to approve the request. Motion unanimously approved (12-0).

8. Introduction into Private Debt presented by Ben Baldridge, CFA, CAIA Senior Research Analyst with AndCo. *(Agenda Item 10).*

   Mr. West introduces Ben Baldridge of AndCo who will give a presentation on introduction to Private Debt. They have had discussions on how they can enhance what they are currently doing regarding the bond allocation. This is a very interesting opportunity. Mr. West informs that he will be reviewing the 4th quarter of 2019 and also the monthly performance of January. He will also request an approval of rebalancing.

   Mr. Baldridge thanks the Board for having him at the meeting. He joined AndCo about a year ago after leaving the Newport Group where he led the manager research team. He was there for about eight years. Before that he was with Aon Consulting covering private equity strategies which included private debt. Public markets struggle to meet return targets of 7% or more and private markets with higher expected returns of high expected volatility. People value the options to buy and sell investments when they want to make adjustments to their portfolios. Giving up that flexibility in theory should be rewarded with some type of incremental return. That is part of the thesis of why someone might expect a higher return from private market investments.

   Private debt can take multiple forms such as loans, bonds, warrants and preferred equity. Private debt contains several categories with varying underlying assets and risks. There are three main categories: direct lending - senior, direct lending - mezzanine and distressed debt. Senior debt is a lot like tradeable bank loans with high yields of 1% to 1.5%. They also tend to have more protections because the way the loans are placed where the firm making the loan expects to hold it until maturity. Mezzanine is similar to a high yield bond. It is not a common equity investment but it is exposed to volatility and it is not a senior investment with protection, it sits in between where the word mezzanine comes from. It is similar to public high yield. Because of the illiquidity premiums it is a total portfolio context. There could be diversification benefits and higher expected returns. It is a sizable asset class but not as large as the public market and it is a diverse category. Because these are privately loans they are not viable readily or sellable readily which means there is no investable benchmark available to measure performance. It is usually measured against the public index and then adds spread based on what they expect of the premium. When people benchmark it is normally benchmarked against strategies that were organized about the same time at about the same strategy private debt investment they made.

Senior direct lending is the most common type of private debt strategy. It is a floating rate and secured by first or second lien claims on general corporate assets. Mezzanine strategies original subordinated loans to corporate borrowers. The debt is normally fixed rate and not secured by liens on specific corporate assets. Strategies often invest in equity which may be acquired directly or through warrants in addition to debt. Distressed debt strategies primarily purchase discounted debt on the secondary market. Performance tends to be cyclical based on opportunities created by the default cycle. Niche strategies are generally classified as asset based lending or special situations. Asset based lending includes several subcategories wherein the claim on an asset is the primary basis for making the loan. Loans may be collateralized by a variety of assets such as inventory, receivables, intellectual property, real estate, transportation assets, litigation claims and portfolios of other loans. Special situation strategies invest flexibility in companies that are in complex, less understood and/or troubled circumstances.

Private debt funds historically focused on mezzanine and distressed debt strategies. Fundraising for senior direct lending has risen materially since 2012. Traditional banks served a larger role in the direct lending category prior to the financial crisis. An increase in bank regulation has been attributed to their declining participation in this market. Declining lending by banks has corresponded with a rise in non-bank lending. Senior direct lending became more prevalent over time as it became more interesting with institutional investors as a way to gain yield and also diversification. Private debt was traditionally considered part of institutional investors' private equity allocations but is increasingly being considered a distinct, standalone asset class. As the senior direct lending has become more interesting there has been more adoption of dedicated allocations to it as opposed to a private equity allocation.

Private debt is expected to outperform U.S. equity, core real estate and fixed income with a higher return per unit of risk than international equity, private equity and value-added real estate. Private debt strategies risk and return are significantly affected by corporate valuations and seniority in the capital structure. Private companies are normally valued by multiplying their annual cash flow by a market-based multiple. Cash flow is defined as earnings before interest, taxes, depreciation and amortization or EBITDA. Multiples are affected by the perceived risk of the borrower's business. They are influenced by general market risk and more specific factors like the company's industry, size, assets and customer concentration. The product of EBITDA and the multiple equals the company's enterprise value and estimate of the price a buyer would pay to acquire the whole company.

Senior loan investors earn lower expected returns than mezzanine or equity investors. Expected return may also be influenced by the perceived quality of its ownership and management with a higher rate demanded for non-private equity sponsored companies. Mezzanine loan investors earn a level of expected return between the senior loan and the equity investors. Equity investors keep the part of the company’s enterprise value that remains after debt investors and other liabilities are paid in full. Risk of corporate investments is affected by borrower risk and seniority. Investments in the more senior part of the capital structure have lower expected returns and risk. A higher expected return associated with a pervasive type of risk is called risk premium. Investors wanting more return, less risk or to diversify other holdings may prefer taking different risks. Investors with more conservative risk and return preferences may prefer strategies with low leverage and high quality collateral. These characteristics may lead to more consistent performance and great diversification benefits relative to other risk assets in the portfolio. Investors with higher risk and return preferences prefer more aggressive strategies like direct lending senior strategies, lending to smaller companies in the lower middle market, lending to companies not owned by private equity sponsors, direct lending mezzanine and distressed debt. These characteristics may increase return at the cost of lower performance in adverse credit environments or if default opportunities over the subsequent one to three years are limited for distressed debt.

Asset managers cannot readily buy or sell illiquid assets to invest contributions or pay redemptions so investors primarily invest in private debt through closed-end limited partnerships. Close end limited partnerships have limited terms often eight to ten years plus extensions. Some private debt strategies are also offered in non-term limited, evergreen vehicles. This was historically limited to distressed debt strategies that focus on trading larger cap debt but some direct lending senior managers have begun offering them as well. Vehicles that hold illiquid assets still need to be illiquid so redemptions from evergreen vehicles may take several years.

When deemed appropriate for a diversified portfolio's risk tolerance, liquidity requirements and return objects clients should understand and consider an allocation of 5% to 10% as part of a diversified institutional portfolio; maintain exposure to high quality fixed income; consistent pacing in order to maintain a strategic allocation while limiting vintage year concentration; long term strategic allocation to senior direct lending; opportunistic allocations to mezzanine and distressed debt and be skeptical about listed products promising private debt exposure.

Mr. West states that if they decided to make a dedicated allocation they would be before the Board with new and fresh opportunities. If there is an interest they will be bring additional ideas to the investment committee and then nail it down to more specific products. They want to keep good ideas before the Board.

9. Presentation of the draft 2018-2019 audit report by Verdeja DeArmas Trujillo. *(Agenda Item 7).*

Octavio Verdeja of Verdeja DeArmas Trujillo informs that they are there to present the 2018-2019 audit report. It is a clean opinion of the audit. He introduces Tab Verdeja and Michelle Del Sol to present the audit. Mr. Tab Verdeja states under 2019 the net increase/decrease was negative $8.4 million and in 2018 it was a profit of $24 million. So in 2019 there was a loss in the plan. The big items are the City contributions and in 2019 there were additional contributions from the City which is positive but the big item is the net investment income. In 2018 the investment income was $40 million and in 2019 the investment income was $14 million. It was still an excellent year in the market but just not as good as the previous year. The other big piece of this is the deductions. In 2018 pension benefits paid out was $47 million and in 2019 the amount was $54 million. That had to do with some additional DROP payments and other factors. They had no material weaknesses. Other than some management points they did not have serious issues with internal controls other than some recommendations they will get to. Their testing touches contributions, benefit payments, eligibility into the plan, investments and allocation. They do a walk through of internal controls and they go through the actuary report and do the disclosure notes as part of their audit. The schedule of investment results show the investment income year to year. Everyone's thought is that the market is at an all-time high so why didn't they do better than they did as in 2018. In 2018 the plan was close to an investment return of 11% and in 2019 the investment return was 4%. The plan is using an assumption rate based on the actuary's recommendation of 7.6% and they are expecting a return of 7.6% but only got a return of 4%. The assumption rate will be gradually reduced by 5 basis points until the assumption rate is at 7.5%. Things have done much better than September 30th which is the snapshot of the audit. At September 30th they had $381 million and by December there was $427 million. By three months their investments grew about $46 million. The funding status of the plan is trending in an upwards position from 2016 to 2019. The investment returns were not as good as expected so the trend has gone down to 2017 levels and is at 65.5%.

Ms. Del Sol goes over the management letter. The letter is communicated to those charged with governance of the plan of any observations they noted during the audit. There are observations in general with recommendations implementing a process or a control. The first one is the automation of the plan. She is aware that the Board is in the process of considering options to automate some of the manual processes to reduce any errors. The second one is segregation of duties and accounting oversight. During the fiscal year 2019 the plan was administered by two individuals, the administrative manager and the retirement system assistant. In last year's presentation to the Board they suggested maximizing those roles in a way that would allow for more checks and balances. They did see that changes were made during that fiscal year. Ms. Groome provided some examples of the changes like when one person was performing the calculation the other person reviewed the data. That was excellent to see. They have it there still because now the assistant who was part of those checks and balances is no longer within the plan. They have the same recommendations that the policies and procedures be implemented to minimize the potential of error. A second observation is that of the actuary's role. The actuary is an independent check and is reviewing the data but the ultimate goal and their recommendation is that the control is good but they should not rely solely on the actuary for the controls. Another observation that came to their attention was there was an incident where an active employee who was contributing to the Retirement System and at some point that contribution stopped and the employee is still currently at the City. Their recommendation is that they revisit some of the policies and procedures. That control is more on the City side than the Retirement System side. Ms. Gomez asks for them to have a section in the management letter for management responses. Ms. Del Sol informs that they will.

A motion was made by Ms. Gomez and seconded by Mr. Alvarez to approve the audit report. Motion unanimously approved (12-0).

10. Update of the Pension Administration System by Yolanda Menegazzo of LagomHR. *(Agenda Item 8).*

Ms. Menegazzo informs that they met with all the vendors who responded to the RFP. In the RFP they put out it had all the essential services they requested which is the pension administration solution and then they asked for the non-essential services which include the payroll and full third party administrative services as well as any project oversight which includes implementation consulting. When they met with the four vendors the Committee ranked them. They were impressed with GRS. They felt like they were familiar with the plan and their price was outstanding. The pension administration software they use is Pension Soft and is a good system. Right now that is the information they have with the ranking and they were all impressed with GRS. GRS had three options. The first is the system administration software which would be housed on the Retirement System servers which would be a cost on the investment and that would be $43,000 a year. Then if they were to do the pension administration software with payroll which would be housed on GRS servers would be $63,000. Then for all-inclusive third party administration solution which includes the software, payroll and customer service support for the members it is $132,000. They did want to include an additional $15,000 in Board meeting attendance. They had discussed they would come on site from anywhere from twice a month to once a week so they should add on a little more. They estimated another $30,000 if they were to be coming onsite for services on top of the $132,000. With either option there will be a $15,000 implementation cost and that is for the system itself. That system has to be built and customized for the plan. The agreement would be for 3 to 5 years. They are only looking at 3 to 4 months time of implementation. Mr. Gold asks if that is realistic. Ms. Menegazzo thinks that is a great question. She informs that she asked the same question. When she was doing all the demos from all the different companies she asked that question of Pension Soft and Pension Soft informed that they built their system. All the other companies tell you that they are they are building a custom solution for you and Pension Soft said they were not building a custom solution for you but they are plugging in your plan details into a system that is already built. They make the implementation process seem extremely simple whereas the other companies overcomplicated the process. She thinks that realistically it would be six months is because of the current data.

Mr. Garcia-Linares asks if the GRS product has the accessibility to use an app on the phone to get their information regarding their retirement information. Ms. Menegazzo informs that they have a member portal and from all the systems they looked at that is one that was the most user friendly not just from the back end administrators standpoint but from the users. It is not an app. None of these companies have an app. They are open for building an app but it is not necessary because their website is mobile friendly. It is the same if you were to go any webpage their formatting changes when they are on their mobile device compared to on the computer. You always request the desktop version on your phone but really it is a mobile friendly website, it is not an app.

Ms. Gomez states that the third party administration does include the Board meeting attendance and the extra stated that if they wanted to stay the whole day in order to meet the people because in their packet they gave the attendance of the meetings as included in the third party administration services. Ms. Menegazzo responds that the proposal had said that it would be up to $1,200 a day for any onsite visits for physical attendance at the Board meetings. Ms. Gomez thinks that is a conflict of what was stated. Ms. Menegazzo replies that she can confirm. Ms. Gomez comments that that in the third party administration services that they would do the attendance at the meeting and take the minutes, scheduled meetings and do the agenda and everything and then when they started to talk about having to stay the whole day so that you can meet with and make appointments and meet twice a month that is when the extra cost is. That is what she understood. Ms. Menegazzo informs that she will clarify but she understood that it is a maximum of $1,200 a day. It is for whatever service they provide and when they come on site for whatever services they provide. For budget purposes to estimate an additional $30,000 would be fair just because if that decision is made to go that route which is up to the Board. But if that decision is made there will be a transition process so she feels like they should be onsite until the employees feel comfortable with the process so they should budget for that just in case. Their proposal is well below the other vendors.

Mr. Garcia-Linares asks if this would take care of getting assistance for Ms. Groome, since it is on the agenda. Would that solve that problem? Ms. Gomez thinks that depends on what the Board wants to do. At the end of the day, are they going third party administration from day one and they will drop into it and then in six months they will be third party administrator then there is no extra need because they will handle everything. Ms. Menegazzo interjects. She has spoken to Ms. Groome about this. Regardless of the decision the Board makes Ms. Groome's role, even if the Board goes with the second option with GRS which is software solution and payroll services, her role will change significantly because of the technology that is being implemented. So all the manual processes that you have currently will go away. Then if you have it with GRS, which is the actuarial service, there is no longer a need for Ms. Groome to be pulling data from the system and manipulating data to giving it to GRS. They will be pulling their own data and will have an administrator access to this system and the system will be theirs. They will just have an online account to administer and manage. Ms. Groome's role will change. Chairperson Nunez believes that Ms. Groome's workload will increase in the transitional phase but in the long run it will simplify in the paperwork and the data trail.

Ms. Gomez asks about the lease they currently have for the Retirement office. When is that lease up and when can they get out of that? Ms. Groome believes it is a three year guarantee and then after that they can leave the lease. Ms. Gomez recommends they do not renew the lease because they are moving toward third party administration. Mr. Garcia-Linares agrees with Ms. Groome and that it is a five year lease. He has to go back and look at the lease because they have a five year lease but they do have an option to get out of it.

Chairperson Nunez thinks they are jumping ahead because the third party administration was an option and they were looking at that when they were requesting these bids because initially they were going for the software. They requested the option of third party. He doesn't think it is an issue now. They are just looking at the software and now they are thinking ahead. Mr. Gueits asks if they can switch to a third party administrator after a year or two. Ms. Menegazzo thinks that it is something that needs to be discussed but not a decision that has to be made now because the implementation time is short like six months. Maybe in three to six months from now they can make a decision to see if the workflow from the office has changed. That is something to consider. The third party solution would be able to come on and take over immediately once they have the system set up. It is a discussion that needs to start happening but they don't have to decide now.

Mr. Chircut sees it differently. The third party administrator will probably take a year before the implementation is over. Ms. Menegazzo points out that GRS says they can complete it within three to four months but she thinks realistically it is six months. Mr. Chircut thinks it is more like one year. Ms. Menegazzo comments that this is the company that the Retirement System has now. They know the data and know of all the information that comes from the EDEN system. They have an upper advantage compared to the other companies coming in. Mr. Chircut believes it will take a year to implement. It might be more than a year if they get it completely done. If they do a third party administration for a year and Ms. Groome will be there too as a backup. People retire and they go to Ms. Groome and she will have a role to play. He thinks that is a bad idea to look at a third party administration because when Ms. Groome leaves she is the one who knows the system. There is nobody else who knows the system. So in four to five years then the company can take it over.

Mr. Garcia-Linares informs that he will look into the lease but he was talking to Ms. Gomez in order to get out of the lease basically all the paper that is in that office has to become paperless. That is going to take time. Ms. Gomez states that in terms of the capability of the system and what they are going to provide in terms of the system and the third party administration it is everything that they need. GRS knows everything that they do as a Board. All the other companies know as well but the Pension Soft software was very user friendly and nicely laid out compared to the other systems. The system was great and the services they can provide are great. They were the ones they ranked the highest. Whether or not they want to have them present to the Board to show the Board the offer maybe they can make the presentation to the Board that may be usable too.

Ms. Cox comments that earlier it seems like the decision was the software and payroll or third party administration. She would be inclined to say to just go for the third party administration if they are going to do that in the long term any way and do the long implementation process. She is interested to hear the reasons for not doing a third party administrator now. Is it money or what are the other reasons for not doing it now? Mr. Mantecon states that they are going to pay for $63,000 in software. What savings come with that? Are they going to have an employee with the office space? Ms. Gomez informs that the budget the City pays or the pension pays to the City for the administration is about $170,000 a year. Once they are full third party administration it will be about $150,000 a year because of $132,000 plus and a little more for extra meetings or whatever. Ms. Menegazzo adds that there is also an implementation fee of $15,000. The first year will be more.

Mr. Gold asks if they are going to replace Ms. Coffy. Chairperson Nunez informs that is another topic. Ms. Gomez states that the Board had decided that it did not want to be in the business of having its own employees. So her recollection of when they talked about is that as Ms. Groome transitions out they are focusing on third party and not having employees. Now in terms of Ms. Groome's position, the City Manager has always said they will absorb in the City her position and she will not be harmed if the third party administrator position happens in two years and Ms. Groome still has three years on her job. If she wants to stay she will have a position in the City so that is not a factor per se either. Her concern is the leasing space. If they want to break the lease and lose money there, obviously, but they are going to need a transition even once they are full third party administration. They can have Ms. Groome being the intermediate for six months to a year to make sure it is working. In her opinion, if they wait and implement the system by the time they are comfortable with where it is at, if it is within a year or more, and then start the transition of the third party administration at that point because Ms. Groome will have three years to go in the DROP. Chairperson Nunez asks why rush the third party administration and not wait the year for the implementation. Ms. Gomez thinks that a lot of the issues they have can be resolved because GRS will be doing it.

Chairperson Nunez remembers that the reason they went forward with the RFP was because the software was going to solve the issues. Ms. Gomez believes that it is not necessary because they are letting them borrow their software. They will have to do everything on their own. Chairperson Nunez states that if they go full third party administration they are going to pay $100,000 more. They still have to have a liaison in the City to do everything because they will have no one in the City to go to or reachable. Most of the people coming into the Retirement Office now and the reason these companies do not have a mobile app, is because the generation that is retiring does not use apps so there has been no need for it which means older people like to come to talk to somebody in person. GRS offices are in Ft. Lauderdale. People can go anytime to Ft. Lauderdale but it is probably not going to happen. Most people who come from out of town come to the City and go to the Retirement Office and find Ms. Groome and she gives them whatever they need. That is one of the big reasons to have her in the Retirement Office. Ms. Gomez states that GRS said they would do office hours. Mr. Gold comments that in three years from now GRS can come in one or two days a month. Chairperson Nunez understands but that will cost them $30,000 a year. Ms. Menegazzo agrees. That is why they should budget for an additional $30,000 a year. That is an option. When they were talking to these companies they called some of the cities to find out how they do their program and some of them said that they have the full third party services but have one person who is their dedicated liaison for that exact reason. There are some employees who have a relationship with the existing staff and they feel comfortable going to that staff person. It is a transition because the older generation is going to use that service but the new generation is going to use the self-service. Mr. Gueits thinks that there is a customer service for the older generation to have a live body especially Ms. Groome who everyone is familiar with. Ms. Menegazzo points out that as a liaison if you are getting all the administrative work to the third party administration the liaison the work load will not be 100% anymore. That is an issue to consider.

Chairperson Nunez informs they have another issue to consider which is that Ms. Coffy's position is still budgeted. Ms. Groome will need help now anyway to catch up during the transition and how they are going to adjust that and that is something they need to discuss after this item. They are not going come to decision on this item today and will probably continue the discussion at the next meeting.

Ms. Gomez wants clarification from GRS that they are not going to end up doubling the work for the implementation. Ms. Menegazzo states that if they go with option 2 with GRS, let GRS pay for all the equipment to house it and they have the cloud based solution. Ms. Gomez comments that GRS will not be the administrators they are just letting them use their system. Ms. Menegazzo suggests that they should give GRS administrator access so that they are reducing workload. Ms. Gomez does not think that is what they are offering in the $63,000 price. It is for the Retirement Office to use the software and they will run the payroll. Ms. Groome informs that it is what she does now through EDEN.

Mr. Garcia-Linares thinks that if the Board is leaning toward going forward with GRS with this service then GRS should be at the next meeting. Ms. Menegazzo asks if they have thought about hiring a temporary clerk for the office dedicated to scanning documents from the office. Chairperson Nunez states that is one of the issues of getting someone from a temp agency to help out now and also with the current issues going on in the office. Mr. Garcia-Linares thinks they need to the software first before someone starts scanning to make sure the scanning is accommodated by the software. Ms. Menegazzo disagrees. They can scan it now and have the City's IT Department set up a folder and then they can do a mass upload after the fact but the physical work of scanning it has already been done. Mr. Garcia-Linares wants to make sure the scanning is done properly so it goes to the right place. Chairperson Nunez states that they can physically start scanning but after the fact you have to go in and have the right tags. Ms. Menegazzo informs that her recommendation for the scanning is that since there are so many documents in the Retirement Office the previous documents in there now, they just grab the whole file and scan the whole file. They upload that six months from now into Pension Soft and then moving forward everything will be on the system where it is an electronic system where it automatically will be saved under the persons file. You have a moving forward date to identify each document. Everything previous if you try to tag everything individually it will cost up to $300,000 to do that. You grab the whole thing and everything before is an electronic format. It is a big file but at least it is an electronic file and moving forward you identify page by page. Chairperson Nunez thinks that is a quick fix to get rid of the paper. Ms. Menegazzo advises that if you do it the other way it is a five year project that will be expensive. Chairperson Nunez thinks it also depends on the software. Mr. Garcia-Linares informs that as the Board counsel he is not comfortable in hiring someone from a temp agency to come in and review records with other peoples' social security numbers. They have to think about it.

Chairperson Nunez asks if Mr. Hoff has anything to say. Mr. Hoff states that when he was on the Board and this whole process started, the third party administrator issue was not something they ever talked about. It was to implement pension software and that was his primary focus. One of the things that was not brought up was the GRS software is housed on a SOC 2 server and they have incredible data protection. Most of them had that type of protection. He thinks there is some confusion because GRS said they can do any level of participation from providing a person like Ms. Groome up to a full third party administration. They have a legacy system of data and a current system of data and GRS, for the last seven years, has already been dealing with their data and they have preexisting knowledge of that data. That is why they are faster with the implementation and cheaper than the other companies. Also, with GRS they got into the administration business only for their actuarial clients. They do not go out and solicit for this service. They have to bring down their team for every meeting. Going back to the original focus, he thought they were looking at was the software system. They collectively agreed that they would use GRS's server and have GRS do the payroll for $63,000. That was the best deal of the other vendors. All the software mirrors the others. Pension Soft is more user friendly and was designed solely for software purposes in the beginning. He knows this is going to be brought up again when the full Board is here. His only suggestion is that he thinks it is $63,000 plus the $132,000. Ms. Gomez points out that the full third party administration services is $132,000 plus the cost of meetings. Mr. Hoff thinks that offering the personal service is a transitional phase from now until five years when Ms. Groome leaves the DROP. They can do as much or as little as the Board determines.

Mr. Garcia-Linares recommends that they invite GRS to the next meeting. Ms. Gomez informs that the Committee already short-listed GRS so it is appropriate to invite them to the next meeting. Ms. Menegazzo would like for GRS to give more description as to how implementation would be and answer some of the Board's concerns.

A motion was made by Mr. Gold and seconded by Mr. Alvarez to table this item until next month's meeting. Motion unanimously approved (12-0).

11. Discussion regarding administrative support for the Retirement Office. *(Agenda Item 9).*

12. Chairperson Nunez states that the salary is still being budgeted for the administrative support. Ms. Gomez asks what needs does the office need immediately. Chairperson Nunez thinks it is the same as last year. They still do not have the software set up. Ms. Groome explains that clerical help is need such as putting the checks and direct deposit notices into envelopes, answering the phones, filing, office coverage, etc. If the Board is no longer going to have an employee, they need to decide what to do with ADP account. They are still paying fees for a position that is currently empty. There is a termination fee of $1,500. Ms. Gomez points out that they had to create that account in order for the Board to have their own employee. At the time the Board didn't want to be an employer and it was a big issue. They did it for Ms. Coffy who is no longer here and she does not think they should be in the business of being employers period. So that means closing the account and paying the fee.

A motion was made by Mr. Easley and seconded by Mr. Gold to close the account with ADP and pay the $1,500 termination fee. Motion unanimously approved (12-0).

Ms. Groome informs that she was offered to share a part-time employee by another Department but it was only offered in passing. She does not have additional information about that yet. Ms. Gomez states that part-time employees are only 29 hours. If they are going to share a part-time employee that is about 14 hours a week. Will that help or resolve the issues in the office now? They may want to get an additional temp agency person to do the filing and answering the phones and not deal with sensitive data. Ms. Groome informs that she can bring it up at the next meeting. The item was tabled.

13. Investment Issues. *(Agenda Item 11).*

Mr. West reviews the December 31, 2019 quarterly report. The total fund gross for the end of the calendar year was 21.78% and they ended up in the top 9th percentile of public pension plan universe. The three year number was over 12%, the five year number was at 9.3% and the seven year number was at 10.18%. They have no manager issues and no action recommendations.

Mr. West reviews the January monthly performance. They have an immediate need to raise additional cash for operating funds. He has two recommendations. The first is a need to pull $5 million from the S&P 500 index fund for the March 1st operating requirements and the second recommendation is regarding the real estate asset. They have placed the real estate rebalancing on the radar for some time now. In a perfect world they were talking about when interest rates rise and the cash on cash yield looks the same. Ideally at that time they would take the overweight in real estate off the table and move it over. Interest rates have come down but real estate returns have come down also. The core real estate fund is invested in one of the more fully valued spaces and as they project ahead they and the real estate manager are suggesting that the returns will be more like 5% to 6% which is not the double digits they were getting before. Recently JP Morgan reduced and took a write down of the retail portion of their portfolio. Their returns have been a little lower than what they would have liked to have seen. He thinks they handled the write down well. He is concerned about the behavioral economics coming into play with the real estate asset and thinks it might be a good time to rebalance their real estate before everyone else wants to do the same. They are 2.7% overweight now. So his recommendation is that they rebalance their real estate fund back to policy.

Mr. West informs that his first recommendation is to pull $5 million from the S&P 500 for the operational fund purposes. His second recommendation is to rebalance the strategic property real estate fund back to target which is a liquidation of $11.4 million and allocate the assets into the S&P 500 index fund net of the monthly cash flow requirements.

14. **A motion was made by Mr. Easley and seconded by Mr. Gold to follow the recommendation of the consultant. Motion unanimously approved (9-0).**

15. Old Business.
There was no old business.

16. New Business.
    There was no new business.

17. Public Comment.
    There was no public comment.

18. Adjournment.

Meeting adjourned at 10:28 a.m.

APPROVED

JOSHUA NUNEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER