

CORAL GABLES RETIREMENT SYSTEM  
 Minutes of April 10, 2025  
 Public Safety Building  
 Community Meeting Room A  
 2151 Salzedo Street  
 8:00 a.m.

MEMBERS:	A	M	J	A	S	O	N	J	F	M	A	M	APPOINTED BY:
	24	24	24	24	24	24	24	25	25	25	25	25	
Sean McGrover	-	-	-	-	-	P	P	P	P	P	P	P	Mayor Vince Lago
Alex Mantecon	P	P	P	P	P	P	P	P	P	E	P	P	Commissioner Castro
Juan Lucas Alvarez	P	E	P	P	P	P	P	P	P	P	P	P	Commissioner Ariel Fernandez
Vacant	-	-	-	-	-	-	-	-	-	-	-	-	Commissioner Kirk Menendez
Manny Carreno	E	P	P	A	P	P	P	P	E	P	P	P	Commissioner Rhonda Anderson
Joshua Nunez	P	A	P	P	P	E	P	P	P	P	P	P	Police Representative
Christopher Challenger	P	P	E	P	P	P	P	P	P	P	P	P	Member at Large
Sureya Serret	P	P	E	P	P	P	E	P	E	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	E	P	Fire Representative
Diana Gomez	P	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	P	Labor Relations and Risk Management
Rene Alvarez	E	P	P	E	A	P	P	P	E	P	P	P	City Manager Appointee
James Gueits	P	P	P	P	P	P	P	P	E	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Finance Administrative Specialist	P = Present
Dave West, Mariner	E = Excused
Melissa Zrelack, Gabriel Roeder Smith	A = Absent
Edemir Estrada, Gabriel Roeder Smith	

1. Roll call.

Chairperson Diana Gomez called the meeting to order at 8:18 a.m.

2. Consent Agenda.

*All items listed within this section entitled as also in attendance "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 Investment Committee meeting minutes for March 12, 2025.
- 2B. The Administrative Manager recommends approval of the Retirement Board meeting minutes for March 13, 2025.
- 2C. The Administrative Manager recommends approval of the following invoices:
  - 1. Mariner Institutional, LLC invoice #50908 for investment consulting services from January to March 2025 in the amount of \$52,750.00.
  - 2. Gabriel Roeder Smith invoice #492221 for February 2025 administrative services in the amount of \$26,725.70.
  - 3. Gabriel Roeder Smith invoice #492460 for March 2025 administrative services in the amount of \$19,443.14.
  - 4. Gabriel Roeder Smith invoice #492464 for January, February and March 2025 actuarial services in the amount of \$21,642.00.
- 2D. The Administrative Manager recommends approval of the following Benefit Certifications: Beneficiary Change – Samuel Whitley (Police Officer); DROP – Anthony Axe (General Non-Excludable Employee); Retirement and Vested Deferred – Rodolfo Valdez (General Non-Excludable Employee); Retirement – Zeida Sardinias (General Excludable Employee – Supervisory).

**A motion to approve the Consent Agenda was made by Chairperson Mantecon and seconded by Mr. Rene Alvarez. Motion unanimously approved (11-0).**

- 3. Comments from Retirement Board Chairperson.

There were no comments from the Chairperson.

- 4. Northern Trust Proposal for Benefit Payment Services to the Retirement System.

Mr. Claudiu Besoaga addressed the Board and gave an overview of services currently provided by Northern Trust to the Coral Gables Retirement System. They work directly with the existing third-party administrator, City's staff and the Investment Consultant to ensure every single activity is carried on as directed. Northern has been providing benefit payment services to other clients for 60 years and 40% of their clients that have benefit payments decide to select Northern.

Ms. Afton MacIver began the presentation and spoke about their structure, Operations team, Implementations team and Service team. Northern has over 600 clients in North America, 900+ plans, and 8.7 million participants getting paid out regularly.

Northern has reports sent out on a daily, monthly and annual basis. They distribute tax forms, support 1099-Rs and tax forms needed in case of foreign participants. All of their data is maintained up to seven years from an industry perspective and it does have real-time inquiry and effective.

Their transition/conversion process would take about a 90-day time frame. They analyze the data with the client, understand what the structure is, and how that would apply in their system. Then, they run their first parallel of the data. Northern will run a second parallel to finalize and validate that the transition is going to be successful. Lastly, they will move forward with live and processing.

Chairperson Diana Gomez mentioned that the current provider is PenChecks and there has been some issues with the tax reporting. When asking about what Northern can do and how to improve that process and also being able to work with the current PensionSoft software Ms. MacIver explained that Northern has had some initial calls with PensionSoft's technology team to understand what the pieces of information, the transmission of data and anything else that might be of a concern. Northern didn't see anything that was going to be a big red flag from data conversion piece and they are fully confident that it would be successfully transitioned into that system.

Ms. MacIver spoke about existing clients that pay out on the first or first business day of the month and where those clients like to use the business day prior to the first as an alternative; there are options to handle that. She also explained the options for retirees to use the existing pension portal versus Northern's portal but it all depends on what the needs are and the preference. They would work with the service team to try and find what is the best fit for retirees and then especially handling the data.

Mr. McGrover inquired about these payment services being offered to the Retirement System, to which Chairperson Diana Gomez explained that there has been lots of issues over the past with PenChecks and especially when it comes to the tax reporting, therefore a request was made to have Northern make a presentation to the Board about the payment services they offer for a possible replacement; especially that Northern is the existing custodian for the Retirement System.

In terms of costs, Ms. Estrada. Mentioned that the fee Paycheck is charging is very similar to what Northern is charging and the main issue with PenChecks has been the problems with the 1099-R forms. In terms of getting any type of discounts to bundle with Northern, Mr. Besoaga explained how payment services is actually not the moneymaker for Northern; it's just an added service.

Ms. MacIver also talked about generation of 1099-R forms; they pull the payment data on a monthly basis for anyone getting paid out. The expectation is that they've worked with the admin team. Northern will file by the second Friday in January when the IRS will then print out the tax forms usually by Around the 15th, maybe the 20<sup>th</sup> of January, that way they're out and received by the end of the month. They will file the 945 usually by that January 31<sup>st</sup> deadline. That's kind of the general process with it. They have quite a few individuals able to jump in to help resolve any concerns or questions. If it's a large group of people affected, like 200 or something, they usually see it resolved within a couple weeks. If it's one person, two to three days. Northern is definitely more than capable of jumping in if there are issues going on with the tax forms. Typically, their daily/monthly reconciliation helps prevent any of that.

Ms. Zrelack added that generally speaking GRS is currently responsible for transmitting the Box 5 information to PenChecks. Ms. MacIver explained that their system is set up to allow for Box 5; it can set up within the payment itself; it's automated so your reporting will come out every month.

Chairperson Diana Gomez asked what would be the recommendations if the Board were to decide to move forward with Northern. Ms. MacIver responded that it all depends on when the service is implemented. If done mid-year, it would split the 1099-R and Northern has an option to include a message on their tax forms, letting the retirees know, for example, make sure you have your other tax forms and that message is customizable. They have some clients that prefer to wait until the January cutoff, so there's only one tax form; there's flexibility there, but they do have quite a few clients that transition mid-year. Northern is very familiar with that too. When onboarded with Northern they would file on the client's behalf with the IRS, it would be under the Northern's EIN. Northern provides a letter in case of any questions or if needed to provide it to the IRS to confirm that.

Pete Strong from GRS and Scott Moss from PensionSoft briefly spoke about the conversion timeline because there is a monthly feed that goes from PensionSoft to PenChecks right now. Mr. Moss mentioned they are in the process of working through it; they received some vital information from Northern and right now PensionSoft is in the process of adding that to their system. From the user's perspective there won't be any difference but on the back end just reformatting the files to fit Northern's format as well as some other nuances that are different between the way PenChecks receives information and the way Northern receives information. All the changes are going to be kind of internally to the system, they don't anticipate any changes from the submission each month. For payments, that process will be the same but from a technical perspective, PensionSoft would be just rerouting the information that was going to PenChecks and now sending it to Northern. In terms of providing a timeline to be able to be ready to send payments to Northern, Mr. Moss explained that there's two stages. One is getting through the changes to the system; probably six to eight weeks out from having something where they think it's ready to produce a reliable file that can go to Northern.

Once they have that, there's some nuances to the information that's getting sent. Not only issues of tax withholding, but then these other deductions such as healthcare deductions. PensionSoft is definitely going to have to make sure that they do a couple of months of testing just to make sure that the whole process doesn't cause any problems like what they had seen in the last couple of years with PenChecks. The first of the year seems a long way away but July 1<sup>st</sup> would be kind of aggressive. They would be more thinking maybe October 1<sup>st</sup> would be a conservative time to transition over.

Mr. Moss also spoke about the difference between the way monthly pension files are currently submitted to PenChecks versus how those files would be submitted to Northern, and if there is an option to just submit changes and additions.

Ms. MacIver added that October 1<sup>st</sup> is probably more realistic, especially if they're still looking through some of the data specs.

Chairperson Diana Gomez asked Northern about the possibility of doing parallels while PenChecks is still processing monthly payments the last three months of the year. Vice Chairperson Mantecon spoke about the importance of getting these processes done correctly, make sure that payments are made on time and with the right dollar amount, during tax season retirees don't have to redo their tax, amend their returns, etc. Ms. MacIver confirmed their standard transition includes at least two parallels.

Chairperson Diana Gomez requested that the Plan Attorney review the existing agreement with PenChecks and report back to the Board at the next meeting so they know what their options are in order to make a decision and Northern will also be providing a copy of their standard agreement for Benefit Payment Services.

5. Items from the third-party Pension Administrator.

There were no issues to report. Ms. Estrada commented on current services provided by Northern Trust to the Retirement System. She said there is a good relationship with PenChecks, they are responsive and always get back to them, but there is a great relationship with Northern. Ms. Estrada communicates with Northern every month. The fact that retirees are having problems every year, as mentioned by Vice Chairperson Mantecon, it's not fair to them and it's not fair to anybody. GRS gets those calls and complaints from retirees. It would be great and it's up to the Board to decide. Chairperson Diana Gomez echoed Ms. Estrada's comments regarding Northern. As a Trustee, she has to deal with Northern Trust a lot over the years and they are very responsive, they solve any issues and concerns that the City may have and she never had any kind of issue or concern with them.

Mr. McGrover added that, not knowing Northern Trust but just seeing they have a \$16.8 trillion in their management with 60 years of experience, he feels pretty confident they can do the business.

6. TerraCap Management, LLC. presentation and portfolio review.

Dave West provided a brief introduction and background to the Board on TerraCap Management, LLC and the most recent performance. There is a fully invested commitment of \$10 million with the manager and reps from TerraCap spoke about their outlook and what their management plans are.

On behalf of TerraCap, Jamie Lane, Nick Vician and Albert Livingston addressed the Board and began their presentation and gave an idea of where the fund is, what they see, what the real estate space is looking like, and what they're hoping to see in the next couple of months. Mr. Vician explained that TerraCap is a real estate investment manager; the fund the Retirement System is invested in is a 2020 vintage fund.

As a value-add real estate operator, a lot of the debt that they have on the properties is floating rate debt. Valuations are down compared to the peak when most of the properties were purchased in in 2021 and 2022. In general, from the 2022 peak to 2024, apartments on average were down about 30%, industrial is down about 15% and office was down about 55%. The one bright spot of buying assets in 2021 and 2022 in particular is the multifamily assets and the industrial ones; there was a lot of rent growth too in those years.

Besides the interest rates, inflation, COVID, there are a lot of these macroeconomic factors that have been out of TerraCap's control. TerraCap is focused on items that are within their control. The Retirement System has invested about a little over \$10.5 million in May of 2022 and received back four distributions totaling \$1,022,000. The remaining fair market value is \$5.54 million with a negative 18% net IRR right now. There are 21 assets remaining in this fund and They are very focused on creating value at the remaining assets. Mr. Vician mentioned that this is also very personal and important to them because those at TerraCap, the partners, they are personally invested in this as well. They have a significant portion of their net worth and they are personally invested in this fund as well.

An overview was provided on all TerraCap's cap returns from all of their commercial, by asset class pre-COVID and pre-interest rate hikes. TerraCap works very closely with Mariner and ensure that the research team at Mariner has all the information on what they are doing with their fund and their quarterly reports, they get all of those. Real estate values are absolutely lower today than they were in 2021 and 2022. There were unrealized markdowns that have occurred and we have taken some realized losses as well. Investors bought a lot of real estate in 2021-22 timeframe and the transaction volume slowly go up.

Investors are starting to get more confidence and come back into the market. At TerraCap they are constantly underwriting deals, and they are also starting to see with all the deals that they've underwritten positive momentum even throughout the course of 2024 and into 2025 and it does give them some optimism. With interest rates remaining high, it will absolutely be a challenging time until interest rates go down or investor demand increases significantly.

Mr. Livingston explained that they don't control the interest rates or inflation; however, they do look at where there's opportunity to create value in these assets, they are upgrading properties. TerraCap has also started to reimplement their value-add strategy. They went every single asset and dissected where they had gotten the most value, property by property in their upgrades. They are also controlling operating expenses.

Mr. Vician spoke about debt maturity, which is one of the things that they have been working with their lenders every time that they have had a maturity that's come due. Up to now, they have been able to renew all of their loans and extend all of their loans, but it is possible that there will be loan pay downs that would be required. That just necessitates having the appropriate liquidity at the fund level to be able to pay those down. Each lender is going to be a little bit different, so the way that you have to approach it is different with each lender, but TerraCap typically gets ahead of it and months before the maturity. TerraCap is going to reach out and start talking to them about what's going to be required.

There are definitely lenders out there with an understanding about what's going on in the overall market and are more accommodating, there are also lenders that are not. It's definitely possible that there's a lender that is not willing to provide a loan extension and if they have an unreasonable request you would have to then go through the sales process and then sell at the market prices to whoever the highest bidder is possible.

In terms of what the loss will be this year, TerraCap's reps responded that it is a very hard number to project. The plan is absolutely to ensure that they have enough cash; the cash that is coming from property sales. There was a brief discussion about why TerraCap decided to go with several lenders instead of a couple to three and it was explained that some lenders are more aggressive in one market than in another.

7. Investment Issues.

Dave West addressed the Board and spoke about the cash needed to pay pension payments; the cash allocation is reviewed periodically and this time this is a higher than usual cash allocation. Mr. West's recommendation is to raise enough cash to make it all the way to the end of the fiscal year and that would include the September month-end payments. Based on the cash flow provided by Ms. Estrada, there is a net projected distribution going out to the end of the year of \$22.8 million. Because of the outgoing payments, the cash went down to \$12.1 million and that means there is a net requirement or cash raise of \$10.7 million, to be rounded to \$11 million. The recommendation was to source Garcia Hamilton who has a disproportionate allocation and they are high quality bond manager. Some relative profits will be taken out of the Garcia Hamilton portfolio, raise cash from that bond portfolio in the amount of \$11 million and move that over to the R&D account; Northern Trust is managing that money market equivalent.

**A motion to approve the recommendation presented by Mr. West to raise \$11 million from Garcia Hamilton and transfer those funds to the R&D account was made by Vice Chairperson Mantecon and seconded by Mr. Nunez. Motion unanimously approved (11-0).**

Mr. West proceeded to comment on recent events to the market and how that would be affecting the portfolio. He provided a summary of the flash report as of March 31, 2025 and explained that they've tried to put and construct a portfolio that is very durable through market cycles. The second thing was adhering to the investment policy that's been agreed on, and that involves rebalancing and staying within the time parameters.

8. Old Business.

There was no old business.

9. New Business

Chairperson Diana Gomez indicated that preliminary results of the Actuarial Valuation were ready however they will be tabled for discussion at the next meeting.

10. Public Comments.

There was no public comment.

11. Adjournment.

Meeting was adjourned at 10:00 a.m.

APPROVED ON: \_\_\_\_\_