

CORAL GABLES RETIREMENT SYSTEM
 Minutes of November 12, 2020
 City Commission Chambers and Zoom
 8:00 a.m.

MEMBERS:	S	O	N	J	F	M	J	A	S	O	N	APPOINTED BY:
	19	19	19	20	20	20	20	20	20	20	20	
Andy Gomez	E	E	P	P	E	P	P	P	E	P	P	Mayor Raul Valdes-Fauli
Rene Alvarez	P	P	E	P	P	E	P	P	P	P	P	Vice Mayor Vince Lago
Alex Mantecon	P	P	P	P	P	P	E	P	P	A	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	P	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	P	P	P	P	P	Commissioner Patricia Keon
Joshua Nunez	P	P	P	E	P	P	P	P	P	P	P	Police Representative
Christopher Challenger	-	-	-	P	P	P	P	P	P	P	P	Member at Large
Marangely Vazquez	-	-	-	-	P	P	P	E	P	P	P	General Employees
Troy Easley	E	P	P	P	P	P	P	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	P	P	E	P	P	E	E	P	E	A	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	P = Present
Manuel Garcia-Linares, Day Pitney LLC	E = Excused
Dave West, AndCo Consulting	A = Absent
Dan Johnson, AndCo Consulting	

GUESTS:

Miriam Ramos, City Attorney
 Yolanda Menegazzo, LagomHR

1. Roll call.

Chairperson Nunez calls the meeting to order at 8:17 a.m. There was a quorum. Ms. Sox was not in attendance when the meeting began.

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 October 8, 2020.
- 2B. The Administrative Manager recommends approval of the following invoice:
 1. Gabriel Roeder Smith & Company invoice #457990 dated October 7, 2020 in the amount of \$3,765.39 for September 2020 actuarial services.
 2. City of Coral Gables invoice #349518 dated November 1, 2020 in the amount of \$1,181.50 for 1st quarter fiscal year general liability insurance.
- 2C. The Administrative Manager recommends approval of the purchase of other public employer time for Enga Paulk of the City Attorney's Office requesting to buy back 1,712 days (4 years, 8 months and 8 days) of Other Public Employer Service time.
- 2D. The Administrative Manager recommends approval of the Report of the Administrative Manager.

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

3. Discussion of the 2021 COLA determination letter submitted by Gabriel Roeder Smith. The net rate of investment return on the market value of assets during the year ending September 30, 2019 was calculated by the actuary to be 11.4%. Therefore, the cost of living increase is eligible to be granted on January 1, 2021 in the amount of 5.1%. In accordance with the terms of the settlement agreement, the Retirement Board will make separate determinations as to whether Class Members are entitled to a COLA and the amount of the COLA based solely on the factors identified in the 2013 version of Sec. 50-230(c) without regard to the net Actuarial Experience. Class Members are retirees eligible for a cost of living adjustment as of January 1, 2013, individuals who retired, entered DROP, or reached eligibility for normal retirement after January 1, 2013 but before February 10, 2015 and former city employees who opted out of the class. Based on the current provisions of the Retirement Ordinance Section 46-253(c), a COLA may not be granted to members who are not part of the Class since the Retirement System had a cumulative experience loss of \$200,308,903 as of September 30, 2019. It is estimated that the unfunded liability would increase \$18,433,000 and the City's contribution would increase \$2,503,000 if the 2021 COLA was granted.

Mr. Garcia-Linares states that they will be having two separate votes. There was a class action lawsuit filed against the City and it related to the interpretation of the ordinance for COLA versus a State Statute and a settlement agreement was reached. It dealt with how to deal with COLAs in the future. The actuary has explained the process in his letter of October 27th. The Board must grant the COLA for members of the class and members who fall into the Gap of the class. The reason for that is that the settlement said that for members that fell within the class the only thing you look at is whether or not the fund made more than 10% and whether or not since the date of the last COLA was granted the market value was greater than 10%. The fund made 11.4% year ending September 30, 2020. The Board will have to go ahead and grant the COLA for those members but for the people who are not members of the class, who opted out and who do not fall into the Gap the COLA should be denied because there is a net actuarial experience loss of \$200,000. The City has the right to go ahead and institute the alternative

dispute resolution procedures and with a 4-5 vote they can overrule the Board and decide not to grant the COLA for the class action and Gap members because the granting of the COLA will create another \$18 million dollar loss to the accrued liability to the system and cost the City another \$2.5 million. They need to divide this into two motions. The first motion would be for members of the class and the Gap members and then a separate motion for the people who are not part of the class or Gap. Mr. Gueits asks if the product of the settlement was essentially to agree upon the definition of a net actuarial experience loss. Mr. Garcia-Linares responds that the purpose of the settlement was that the City's ordinance did not include the language about taking into account the net actuarial experience, but the State Statute did. The Board had approved the COLA based upon what the ordinance stated, and the City disagreed because of what is in the State Statute. That was the issue that was litigated and settled. The ordinance did not take into account the language of the State Statute regarding the net actuarial experience loss. The City gave themselves the out of being able to go through the alternative dispute resolution mechanism to make a decision as to whether or not to grant the COLA whether or not to grant some kind of reduced COLA. Mr. Gold states that the Board does not technically grant the COLA. The Board is approving the COLA to go to the Commission so that the Commission can make their decision on whether to grant that COLA. Mr. Garcia-Linares informs that it is under the Board's purview to grant the COLA for the class and Gap members. Mr. Mantecon asks if voting against the COLA for the people not part of the class action or Gap would open them up to another litigation matter.

Miriam Ramos, City Attorney, explains that the ordinance was changed to clarify and to be in tandem with the State Statute. She does not believe that that second vote is problematic because the issue that led to the Murrhee case has been cleared up after that case was settled. Ms. Gomez believes that the way the ordinance is written now that they are not allowed to grant the COLA for those not in the class action settlement because there is a negative net actuarial experience. Chairperson Nunez states that the settlement language is clear. There is no issue there. Ms. Ramos thinks it will be less confusing if the Board does a motion one at a time.

A motion was made by Mr. Gold and seconded by Mr. Easley to approve the COLA increase for the class members and the Gap members.

Discussion:

Dr. Gomez would like to abstain from voting. Ms. Ramos informs that he can only abstain from voting if he has a voting conflict. Dr. Gomez responds that he does not. He will vote in favor with the following caveat; from a public policy point of view he finds it irresponsible to grant a COLA at a time that they have a City budget deficit of over \$8 million and most likely will grow a little bit more next year. They have worked very hard to fund the bottom line of this pension plan. The City has graciously added additional monies each year, which will be wiped out by granting the COLA. He has a problem with this from a public policy point of view. If he had the opportunity he would vote no on this issue.

Motion unanimously approved (12-0).

Mr. Garcia-Linares informs that the second motion is to not grant the COLA for the people who are not part of the class or Gap.

A motion was made by Ms. Gomez and seconded by Mr. Mantecon to not grant the COLA for those who are not part of the Class action or Gap. Motion unanimously approved (12-0).

4. Update from the Board Attorney.

Mr. Garcia-Linares informs that the only update his has is that he looked at the auditor's engagement letter, which is Item 6, and have no problems with it.

5. Update on the implementation of the Pension Administration System by Yolanda Menegazzo of LagomHR.

Yolanda Menegazzo reports on the progress of the pension administration system. There is an Excel file that is being worked on that will hopefully be finalized by the end of this week. GRS and Coral Gables compiled a report through October 1, 2019 that contains most of the retiree data that we need. Ms. Groome has also provided additional data that is through October 1, 2020 and Ms. Groome is validating and reconciling the data to make sure that the information matches and is adding anything that was not able to be provided through the Eden system and GRS. Once that retiree file is in good order and it gets uploaded then they will turn their attention to a second report which is for the active and terminated vested participants. The first report again is hopefully being finalized and then the second report should be relatively more easy because it is pulling the historical bi-weekly pay from the Eden system, which they have to rely on the City's IT department for that. In the meantime, PensionSoft has been coding the plan and performing early stage testing. PenChecks, the payroll processing system, has been on hold until the data gets uploaded into PensionSoft. The data validation has been a lengthy process. The entire implementation team has been having weekly meetings to make sure that everybody is on the same page. They have meetings every Wednesday morning to make sure they are on track with everything that they need to be doing.

Dr. Gomez asks about the timetable for the transition. Are they still on schedule? Ms. Menegazzo states that they should be making their deadline for January 1st. They have been delayed a little bit with the data process. IT has been pulling multiple reports from the system and they have continued to tweak it. They focused first on the retiree data and will then begin focusing on the actives and terminated vested participants which will be easier. They have tried to simplify the process so that they could speed up the process. Dr. Gomez asks if they have all the tools needed to verify the data. Ms. Groome answers affirmatively. Dr. Gomez asks when they will finish verifying the information. Ms. Groome responds that it will probably be today. Dr. Gomez informs Ms. Gomez that the IT Department staff has done an unbelievable job in helping and asks for her to convey their appreciation to them.

6. Discussion of approval of the Verdeja De Armas Trujillo audit and engagement letters regarding the year end September 30, 2019 (\$24,000.00 and out-of-pocket expenses of \$250) audit and 2019 State of Florida Annual Report (\$2,500.00) not to exceed \$26,750.00.

A motion was made by Mr. Alvarez and seconded by Mr. Mantecon to approve the Verdeja De Armas Trujillo engagement letter. Motion unanimously approved (12-0).

7. Investment Issues – Investment Brief, September 30, 2020 Quarterly Report, October 2020 Flash report.

Dave West of AndCo Consulting reports on the investment performance. Starting with the quarterly report, with the election out of the way it is reasonable to suggest that the market has now shifted its focus on to the Covid vaccine. Yesterday, there was some very encouraging news coming out from Pfizer and at this stage there are five major companies with viable vaccines in late stage 4 of development. So far testing seems to have been successful. There is a lot of optimism in the marketplace now regardless of your political affiliation. The markets are viewing gridlock in the US government system as a good thing. This tends to provide more predictability. Markets do not like uncertainty, so they will see what becomes of the government policies going forward. So far, the market reaction has been positive both within the US and globally.

Looking at the quarterly report for the fiscal year, the International equities were a modest contributor for 4.8%. Emerging Markets came in late in the game and were up 10%. The S&P 500 was up 8.9%. Bonds were a very good contributor. They completed a quality upgrade to the general portfolio over the course of the fiscal year and going into 2020. Going into 2021 they have implemented a new policy where the core bond managers are going to be investing to a definitively A rated or higher quality investment. Value stocks are still down 5.7% on a year-over-year ended September. Growth stocks were the driver of investment returns and were up 36% on the fiscal year.

His focus is the peer groupings. The net return for fiscal year was 10.72%. The three-year annualized return was 8.43% and the five-year annualized return was 9.7%. They outperformed their policy benchmark which was up 9%. The plan finished in the top percentile. The domestic equity managers performance across the board was very strong. International Equity growth manager, WCM, performed very well at 24.6% return. The one laggard here was in value stocks. The RBC strategy was a detractor and was 9% compared to the core benchmark. The index fund was up 7% for the fiscal year. The PIMCO Diversified Income Fund finished the year ahead of policy and was up 2.3%. They have been following the pandemic impact on real estate very closely. They are still in the queue and there is no change in the queue status with the JP Morgan fund. They were up 1.7% for the Core fund and the Special Situation fund was up 2.75%. The BlackRock multi-asset income fund was a little challenging this year to keep up with benchmarks and they will be keeping their eye on that strategy. Ironwood was funded in July, so they do not have a full year's worth of numbers but their contribution since inception has been a little over 4%.

Mr. West reviews the October investment performance. For the month, the fund was down 1.2%. It was a rough start of the fiscal year. They have already retraced that at that decline early in November. One of the ways that they had such a high return at the end of the fiscal year was that they have been overweight in domestic equity for most of the plan year. In that overweight they were overweight growth stocks which were the huge beneficiaries and drivers of the market returns. They subsequently completed a very significant rebalancing at the last meeting and so they would go into the fiscal year end with a neutral allocation to long-term policy targets. As of now, the Eagle Capital value manager and the Brandywine Large Cap value fund are roughly at \$37 million and the Wells Capital Growth Fund and the Winslow Large Cap

growth fund are at \$37 million. He suggests they continue to play this neutral style wise but looking forward it is highly likely that at some point the leadership baton will be passed to value. So far in November the value stocks are outperforming growth stocks.

The one area to be watching is the allocation between growth and value in international. The RBC fund is at \$27 million and WCM is at \$39 million. He will probably be coming back to the Board at a future meeting with the suggestion they rebalance those funds. There are no recommendations for managers and no recommendations for any asset allocation rebalancing at this point.

Mr. West informs that there was a request to provide a consolidated one-page executive summary. The summary pulls directly from the full quarterly report as of September 30, 2020. They just highlighted the fund returns and included the gross numbers and peer group rankings. The one-page summary also shows the rolling percentile ranking of the fund in the public fund universe. It looks at three-year rolling periods of time and plots the index fund allocation of their policy. Dr. Gomez informs that he was the one who asked Mr. West to put that one-page summary together. He thinks it shows very clearly where the pension plan is and where it is going. It was well done. Mr. West thanks Dr. Gomez and informs that they will continue to provide that one-page summary.

8. Public comment.

There was no public comment.

9. Old Business.

There was no old business.

10. New Business.

There was no new business.

11. Adjournment.

Meeting adjourned at 9:05 a.m.

APPROVED

JOSHUA NUNEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER