

CORAL GABLES RETIREMENT SYSTEM
 Minutes of February 9, 2023
 Public Safety Building
 Community Meeting Room A
 2151 Salzedo Street
 8:00 a.m.

| MEMBERS: | F | M | A | M | J | A | S | O | N | J | F | APPOINTED BY: |
|------------------------|----|----|----|----|----|----|----|----|----|----|----|-------------------------------------|
| | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 23 | 23 | |
| Andy Gomez | P | E | P | P | P | P | P | E | P | P | P | Mayor Vince Lago |
| Alex Mantecon | E | P | P | P | E | E | P | P | P | P | P | Commissioner Jorge L. Fors, Jr. |
| James Gueits | P | E | P | P | P | P | P | P | P | P | P | Commissioner Michael Mena |
| Michael Gold | P | P | P | P | P | E | P | P | P | P | P | Commissioner Kirk Menendez |
| Beatriz Vazquez | - | - | - | P | P | P | P | P | E | E | E | Commissioner Rhonda Anderson |
| Joshua Nunez | P | E | P | P | P | P | P | P | P | E | P | Police Representative |
| Christopher Challenger | P | P | P | P | P | P | P | P | P | P | E | Member at Large |
| Marangely Vazquez | A | P | P | P | E | P | E | E | P | P | P | General Employees |
| Troy Easley | P | P | P | P | P | E | P | P | E | 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 | E | P | P | P | P | P | Labor Relations and Risk Management |
| Rene Alvarez | P | P | E | E | P | P | E | P | P | E | P | City Manager Appointee |
| Andy Mayobre | P | P | P | E | E | P | P | P | P | P | P | City Manager Appointee |

STAFF:

| | |
|---|-------------|
| Kimberly Groome, Administrative Manager | P = Present |
| Manuel Garcia-Linares, Board Attorney | E = Excused |
| Pete Strong, Gabriel Roeder Smith via Zoom | A = Absent |
| Edemir Estrada, Gabriel Roeder Smith via Zoom | |
| Peter Tramont, Gabriel Roeder Smith via Zoom | |

GUESTS:

1. Roll call.

Chairperson Mantecon calls the meeting to order at 8:15 a.m. Ms. Beatriz Vazquez and Mr. Challenger attended the meeting via Zoom.

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 12, 2023.
- 2B. The Administrative Manager recommends approval of the following invoices:
1. Verdeja DeArmas Trujillo Alvarez invoice 36696 for first installment of audit finance statements at September 30, 2022 in the amount of \$6,050.00.
 2. Verdeja DeArmas Trujillo Alvarez invoice 36735 for second installment of audit finance statements at September 30, 2022 in the amount of \$15,125.00.

A motion was made by Mr. Easley and seconded by Mr. Mayobre to approve the Consent Agenda. (Motion unanimously approved 11-0).

3. Comments from Retirement Board Chairperson.

Chairperson Mantecon thanks the Board for making him the Chairperson. He thinks Mr. Alvarez has to leave at 9:00 a.m.

4. Items from the Board Attorney.

Mr. Garcia-Linares reports that the landlord of the office space was notified and they have acknowledged they will be out of the space at the end of the lease which is June 30th. They are working on trying to collect some of the monies that are owed to the System. There is a situation where a former spouse received half of the money and the current spouse returned the money. The former spouse is not responding. His recommendation is that they file a caveat against the retiree's Estate. Even though the money went to the former spouse pursuant to a QDRO they should file a caveat against the Estate and if the Estate gets open, they can deal with it amongst themselves. They have to try and protect the Retirement System. The amount of money is \$1,600.00. They have filed a caveat against the Estate that is for \$800.00.

A motion was made by Dr. Gomez and seconded by Mr. Alvarez to file a caveat against the Estate for the \$1,600.00. Motion unanimously approved (11-0).

Dr. Gomez asks about the space issue. He understands that there is space set aside in the new facility for Ms. Groome. Ms. Gomez informs that she had space set aside in City Hall. It will be the City Manager's decision. The Mezzanine in City Hall is available.

5. Discussion regarding 2022 1099r Forms prepared by PenChecks.

Mr. Garcia-Linares states that they had another issue with the 1099r forms this year. There were approximately 240 1099r forms sent out that were incorrect. There was one that is the spouse of a disabled retiree that they dealt with last year where the 2022 1099r form went out as taxable. Ms. Groome confirmed with the tax attorney that it was not taxable so a revised 1099r needs to be sent out to this individual. PenChecks is on Zoom to talk about the issue.

Alexandria Gerritsen, Chief Operating Officer of PenChecks, explains that the corrected forms were sent out last week. When they were notified of the error for those 240 participants, they made

the corrections and filed the corrected forms with the IRS. It was mailed within 48 hours. Chairperson Mantecon asks how long the participants had the incorrect form. Ms. Gerritsen believes it was a couple of weeks, it was likely one week. The filing with the IRS will not happen until the end of March. Everything was mailed out prior to the January 31st deadline. The error was caught fairly quickly after that date. Chairperson Mantecon asks what caused this and how they will avoid this going forward. Ms. Gerritsen explains that the 240 participants affected have an extra withholding that is done prior to coming to PenChecks so their gross amount was off. They have corrected the process on their end. It was a technology issue and how it was being processed. That has since been corrected with their development team. They also have an updated process that has three different kinds of manual checks moving forward. The 240 participants had a slightly different process and that is where it was not connected on their end. They have made the changes technically and in their process documents to avoid this in the future. Dr. Gomez asks if Ms. Groome agrees. Ms. Groome answers affirmatively. As soon as she found out about the issue, she contacted PenChecks and by the next day PenChecks had corrected the issue and sent out the corrected forms. Dr. Gomez asks if the issue is the same as the issue last year. Ms. Groome responds that it was not. It was totally different. If there was a deduction for health insurance or the credit union that came directly off the gross, the net amount was used in the gross distribution on the 1099r form instead of the real gross amount.

Mr. Garcia-Linares states that the problem is they repeat. To be fair to PenChecks, Ms. Groome has not yet communicated to PenChecks about this problem. The problem is that there was someone who last year was determined that her benefits should not be taxable because they are someone who was getting disability payments and now she received another 1099r form that said it was taxable. His office is sending an email for Ms. Groome to forward to PenChecks. He does not know if there are other people who are part of that group who were determined to have non-taxable income who may have gotten an improper 1099r form. He does not know. Dr. Gomez is trying to determine if this is part of the transition. Chairperson Mantecon comments that in his mind there are certain things that take some time to or to clean. They have gone from one system that was mostly manual to a database system that is much more automated. He thinks there are a lot of inputs and a lot of checkboxes that need to all get properly put into the system. Eventually, it will all get ironed out. Is the 1099r error a problem that had to do with the transition that certain data did not get properly transitioned over or is this something that is part of a manual process that could potentially happen again in the future? Ms. Gerritsen explains that the way they process the 1099r forms with Coral Gables is different than their other reoccurring benefits partners. They have manual checks in place to confirm, however it is now a technology solution and they had to make updates. It was part of a data entry, in a way, where the gross amounts were entered after the deductions were taken at Coral Gables for those 240 participants. It has been corrected. This particular issue should not be happening again. They also have manual checks in place to make sure that moving forward it will not happen again. Mr. Gueits asks that for next year when the data is pulled, it will be automated. Gerritsen answers affirmatively. They have a proprietary system called Amplify which is where all of their processing is done. They update that system annually. That is the system that processes the annual tax reporting. They received an Excel spreadsheet from Ms. Groome that gives them the gross amount and it was not properly entered into the system. The information on the spreadsheet gets entered into their system for processing. Mr. Garcia-Linares points out that next year, the data will be sent by GRS. Ms. Gerritsen states that they can work with GRS in whatever they need to do next year. Mr. Strong informs that this will be part of the transition. They have not learned everything that Ms. Groome does yet so it will be

part of the transition and effective July 1st, GRS will be ready to take on everything. This will be one of those things that they make sure they are capable of doing next year.

Chairperson Mantecon asks if there are any public comments on this issue. Harry Pickering states that he is a retiree from the Coral Gables Police Department and retired at the end of 2006. He serves on the Fraternal Order of Police Retired Officers Assistance Committee. This is a sixth issue or dispute that the retirees have had either with their payroll or their tax forms. They had the 2019 tax forms with an incorrect reporting for Box 2 and Box 5. They had the same incorrect reporting in Box 2 and Box 5 for the 2020 1099r forms. In 2021, again for the third time, incorrect reporting in Box 2 and Box 5. Then in May 2021, they had an issue with the pension payroll checks not being direct deposited to their bank accounts by the first day of the month. If the first day of the month had fallen on a weekend or a holiday that has since been corrected and they appreciate that greatly. Then on December 24, 2021, all retirees received their pension checks early but with significant errors in the pension checks. At the Retirement Board meeting on January 13th, Vice President Wendy Henderson from PenChecks apologized and stated that that it was a fault of human error and processing failures by PenChecks employees. Now, in January of 2023 they are talking about 240 1099r forms that have an error. He has also received two complaints from individual retirees. That is to sum it up. Back in March of 2020, he and Javier Bruzos brought up the issues of keeping on a full-time employee and to have their own service representative that they can call who is the City of Coral Gables employee to run interference for them. This is really scaring the retirees. Maybe they should bring back their project manager who contracted GRS and PenChecks to find a new payroll company.

Linda Kiser informs that her issue was not with the 240 this year. She had the same problems in the prior years that Mr. Pickering mentioned. This year she received an incorrect form. She called the PenChecks 800 phone number and spoke with some people in South Dakota who did not know anything about the Coral Gables system and they only deal with 401k plans. Because she is in Florida, she lives part-time in Florida and part-time in Washington. She is in Florida when she does her taxes and she wanted her 1099r form sent to Florida instead of to her Washington address. She asked for the person at PenChecks to change her address and she was told that they would have to get the Plan's permission to change her address. She then spoke with Ms. Groome who sent information for her address would be in Florida. PenChecks decided to send her two 1099r forms this year. One to Florida for partial and one to Washington for partial. The one sent to Washington is always delayed because it takes two weeks for it to be forwarded. The person she spoke to in South Dakota contacted Lori Rice at PenChecks in California. She received an email from Lori Rice informing her that the reason is that IRS wants them to send the tax form to wherever you happen to be living, that is where your 1099 form is supposed to be sent to. She asked for documentation of that because she wanted a copy of the IRS rules. Lori Rice contacted her again and showed her that there is an exemption for snowbirds. They are supposedly adding her two 1099r forms together and sending her a new one, which she has not received yet. Dr. Gomez asks who did she call in South Dakota. Ms. Kiser responds that she called the 800-phone number for PenChecks. She does not know why they do not have a telephone number they can call directly to California since they are the ones that are handling everything.

Ms. Gerritsen explains that they have two call centers, one in California and one in South Dakota. The 800-phone number goes to both. They are a trust company in South Dakota and they have a team of people there. She apologizes for the experience when calling South Dakota. Their recurring benefits program is a separate team that is led by Lori Rice in particular. Their process is

when someone calls regarding recurring benefits which is a separate specific group, they intake and have someone from their recurring benefits team call back because they traditionally deal with some different processes. It is not that they are routing people to South Dakota. They have a large team of about 40 people that are in different states, either California or South Dakota. PenChecks does not make decisions on behalf of the participants. They are directed by Coral Gables in general. When it comes to the two 1099 forms, reporting is always tied to the mailing address unless they get that information up front. It is a standard practice that if a participant has multiple mailing addresses and they are not told upfront that they want one address, they will process two 1099 forms. It is their standard process if there are two mailing addresses in their system, that is how their system processes the 1099 forms. They are processing tens of thousands of participants right outside of the Coral Gables plan and they do have a system that they try and make all of their systems an assembly line approach. They do follow the tax requirements. When there is an exception for snowbirds and things like that, they need to be informed of that upfront. She addresses Mr. Pickering's concerns. She was not on the call last year. Clearly, he has a lot of concerns. PenChecks can only speak to when they joined in January 2021. She cannot speak about some of the issues he has prior to that. They do value the participants and she wants to make sure they are addressing these issues. Their goal is to make sure they are streamlined and connected with Coral Gables as much as possible to make sure everything is working smoothly. They have changed some of their processes for Coral Gables to make sure that they are providing their participants with the best service. It is their policy to process at the first of the month unless it is on a weekend or a holiday but they have made an exception for Coral Gables. They are open to adjusting their processes to make sure that the participants of Coral Gables are taken care of.

Mr. Alvarez left the meeting at this time.

Mr. Pickering comments that there is one more issue he would like to bring up. Retiree John Johnson's November 2022 pension payroll deposit never made it to his banks. His pension check did not get deposited to his checking account because it was discovered the routing number was incorrect and was not transmitted. It took eight days to resolve the situation before his payroll check was transmitted to his bank account, which is his operating account. He has three reoccurring monthly bills, including his mortgage, come out of his bank account. After it was resolved, he changed his reoccurring bills to the second week of the month. Ms. Gerritsen does not know of this issue offhand. She explains again that they are directed to process the checks with information that is provided to them. The information is not something they edit or address. If there was routing number issues, she cannot speak as to how that was in error.

Dr. Gomez informs he spoke with Yolanda Menegazzo and she reiterated to him that that these things should not be happening. He appreciates the comments from PenChecks but he does not have confidence going forward with PenChecks. He is very concerned. Being a retiree and dealing with the folks that he deals with regarding his retirement at the University of Miami, he has never had this problem. Moving forward, he has tremendous doubts that all these issues are going to be corrected. They should not be happening. Ms. Beatriz Vazquez comments that she agrees with Dr. Gomez. She is a Director for BDO and they prepare many 1099 forms for different individuals. They just got through their 1099 process at the end of the month. She completely understands garbage in garbage out. If they get bad data and they submit that data they get people sending it back. It is not the people that processed it incorrectly. She appreciates Ms. Gerritsen that they are doing all these checks and everything else. That is something that they also do right before they go out. They check it and they make sure they double check and check the addresses. She still does

not understand how that Washington/Florida split occurred. But going back to Dr. Gomez's comments. PenChecks came on board in January 2021. This is January 2023 and she does not want to keep hearing the word "transition." In her mind, transition happens two, three, four maybe six or seven months maximum but they are still talking about transition. She has no faith either. It is one thing after another.

Mr. Garcia-Linare thinks this is a good transition to the next agenda item. One of his concerns is that this Board entered into a separate agreement with PenChecks and therefore, GRS is wiping their hands. He wants the Board to understand that as of July 1st, GRS is completely taking over. When he called Mr. Strong and spoke to him about this, GRS position is that the Board is hiring GRS to "X" and the Board has a separate contract with PenChecks. Ms. Groome is no longer going to be communicating with folks as of July 1st. The position of GRS is that this Board has a separate agreement with PenChecks. If something goes wrong again, GRS is going to basically say it is PenChecks issue. Since they are going into transition with GRS, he thought Ms. Gomez and Ms. Groome did a great job of making sure GRS understands all the functions that they are taking over. When they did the RFP and got a bid from GRS it was a bid for partial and for full and GRS has pointed out in their memo that there were a lot of items that they were not told about in the RFP. Now they are taking over and it is going to cost the Board more money to go through this transition. So come July 1st, when Ms. Groome is no longer administering the plan, who is going to be responsible for handling these issues.

Mr. Gueits asks as of July 1st, will GRS assume responsibility for the work that PenChecks does. Mr. Strong responds that GRS has their own agreement with the Board to take on administration work. The pension payroll contract is a separate contract. They will provide the monthly payroll feeds to PenChecks every month, but then PenChecks processes those and processes the 1099 forms at the end of the year. Mr. Gueits is trying to understand the legal obligation they have and once he understands who is responsible then they can move on to talking about the data and how that has been handled. He wants to understand because the Board Attorney has told the Board that GRS is not going to assume responsibility for PenChecks' role as of July 1st. Mr. Strong informs that their contract does not mention PenChecks at all. PenChecks is not a subcontractor of GRS. Mr. Gueits always thought that PenChecks was like a preferred provider of GRS. Since they are saying they are traveling under a separate document, ostensibly that would give them the option to remove PenChecks and replace them with another provider. What is the alternative? Mr. Garcia-Linares states that is the problem. The PenChecks system is the system that works well with the PensionSoft system which is what GRS uses. Mr. Strong informs that PensionSoft has an integrated template that is directly uploaded to PenChecks. He is not sure that other service providers have that same direct link with PensionSoft. If you go with another provider, you have to go through another transition and that takes a while to iron out all the kinks. Mr. Gueits states that they are married to PenChecks for the time being. Why will not GRS absorb or assume oversight over this function? If they cannot by virtue of their agreement with GRS, then the Board should not necessarily retain oversight over the payroll processing and this function that PenChecks performs. He would like to find a way for GRS to oversee it. The Board cannot do it. Mr. Garcia-Linares states that come July 1st, the retirees are going to be calling GRS and GRS is going to have to deal with these types of issues. Mr. Gueits comments that in his mind the only thing that makes sense is for GRS to assume oversight. Mr. Strong responds that they cannot assume legal responsibility for mistakes made by PenChecks. They are a separate entity contracting with the Board. Ms. Gerritsen informs that typically how they work with other third-

party administration systems is they direct PenChecks. GRS would be directing PenChecks and PenChecks cannot be held accountable if GRS is directing them.

Mr. Gueits asks if the Board can have some assurances from GRS and PenChecks that someone is minding the store, and that they will attempt to work out the deficiencies and put the processes in place to make sure that these things do not happen. Ms. Gerritsen thinks that PenChecks and GRS can work together as they move towards July 1st.

Mr. Pickering states that going back before the pandemic, when FOP President Javier Bruzos and I were at the Retirement Board meeting and throughout 2020 and 2021, they were always led to believe that GRS would have a call center which would be a one-stop shop for all of our needs. They all know how many times you try and contact someone and you are transferred to three or four people and put on hold. For example, his wife passed away last June and the following week he called Ms. Groome and informed her about the death and she programmed that into her records. Later this year, he met with his CPA because he knew he would have to increase his deductions and it was simple to find out from Ms. Groome what percentage of withholding he had taken out of his pension. It was so convenient because he went to his CPA's office and then he could have stopped by Ms. Groome's office that same afternoon. They need this one-stop shop where they do not need to be bounced around from person to person. Mr. Strong informs that the retirees will have a call-in number and Edemir Estrada will be the contact person for the Plan. They will have at least two backups for Ms. Estrada because she may not be in the office and she is still going to have three weeks of vacation a year. She is still going to have time out of the office so they will have two backups for her. Ms. Estrada comments that they want to be responsible to participants because sometimes it is frustrating when you need an answer to a question. Chairperson Mantecon states that the retirees have earned peace and tranquility. They worked their entire life and from their perspective they need to have somebody on the other end that is going to care and make sure that everything is being taken care of. That is the type of service that has to be provided to their retirees. Dr. Gomez asks if they have to wait until July to have the call center running. Mr. Strong responds that they can start it sooner than that. They can start the call center during the transition period. Mr. Gueits asks if communication will be sent out to the retirees advising them that this call center exists. Mr. Strong replies that the telephone number will be on the portal and they can also send out communication. They can open the call center April 1st.

Ms. Gomez wants to make sure that they have everything in the agreement. As she understands it, PenChecks processes the checks on a monthly basis based on the information they receive from the monthly payroll. PenChecks issues it based on the information that they have and then they issue the 1099 forms. She agrees that PenChecks sends out the information based on the information that comes in. If an address is wrong, it is not on PenChecks. The information that is given to PenChecks comes from PensionSoft. PenChecks is just a check processing vendor. Who do the retirees call for a replacement of their 1099r forms? Ms. Groome answers that they should call the Administrator. Ms. Gomez thinks that there should be no phone number for PenChecks for the retirees to call. Why is there a phone number for PenChecks? GRS is now the processor and they make sure the information for PenChecks is getting to PenChecks directly and that should be in their agreement. In the agreement, it should say very clearly that GRS has the responsibility for getting the correct information to PenChecks. That is the responsibility of GRS. They have to be fair to understand the roles that are there and be clear as to what the roles need to be. Mr. Garcia-Linares states that looking at the issue brought to the Board today, the 240 people that got the wrong 1099r form was a PenChecks error and not a PensionSoft error. He does not know the

answer to the issue with regards to the two addresses. If the retiree does not provide the right information to GRS or update the information the money is going to go to the wrong place. Ms. Gomez agrees. Her question is in regard to their agreement with GRS is it clear that when something kind of error happens, is GRS required to contact PenChecks to find out what happened when they start receiving calls from the retirees about an issue with their checks or direct deposits. It needs to be in the contract to do so because they will not do anything if it is not specified in the contract. She wants to make sure that it is in the contract so they can make sure that they will do things like that.

Ms. Kiser comments that she wanted to address the issue of the address change. When she called PenChecks to tell them that she wanted her 1099 form sent to Florida. They said the Plan had to approve it. She cannot talk to a plan, so she called Ms. Groome and she put in a change of address for her. PenChecks decided that she lived in Florida from March until December and that she lived in Washington from January until March, which is not true. When she contacted PenChecks about receiving the 1099 form thinking that the total was incorrect, that is when she was told they had checked with their tax people and they found out about the snowboard exception. The problem with the two addresses was PenChecks' problem and nobody else's. She does not think this should be a problem next year except they are going to have a third-party GRS involved in all this. She does not hold any hope out for correct things for next year.

Mr. Garcia-Linares asks if they can make sure that some kind of notice is put on communication stating that everyone should be calling GRS and that no one should be calling PenChecks. All the calls should be going to GRS and no calls should be going to PenChecks. Mr. Mayobre suggests that if the retirees call PenChecks, PenChecks should redirect them to call GRS. Mr. Pickering informs that the retirees received two mailings from PenChecks informing them of the dates of the direct deposit for the year and the phone number for PenChecks was included in those letters. Ms. Gomez asks if PenChecks can not provide PenChecks phone number on any of their correspondence sent to the retirees. Ms. Gerritsen replies that have the option to remove the PenChecks phone number from their correspondence to the retirees.

6. Update on Third Party Administration Transition.

Mr. Garcia-Linares informs that there was an amendment that was going to be made to the GRS contract. Ms. Groome was asked to put together a list of all the work she does and Ms. Gomez wanted to make sure that it was extremely detailed. The list was updated and sent to GRS and GRS has said there are lot of things that are to be done that were not disclosed to them at the time of the RFP. He asked Mr. Strong to put together a memo to the Board explaining what they agreed to do and what they have been told about the work Ms. Groome does. Some of the additional services are going to require additional time and what the cost will be for the Retirement System to complete these services that were not disclosed to them at the time of the RFP. Now it is up to the Board to work on an agreement to be in place by April 1. Mr. Strong explains that they have other full administration clients and a standard list of what is usually included in a plan administration package. Mr. Mantecon states that his question is if he goes to a roofer and asks them to replace his roof, there is a certain expectation of what it takes and the roofers should know what it takes to replace the roof. He should not have to tell the roofer he needs to get a permit. There are a lot of things on the list that he would expect that any administrator has to do. Everything Ms. Groome does has to do with full third-party administration. He feels like if he asks for a car he should not be asked if he wants wheels with it and if he does want wheels he will have

to pay extra for them. That is kind of the message he is getting here. Mr. Strong informs there were some things on the list that are not standard and they do not do for other administration clients. For example, they do not monitor and send out letters to everybody on their 5-year anniversary to inform everybody they are eligible to purchase prior service time. This is specific to Coral Gables. In other plans, someone comes to them and says they want to purchase service time and there usually is not an exact time. If someone comes to want to purchase service, they process the service purchase request but do not send letters out to everybody on their 5-year anniversary telling them now is your only time to purchase service. That is specific to Coral Gables. Chairperson Mantecon comments that he will argue that maybe a handful of the items on the list are things they do above and beyond, just to do better service the retirees. But things like yearly preparation request reports and correspondence with retirement systems auditor during the financial audit of the system he thinks is something that is 100% necessary for any administration. Mr. Strong states that they are not proposing an additional fee for that service. Of the 21 additional items that were not included in their initial agreement, 12 of those items they have agreed to add for no additional fee. They agree that 12 of them are standard administration items.

Mr. Strong explains that the 9 items they identified that would require additional work are non-standard items and are specific to Coral Gables. For example, is processing the 3 different sources of retiree medical insurance. All of their other plan administration clients do not handle retiree health care deductions from their pension checks. That is something that is specific to Coral Gables. Handling all the enrollment and changes on an annual or monthly basis is a significant additional item that is specific to Coral Gables. It is not a standard plan administration thing that they are accustomed to doing. When they set up their initial response with the fee agreement they included 10 meetings and calculated how much the processing of all the agendas, minutes, meeting packets and attendance of the 10 different meetings would be. They did not contemplate there would be 3 additional investment committee meetings and possibly one additional emergency meeting. Doing everything in preparation for meeting and post meeting takes a lot of time. Adding 4 additional meetings is a significant time commitment. They usually post minutes online and send out minutes but they do not upload minutes to a specific place. Going through an extra step and putting minutes onto the City Commission Legistar System is an extra step. Directly coordinating with a medical examiner and setting up these appointments on the 3-year anniversary for everybody who is disabled is not something they typically do.

The 9 things that are that are non-standard and specific to Coral Gables are:

- a) Attend at least up to 3 Investment Committee meetings annually, as needed, and 1 emergency meeting annually, as needed. Prepare their Agendas, Packets and Meeting Minutes. – **Approximately 10 hours per meeting including travel, agendas, packets and meeting minutes.**
- c) Monitor vendor checks are cashed and inform PenChecks to reissue stale vendor checks. – **Approximately 10-12 hours per year.**
- e) Track purchase of service time (Prior City Service, Military Service, Other Public Employer Service); Send 5-year anniversary memos to participants informing them of eligibility to purchase prior service time; track remaining balances and reconcile payments received from bi-weekly payrolls. – **Approximately 24 hours per year.**
- f) Receive information annually from Firefighters' Health Trust, FOP Health Trust, and City HR Benefits Division regarding changes in medical plans and insurance premiums for retired members who elect health care; Inform members of changes in rates on an annual basis after receiving them

from these sources and make any requested changes. PenChecks system will track retirees' Health Care additions/deletions/changes in their monthly deductions; Provide information from the PenChecks system to the HR Benefits Division and Finance Revenue Manager so they can reconcile monthly health premium deductions. – **Approximately 48 to 60 hours per year.**

h) Yearly correspondence to retired Firefighters and Police regarding their annual health insurance deductions for tax return purposes. – **Approximately 8-10 hours per year.**

n) Preparation of estimated cash flow on a quarterly or 6-month basis for Investment Consultant. – **Approximately 8-10 hours per year.**

s) After Board meeting minutes are transcribed, upload Board monthly minutes to the City's Legistar System for entry on the City Commission Agenda. – **Approximately 5-6 hours per year.**

t) Coordinate with Independent Medical Examiner to make appointments for Service-Connected Disability applicants and for Service-Connected Disability retirees for 3-year medical evaluation. – **Approximately 12 hours per year.**

u) Update Summary Plan Description every 2 years (next update in 2024). – **Approximately 2-3 hours per year.**

Chairperson Mantecon asks Ms. Groome how long it takes her to upload to Legistar. Ms. Groome responds that it takes about 10 to 15 minutes. Ms. Gomez informs that is something that GRS can email the minutes to the Finance Department, she can have someone upload that to Legistar. Chairperson Mantecon would like to understand if there are some things GRS does not do for other plans then who does it for them in the City. Who can go through this list and look at it to see if these are things that are easily transitioned? Ms. Gomez states that knowing now what GRS feels they can do easily versus it is going to cost something, maybe they can go back and find out who in the City can do it. Ms. Elejabarrieta thinks that out of these 9 items, they appear to be standard for a third-party administrator. Many of the items are in the Retirement Code. If you are going to make a proposal and respond to an RFP, you should have been aware of what it is they require their plan administrator to complete.

Chairperson Mantecon comments that there has to be a sense of working together and a certain level of professionalism and any time there is anything that might be out of the ordinary and not in your contract but has to get done. Ms. Elejabarrieta does not understand why they are being charged extra for some items that are reasonable as the duties of the plan administrator. Mr. Garcia-Linares understands that they can take some of these things off right but now they are adding another person to the mix that they have to make sure that that person does not mess up and get the things done as opposed to turning everything over other than the fact that they have a liaison. Now they are putting another human being involved with making sure that things get done. Ms. Gomez states that they understand that there has to be a liaison. Something like posting minutes to Legistar, it is not necessary to give them access to Legistar. She can talk with Ms. Elejabarrieta about sending the new insurance rates because Human Resources gets the new rates and when they send it out city wide they can send them to retirees or somehow make that information available on the GRS platform.

Chairperson Mantecon thinks the additional meetings should be done on an ad hoc basis. Mr. Garcia-Linares informs that is part of the of the current agreement. Part of their current proposal was they charge \$2,500.00 for every additional meeting they had to attend. Chairperson Mantecon would like to have a conversation and go through these 9 items. Mr. Garcia-Linares thinks the Board should identify from this list what the Board thinks should be included and whether GRS will accept it. Mr. Strong thinks they can take off Item C (monitor vendor checks) from additional

charges. He also thinks they can take off Item S (upload minutes to Legistar) if the City can upload the minutes to the Legistar system. They can update the summary plan description (Item U). That is something they do for other administration clients. He thinks the biggest item is the annual insurance deductions and updating that. There are 2 items (Item F and Item H) related to that. That is about 60 hours a year they are estimating doing that. They do not do that for any of their other plan administration clients. None of their other clients have health insurance deductions taken out of their pension checks and have annual enrollments and monthly changes to that. That has been a huge eye opener as they have gotten involved with the monthly payroll processing which is updating all of these insurance deductions. It is a large time commitment. Chairperson Mantecon asks how the other plans do it. Mr. Strong responds it is done separately. Ms. Gomez adds that the retiree pays the insurance premium instead of having the insurance premium deducted from their pension check. Ms. Elejabarrieta thinks all the items on the list should be handled by GRS without an additional cost except for Items F, H and S.

Mr. Strong thinks that Item N (preparing cash flow) is more of an actuarial function. Doing estimated cash flow projection should actually fall under like a miscellaneous item on the actuarial side. Mr. West informs that they are in constant contact with Ms. Groome regarding monthly cash flow for operational liquidity and he makes adjustments to investments as necessary to meet the cap flow operational needs. It is not a future projection of liabilities or anything like that. It is just an operating cash flow projection for two quarters forward. Ms. Groome states that you just take how much was paid out in pension payments from the month before, add on new retire monthly amounts and any DROP payouts and add those up. It takes about 15 to 30 minutes to do. Mr. Strong did not realize it was a more simplistic way of doing things rather than doing a more detailed analysis. They can take Item N off the list.

Mr. Garcia-Linares informs that Items E and T are left to discuss. Ms. Elejabarrieta states that both items are in the Retirement Ordinance so when they presented their proposal, that is standard in their Code. Mr. Strong responds that regarding Item E, reading the Code they were not aware that the administrator informed everybody of their 5-year anniversary. They thought that was something that would be understood and members would come forward to GRS and say they want to purchase service time. They did not think it would fall on GRS to send out a memo and track when everybody hits their 5-year anniversary. Who does the responsibility lie on to purchase service? Is it on the member coming forward or is it on GRS to send out a memo to them? Ms. Gomez states that as an employee you know when your 5-year anniversary is. Ms. Elejabarrieta disagrees. A lot of the employees do not remember their hire date, especially after 5 years. Mr. Garcia-Linares asks about Item T with the IMEs for disability retirees. Ms. Elejabarrieta points out that is in their Code. Mr. Strong thinks they need to come up with an efficient way they are tracking everybody that is disabled and when their 3-year anniversary is. They can take off Item T.

Mr. Garcia-Linares comments that they are left with Items A, E, F and H. Item A they agree and it will be ad hoc. Item E is discussed. Mr. Strong states that if they have a list of people that specifically are known to have prior time, so they do not have to send notification to everybody it would cut down the number of people. Mr. Garcia-Linares responds that they do not have that information. Mr. Strong points out that if they have to send a notice to every person on their 5-year anniversary, that is a lot of people sending out a notice to every year. Ms. Groome explains that every year, she prepares an Excel list for who will reach their five-year anniversary and every month opens the document and sees who needs notice of their 5-year anniversary. Mr. Strong states that based on the number of hours of Items E, F and H, he could take the estimated hours

count down from 24 hours to 12 plus the \$2,500.00 per additional meeting. Mr. Garcia-Linares suggests that Mr. Strong have the legal department update the agreement with the language they have discussed, come up with an estimate for Items F and H and see if they could have an agreement to be presented to the Board at the next meeting to be effective April 1st. They will have all the additional services in the agreement and the only items that will be out are Items A, E, F and H. GRS will come up with a with a number and they will present them to the Board at the next meeting.

7. Investment Issues.

Mr. West reports that he has recommendations to rebalance some of the portfolio to raise capital for operational expenses and to introduce a new asset class to the portfolio.

He reviews the January performance. January was a great month. They were up 5.75% for the month and fiscal year to date was 11.20%. The huge performance came from the total equity allocation. They got really nice traction with active management coming back. This year with markets normalizing they are back on track, especially on the growth side. Fixed income continues to deliver nicely. Yield and fixed income at 4.5% are delivering a nice contribution to fiscal year 2023. One item that bears watching going forward and unfortunately there is nothing we can do about it, is the catch-up valuation process that private assets are going through. The real estate returns are going to be negative this quarter. Real estate firms are expecting the possibility that next quarter they may see negative returns. REIT equities were down 38% when the S&P was down 24% last year. REITs are forward-looking but if you talk to the hard asset real estate managers they are not going to see anywhere near the valuation write down that that REIT stocks might be suggesting. They money in the queue to rebalance and the real estate managers have closed the door temporarily on that. That is one area of the portfolio that is not performing well. They made a great decision moving into more regionalized focus managers like TerraCap. They are not feeling the pressure like the larger JP Morgan type managers are experiencing now. They have a pending capital call with the Boyd Watterson manager. They are monitoring that.

Mr. Nunez left the meeting at this time.

Mr. West continues. Equities are becoming an increasingly larger part of the portfolio and he thinks this is a great opportunity to take some of the profits. They are up over 11% fiscal year to date. They have been using the Treasury Inflation Security Index Fund (TIPS) as the source of funds for non-core fixed income. TIPS have been performing well. He recommends lighting up in this area. He recommends exiting the Black Rock Multi-Asset fund. Black Rock is a balanced fund. They have bonds and equities and can go into a lot of lower quality less liquid investments and the idea is they should delivered a higher return given that total flexibility. They have not been to exceed the 50/50 stock/bond policy benchmark. This fund has not been a positive contribution and they need to raise money for operations. They should take this opportunity while the fund is up 10% and sell the fund. They are down to \$1.7 million in operating funds and need to raise cash. According to the estimate from Ms. Groome, for the next three months they need to raise \$14 million in cash for operating funds. His recommendation is to sell \$10 million of the S&P 500 index fund, sell \$2 million in the TIPs fund and liquidate all shares (\$2.7 million) of the Black Rock fund. He thinks this is a good time to move some of these assets.

A motion was made by Mr. Gold and seconded by Mr. Gueits to approve the recommendation of the investment consultant. Motion unanimously approved (9-0).

Mr. West continues. At the last meeting they discussed the possibility of directing Northern Trust to buy six-month Treasury bills. Right now, with all the recent movements in the market, the three-month is at 4.68% and six month is at 4.89% yield. The front end is definitely yield loaded. Northern Trust was contacted about this and they would have to set up a separate brokerage account and the Board would have to direct Northern Trust to purchase a six-month treasury bill to get this done. They provided them with a short fixed income fund which is not a Treasury. It is an investment grade bond fund with a one-year maturity. This fund would capture all of the yield going out to that one year. In addition to capturing the additional yield that is available for investments, they also have the ability to go into floating rate notes so they can maximize the yield available in that maturity spectrum. This is another option. Mr. Gold states that they have a money market fund with Northern Trust. The money market funds are paying 4.5% now. He would rather be in a money market fund than a short-term bond fund. Mr. West agrees. He thinks their best option is to stay where they are. He suggests inviting the Northern Trust team to a future Board meeting.

Mr. West states that he would like to schedule a 30-minute interview with a perspective Private Equity manager at the next Board meeting. He recommends adding Private Equity as a permanent part of the asset allocation with a target of 3% with a 5% upper limit. He will make the adjustment to the Investment Policy. They put together a comprehensive primer on Private Equity. It is an education piece. Private Equity has a performance premium expectation attached to it. It is not perfectly correlated. The best way to explain is looking at what is going on in private assets versus publicly traded assets. Publicly traded stocks got crushed last year. Private equity is catching up. Private assets are very slow to adjust in market price. That is a nice benefit to private assets along with total return. There are four primary styles to private equity. You have venture capital, growth equity, buy outs and turnaround/distressed. There are multiple types of private equity managers. Co-Investment Funds are typically a large institutional manager who will use its deal flow to create a portfolio of co-investments that institutions can commit to similar to a direct private equity fund. This fund typically includes a reduced management fee and carry versus direct private equity vehicles. Direct Funds represents the vast majority of private equity vehicles. An institution investing in a fund that invests in multiple single-company interests through a limited partnership structure with a general partner is the more common approach to private equity investing. Fund of Funds is an institution investing alongside a manager in a fund that they choose and commits to a series of other direct private equity vehicles over the course of its investment period, typically years. It is used to gain exposure to a diverse portfolio in one commitment. Secondary funds are similar to fund of funds but investments acquired are seasoned and bought from initial investor typically at a discount. It can generate higher IRR but with lower MOIC versus the rest of the private equity universe. He thinks the best focus is to invest in the Fund of Funds. For the next meeting, they will bring their usual summary search book. He would like to schedule a manager that is currently live and raising capital and have them come in and interview with the Board. That firm is Taurus. They have other public funds and have a history. He thinks it would be worthwhile to schedule them for the next meeting.

8. Old Business.

There was no new business.

9. New Business.

There was no new business.

10. Public Comment.

There was no public comment.

11. Adjournment.

Meeting adjourned at 10:18 a.m.

APPROVED

ALEX MANTECON
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER