

City of Coral Gables City Commission Meeting
Agenda Item K-1
October 23, 2018
City Commission Chambers
405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Raul Valdes-Fauli
Vice Mayor Frank Quesada
Commissioner Pat Keon
Commissioner Vince Lago
Commissioner Michael Mena

City Staff

City Manager, Peter Iglesias
City Attorney, Miriam Ramos
City Clerk, Walter J. Foeman
Deputy City Clerk, Billy Urquia
Finance Director, Diana Gomez

Public Speaker(s)

Agenda Item K-1 [12:04:17 p.m.]

Hearing regarding decision by Retirement Board to grant a COLA to: (1) individuals who retired; entered DROP; or reached eligibility for normal retirement after January 1, 2013, but before the February 2015 retirement plan amendment (“GAP employees”); and (2) former city employees who opted out (“opt-outs”) of the class in Murrhee v. City of Coral Gables, Case No. 13-20731 CA (13) (Fla. 11th Cir. Ct.) – Alternative Dispute Resolution Mechanism.

Mayor Valdes-Fauli: Madam City Attorney K-1.

City Attorney Ramos: Yes sir. K-1 is a hearing regarding your Retirement Board’s grant of a COLA to two (2) additional classes of individuals. If you’ll recall several months ago at the conclusion of the Murrhee matter, which was a class action lawsuit for the COLA benefits, part of the settlement agreement in that lawsuit was that there would be an alternative dispute resolution mechanism when the actuarial experience was negative and the Pension Board granted a COLA. That’s exactly what happened. We had a hearing before this Commission several months ago and the Commission voted to take the COLA away. After that this Commission

voted to include two other groups of individuals and treat them similarly to the way that we treat those in the actual class. One was the four individuals who opted out of the class; and two, were the group of individuals who enter DROP after January 1, 2013, but before February 2015, which we call the “Gap employees.” These two groups have gone to the Pension Board, as pursuant to the process set forth in the settlement agreement. The Pension Board has granted the COLA as they did with the general group of employees that were in the class; and so, I instituted the alternative dispute resolution mechanism because our actuarial experience is negative; and here we are today for that hearing. I don’t see the Finance Director. I need her to present her recommendation in order to proceed with the hearing.

Commissioner Mena: Is that a mandatory part of the hearing?

City Attorney Ramos: I’m sorry?

Commissioner Mena: Is that like a mandatory part of the hearing.

City Attorney Ramos: Yes, we’ve got to go through her recommendation.

[1:34:23 p.m.]

[Note for the Record: The Commission resumed K-1 at 2:01:37 p.m.]

Mayor Valdes-Fauli: Any other matter to come before the Commission?

City Attorney Ramos: You need to go back to K-1 sir.

Commissioner Keon: You need to go back to K-1.

Mayor Valdes-Fauli: K-1.

City Attorney Ramos: So in accordance with our procedural order, I’ve already explained why we are here and the purpose of the hearing. Any party who is wishing to speak on this matter should stand up and be sworn in at this time. Seeing no one present, the City’s Finance Director will provide her professional recommendation regarding the COLA.

Finance Director Gomez: Good afternoon, Diana Gomez, Finance Director. As documented in the memo sent on October 18, 2018 to the Commission, it is my recommendation that the City Commission reject the 2018 COLA for Gap employees and those employees that opted out of the class action lawsuit. This recommendation is in line with the seven factors, (a) through (g) listed in the ordinance, which should be considered by the City Commission in making its

determination. Specifically, (a) the current cumulative experience loss is approximately \$203 million as of September 30, 2017; (b) the unfunded actuarial accrued liability has increased from the prior year by approximately \$2.2 million; (c) providing for this 2018 COLA would increase the current unfunded actuarial accrued liability of \$227 million by \$1.57 million dollars and would increase the current annual required contribution of \$25.1 million by just over \$200,000; (d) the opt-outs as well as any eligible Gap members we seek the retroactive permanent COLA for 2013 and/or 2014. This COLA was paid on October 11, 2018. Gap members who were not eligible did not receive a retroactive payment though. The last COLA payment that they would have received was on January 1, 2008; (e) the opt-outs as well as any eligible Gap members received a 2.975 percent COLA for 2013 and/or a .25 percent COLA for 2014. This COLA was paid on October 11, 2018. Again, Gap members who were not eligible did not receive a retroactive payment. The last COLA they would have received was on January 1, 2008, which was 2.3 percent; (f) the net actuarial experience over the preceding seven years is a loss of \$27.5 million dollars. The single year actuarial experience for each of the seven years was presented in the memo. I'm not going to list them here; (g) the increase of the consumer pricing index is 4.5 percent since the last granted COLA in January 2014. As the Finance Director, I believe these factors should put the rejection of the 2018 COLA for the Gap members and the opt-out members, as the cost associated with granting the COLA would negatively impact the overall health of the pension system, as well as the amount of additional payment the City would be able to send to reduce the unfunded liability in the future.

City Attorney Ramos: If the Commission takes no action the COLA stands. The Commission must take action in order to remove the COLA and it must be by four-fifths vote.

Commissioner Lago: I make a motion to reject the COLA as approved by the Retirement Board as stated so eloquently by our Finance Director.

Commissioner Keon: I'll second it.

Mayor Valdes-Fauli: Will you call the roll please?

Commissioner Mena: Yes

Commissioner Keon: Yes

Commissioner Lago: Yes

Mayor Valdes-Fauli: Yes

(Vice Mayor Quesada: Absent)

(Vote: 4-0)

Commissioner Mena: Thank you.

Mayor Valdes-Fauli: Thank you. Anything else to come before the Commission?

[End: 2:05:02 p.m.]