

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

MEMBERS:	J	A	S	O	N	J	F	M	A	M	J	APPOINTED BY:
	22	22	22	22	22	23	22	23	23	23	23	
Vacant	-	-	-	-	-	-	-	-	-	-	-	Mayor Vince Lago
Alex Mantecon	E	E	P	P	P	P	P	P	E	P	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	E	P	P	P	P	P	P	E	P	E	Commissioner Kirk Menendez
Vacant	-	-	-	-	-	-	-	-	-	-	-	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	P	P	E	P	P	P	E	P	Police Representative
Christopher Challenger	P	P	P	P	P	P	E	P	P	P	P	Member at Large
Sureya Serret	-	-	-	-	-	-	-	-	P	P	P	General Employees
Troy Easley	P	E	P	P	E	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	E	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Rene Alvarez	E	P	E	P	P	E	P	P	P	E	P	City Manager Appointee
Vacant	-	-	-	-	-	-	-	-	-	-	-	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
Manuel Garcia-Linares, Board Attorney
Edemir Estrada, Gabriel Roeder Smith
Peter Tramont, Gabriel Roeder Smith

P = Present
E = Excused
A = Absent

GUESTS:

1. Roll call.

Chairperson Mantecon calls the meeting to order at 8:02 a.m. Mr. Gold was excused. Mr. Nunez and Mr. Gueits were absent at the start of the meeting.

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 May 11, 2023.
- 2B. The Administrative Manager recommends approval of the following invoices:
 - 1. Gabriel Roeder Smith invoice 478390 for April 2023 actuarial services in the amount of \$21,202.00.
 - 2. Gabriel Roeder Smith invoice 478393 for April 2023 administrative services in the amount of \$14,244.37.

A motion to approve the Consent Agenda was made by Mr. Alvarez and seconded by Mr. Easley. Motion unanimously approved (7-0).

- 3. Comments from Retirement Board Chairperson.

Chairperson Mantecon has no comments.

- 4. Items from the Board Attorney.

Mr. Garcia-Linares informs that Commissioner Fernandez will be appointing Juan Lucas Alvarez to the Board, Commissioner Castro will be appointing Alex Mantecon and Commissioner Menendez will be reappointing Mr. Gold to the Board. Commissioner Anderson, Mayor Lago and the City Manager have not made their appointments yet as of today. He also informs the Board that he reviewed the side letter and agreement for the HarbourVest private equity. The signed letter and agreement have been sent to HarbourVest.

Mr. Gueits arrives at this time.

- 5. Update on Third Party Administration Transition.

Edemir Estrada updates the Board on the Third-Party administration transition. They have been receiving calls from the members and have been communicating daily with Ms. Groome. Chairperson Mantecon asks how the feedback has been. Have there been any issues? Ms. Groome responds that there have been no issues. Chairperson Mantecon asks if there was a notice sent out to everyone to start contacting GRS for pension issues. Ms. Groome replies that the notice went out in April. Ms. Elejabarrieta states that they will send another email City-wide. She thinks that Ms. Groome's phone number with the City should be changed and then the old number for the Retirement System should have a message to contact GRS for pension issues. They can have IT work on the automated message to have people contact GRS directly. Ms. Gomez informs that they put a notice on the City's external website under the Retirement page that the pension administration has been transferred to GRS. Mr. Challenger asks if Ms. Groome's number and email are still on the pension portal. Ms. Estrada states that will be updated. Mr. Garcia-Linares asks if Ms. Groome's number be automatically transferred to GRS so when someone calls that number it goes automatically to GRS. Ms. Groome thinks that the phone number can be forwarded to another number. Ms. Gomez agrees. Mr. Garcia-Linares

asks if they can do that with Ms. Groome's number. Ms. Gomez believes the phone system can be forwarded to outside lines and then they can put a message on the voice mail to call GRS.

Mr. Nunez arrives at this time.

6. Investment Issues.

Dave West reports on the monthly investments. He informs he has one action on the agenda today which is a recommendation for a manager change. The underlying market dilemma is still in place. Equities continue to rally. Growth is outperforming Value. Interest rates continue to rise in the short end and the Fed put a delay on an additional hike of interest rates. They continue to see a recession rolling through the more debt sensitive interest rate areas in the economy. One of those areas is real estate.

He has no changes to the asset allocation. They did a rebalancing to raise cash. They sold \$5 million from the S&P 500 index fund and raised \$7 million from Garcia Hamilton. A total of \$12 million was transferred into the cash account at Northern Trust. They are \$14 million liquid and ready to pay operating expenses all through the summer and probably up until they receive the annual City Contribution in October. That money is in the Northern Trust money market fund making 5% rate of return.

The total fund had a modest month in May. Because this meeting is a little bit early this month, they do not have all the data for some managers for May. The fund is in great shape. The fiscal year to date is 11.96% and they are about a percent ahead of their target policy. They have had some nice performance in equities. The equities are up 21.25% and outperforming the benchmark. Fixed income is also outperforming the benchmarks and is at 5.37% for the month. The real estate and other assets have a delay, so they have to carry over the previous period market value. There are no manager issues as far as their publicly traded assets. They are in great shape fiscal year to date. The fund had an income return of \$4.6 million dollars and fiscal year to date as of May the fund has earned \$46,493 million. Market value at the end of May 2023 was \$444,072,343.

They have been following the real estate saga and the impact of the increased cost of debt and financing for the industry as well as the pressures on office properties. It has been a focus item of discussion for a couple of quarters. A year ago, they started recommending and made a transition plan for the real estate portfolio. They added TerraCap and the IRR for TerraCap so far to date has been a positive 9%. The other more conventional core properties with JP Morgan were reduced significantly. They were identifying that they felt the core properties were fully valued and they wanted to go into more opportunistic strategies. They were able to get most of that implemented. They have some money in the queue with JP Morgan. That brings him to his recommendation. As discussed in a previous meeting, they put JP Morgan's Special Situation Property on a watch list and last Wednesday their Investment Committee and Research Team downgraded the strategy to move to better opportunities. There is a significant growing redemption queue in the fund. This fund has a significant overweight to the office sector, and they have older vintage properties in major metropolitan areas which are feeling the greatest pressure. The debt profile is also unfavorable of floating rate debt and the underperformance is expected to continue with the current structure. He also communicated

previously that JP Morgan defaulted on one of the office properties and this represented 5% of total assets in that portfolio. They have concerns that there is an increasing lack of transparency, and their Research Team is communicating a bit of frustration. The Research Team receives the thesis and premise behind any of the underlying property investments and JP Morgan has not been forthcoming with meeting that request for that information. They are trying to identify who the underlying property tenants are so they can have a looking forward idea of what the flavor is of the tenants. That is a significant issue. Given the general office headwind environment and the concentration to office properties they are recommending moving on from this JP Morgan strategy. This is a bit problematic because every real estate bank manager out there has a waiting line at the door. The execute for this is up to 15% of total assets. All they can do at this juncture is submit the paperwork and submit the redemption request and wait and see how that exit gets managed.

Chairperson Mantecon asks about the Strategic Property Fund at JP Morgan. Mr. West explains that they brought down the allocation and are alright with how that fund is being managed. Chairperson Mantecon asks how long they have been invested in the Special Situation Fund. Mr. West responds that they first invested in the Strategic Property Fund in October 2010. They have had a very nice ride with both funds. Chairperson Mantecon asks Mr. West's opinion on timing. Mr. West responds that it is going to be dependent on how the industry evolves and how everyone handles their own revolving door for redemption queues that is going to be a function of what transpires. In the case of office property and the work at home/work in office thing works out, he thinks it is fair to say that they have made the necessary adjustments and net present values given the now higher interest rates, the future value of leases and plugging that into property values. He thinks at this stage they are just addressing the industry-wide stresses primarily on office and they have already worked through retail. There is just extraordinary pressure right now on the real estate market and there has not been many transactions. As fiduciaries to the fund, that is why they are closing the doors and want to manage the redemptions and want to avoid distress sales on their properties. Mr. West informs that they expect to get the first capital call at the end of the month for Boyd Watterson, the special situation with focus on government leases, special older office properties but very specialized in the structure. It is a very different investment type that they made by design.

A motion was made by Mr. Gueits and seconded by Mr. Easley to approve the termination of the JP Morgan Special Situation Fund. Motion unanimously approved (9-0).

7. Old Business.
There was no old business.

8. New Business.

Ms. Groome informs that the Board members will be receiving the 2022 State Financial Disclosure forms in the mail, and they will need to be filled out and returned to the City Clerk or directly to the State of Florida.

9. Public Comment.

Harry Pickering, retiree, asks if the Commission has made their appointments to the Board yet. Mr. Garcia-Linares informs that there is a Commission meeting Tuesday. The Mayor has not listed who he is going to appoint. Commissioner Castro has Alex Mantecon on her list of appointees, Commissioner Fernandez has Juan Lucas Alvarez and Commissioner Menendez has Michael Gold. The City Manager can appoint two people to the Board. Mr. Pickering thanks the Board.

10. Adjournment.

The meeting was adjourned at 8:34 a.m.

APPROVED

ALEX MANTECON
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER