

CORAL GABLES RETIREMENT SYSTEM
 Minutes of March 14, 2024
 City Hall, Commission Chambers
 405 Biltmore Way, Coral Gables, FL 33134
 8:00 a.m.

MEMBERS:	A	S	O	N	J	F	M	APPOINTED BY:
	23	23	23	23	24	24	24	
Vacant	-	-	-	-	-	-	-	Mayor Vince Lago
Alex Mantecon	E	P	E	P	P	P	E	Commissioner Castro
Juan Lucas Alvarez	P	P	P	P	P	P	P	Commissioner Ariel Fernandez
Michael Gold	E	P	P	P	P	P	P	Commissioner Kirk Menendez
Manny Carreno	P	P	P	P	P	P	P	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	P	P	P	P	Police Representative
Christopher Challenger	P	P	P	P	P	E	P	Member at Large
Sureya Serret	P	P	P	P	P	P	P	General Employees
Troy Easley	P	E	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	Labor Relations and Risk Management
Rene Alvarez	P	E	P	P	P	E	P	City Manager Appointee
James Gueits	-	-	-	-	-	-	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Manuel Garcia-Linares, Board Attorney
 Dave West, AndCo Consulting
 Edemir Estrada, Gabriel Roeder Smith
 Pete Strong, Gabriel Roeder Smith (via Zoom)

P = Present
 E = Excused
 A = Absent

GUESTS:

Tab Verdeja, Verdeja De Armas Trujillo and Alvarez
 Michelle Del Sol, Verdeja De Armas Trujillo and Alvarez

1. Roll call.

Chairperson Mantecon was excused and Vice-chairperson Gold called the meeting to order at 8:03 a.m. Ms. Elejabarrieta was running 10 minutes late.

Mr. Gueits was also in attendance; a resolution of the City Commission granted approval of a residential waiver for him to serve for a term ending May 31, 2025.

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 Retirement Board meeting minutes for February 8, 2024.
- 2B. The Administrative Manager recommends approval of the following invoices:
1. City of Coral Gables invoice due to G/L October 1, 2023 through December 31, 2023 in the amount of \$82,272.67.
 2. The Berwyn Group invoice #INV075998 in the amount of \$237.50 for death audit services during the month of January 2024.
 3. AndCo Consulting invoice #47245 for investment consulting services from January to March 2024 in the amount of \$52,750.00.
 4. Verdeja De Armas Trujillo and Alvarez invoice #40596 for retainer (2nd installment) of audit of financial statements at September 30, 2023 in the amount of \$12,800.00
 5. Verdeja De Armas Trujillo and Alvarez invoice #40942 for retainer (3rd and final installment) of audit of financial statements at September 30, 2023 in the amount of \$12,800.00
 6. Gabriel Roeder Smith invoice #484705 for January 2024 administrative services in the amount of \$19,777.25.
 7. Gabriel Roeder Smith invoice #485039 for February 2024 administrative services in the amount of \$20,187.50.
 8. Day Pitney LLP invoice # 34274234 for February 2024 legal services in the amount of \$8,500.00.
- 2C. The Administrative Manager recommends approval of the following Normal Retirement Benefit Certifications: Scott Blumstein (Police Officer), Gerardo Roman (General Non-Excludable Employee).

A motion to approve the Consent Agenda was made by Mr. Rene Alvarez and seconded by Mr. Easley. Motion unanimously approved (10-0).

3 Comments from Retirement Board Vice-chairperson.

Vice-chairperson Gold welcomed Mr. Gueits back to the Retirement Board.

4. Items from the Board Attorney.

Mr. Garcia-Linares spoke about the details related to a resolution that was approved by the City Commission allowing Mr. Gueits to serve as a member of the Retirement Board through May 31, 2025.

The second item was in regard to the 2023 1099-R tax forms and issues that came up during the audit. Mr. Garcia-Linares and Pete Strong have been in communication prior to the meeting and Pete took over to address the matter.

Pete Strong mentioned that there were 127 people who are receiving a Joint and Survivor form of payment instead of a Single Life annuity form of payment and their total non-taxable amount was being divided by the wrong factor. That resulted in a small change in the non-taxable portion for those 127 people. After talking with Mr. Garcia-Linares' associate who was involved in the corrections last year, it was decided that it was not necessary to go backwards in time to correct this issue and just get it right going forward.

Additionally, during the audit process it was discovered a small number of retirees were receiving 1099-R forms where the non-taxable amount should have been calculated using a lower number of payments because of the fact that they retired before the change went into effect, and they have exhausted the period of non-taxable benefits.

Mr. Garcia-Linares informed the Board about some pending items that Ms. Estrada had previously sent to PenChecks for them to address.

5. Items from the third-party Pension Administrator.

Ms. Estrada mentioned that, as suggested last month, PenChecks will be addressing the Board regarding questions and items that needed clarification. Ms. Wendy Henderson, PenChecks Vice-President of Quality and Logistics, thanked everyone for the opportunity to join the meeting. Ms. Henderson explains she is retiring and had additional PenChecks employees and team members on this call, although she was the one mainly addressing questions.

The first question was why two 1099-R tax forms are issued for different states and can't both be sent to the retiree's current address on file to which Ms. Henderson responded that it was part of the way their system works and the way that they receive data for the monthly payouts. Their system will combine into a single 1099-R payments that meet certain criteria; if the social security number, the distribution code on that form and the report to state match, their system will combine those payments into a single 1099-R; however, if the report to state is different as separate 1099-R is required and their system will pull the address that was used for those payments for mailing of those payments. So that that's a system limitation because of the way that they process those payments and that they are an independent monthly payment file.

Ms. Estrada questioned whether or not PenChecks receive returned mail from retirees' old addresses and Ms. Henderson explained that they will forward 1099-R forms if there is a forwarding address on file with the U.S. Post office. PenChecks utilizes secure destruction through the U.S. Postal Service so they don't actually get the physical form back. Those tax forms are securely destructed through the USPS, but PenChecks get a reporting back.

Pete Strong questioned whether it could be a special process where they take those two 1099-R tax forms issued for different states and manually put them in the same envelope to be sent to the most recent address. Ms. Henderson responded that as far as pension process, they utilize an outsourced printer for the 1099-R tax forms. Ms. Gomez commented on the possibility that a disclaimer could be added to the existing address change form informing retirees that they need to indicate which address they would like their 1099-R to be mailed to, in cases of multiple mailing addresses.

The next questions for PenChecks was why was an incorrect 1099-R tax form provided to the spouse of a disabled retiree that it was corrected last year for an incorrect not taxable amount? Ms. Henderson responded that it was a human error.

The next couple questions deal with death audits; why there is sometimes a delay between a reported death date and the date that a retiree stops being paid. Ms. Henderson explained that PenChecks use an accredited death audit service. PenChecks performs a death audit weekly, and they are notified of any deaths every week and make those adjustments in their system immediately upon notification. If a payment is in progress, PenChecks will try to retract that payment, put a stop payment on the check.

The death audit service company they use utilizes every resource available to them (the Social Security Administration, death records, obituaries, all of that type of thing). PenChecks' process is a weekly process, and if there is a delay it's related to public record.

Mr. Garcia-Linares questioned about the timing of the weekly death audit, to which Ms. Henderson mentioned that it's very likely that a death audit is run at some point between the time that they receive the payment information and the time payments are actually processed.

If an overpayment is made as a direct deposit, PenChecks will attempt to retract that payment through the banking system. If it's a check payment and the check has not cleared, they will put a stop payment on that check. If the check has cleared or the direct deposit retraction is denied by the receiving bank, and usually the reasons for denial are either that the account is closed or that there is insufficient funding to support that retraction, then all of this is communicated with GRS. If PenChecks is unable to retrieve the funding through those methods, then they will begin a line of communication with that decedent's next kin or beneficiary in order to try and recoup that funding.

Ms. Henderson confirmed that the weekly report all of PenChecks recurring benefit retiree payments so they are not able to share the report in its entirety. Their team goes through it and any retirees or recipients that are part of the Coral Gables Retirement System are included in a notification to GRS.

Ms. Henderson mentioned again she is retiring and there will be a team in place; Elizabeth Thomas is the Director of their distributions team; Ileana Valverde and Laurie Rice are two of their main recurring team members, Marlisa Gurule is their Distributions Lead, and Ali Gerritsen is their COO.

The last question for PenChecks was about an overpayment to 20 retirees and Mr. Strong provided a high-level view of what happened. He indicated that within the PensionSoft portal there is a field that is for non-taxable portion of benefit and GRS felt they should start populating that field because that'll help with the box 5 for the 1099-R tax forms. Once GRS proceeded to do that, PenChecks started paying both amounts instead of the just the gross amount; therefore, that small non-taxable portion got added to about 20 people's benefit payments. The grand total of overpayments is about \$1,400.

It is recommended that a letter is sent to those 20 members explain the fact that there was an over payment, and if they were overpaid for 6 months, future pension benefits would need to be reduced for the same amount of time.

There were no public comments or questions to be addressed to PenChecks' team members.

6. Investment Issues. (Out or Order)

Dave West spoke about money manager Allspring and its performance. He also reviewed the fourth quarter 2023 report and Overlap Analysis (S&P 500 and Russell 1000 Growth). Aggregate weight of top 10 holdings in S&P 500 increased from 17.5% in 2013 to over 32% by end of 2023. Mr. West also explained how index concentration goes through cycles. This is the third time in history that this concentration level has been this high.

Magnificent 7 dominated large cap growth returns. The percentage of return that these stocks have generated was: Mega Cap stocks 73%, 26% for the roughly 1,000 Mega Caps, and 43% for the index.

In regard to the asset allocation Mr. West informed that the Domestic Equity is at the top. He recommended to raise a total of \$10 million dollars in working capital. There are distributions in March and April for about \$6 million dollars and it is recommended to reserve an additional \$4 million for additional capital calls.

The bottom line recommendation was to direct the Allspring Global Investments Heritage AllCap Growth to raise \$10 million from that grow strategy and move those proceeds to the R&D account for funding plan operations.

A motion was made by Mr. Nunez and seconded by Mr. Rene Alvarez to approve the rebalancing recommendation presented to the Board by Mr. West. Motion unanimously approved (11-0).

Mr. West continued by mentioning that in terms of the real estate sector, the focus now has moved more towards the lenders. At this point, rough data suggests that small mid-size regional banks are roughly 50% of the real estate loans out there.

Total Fund Market Value as of 2/29/2024 was \$494,889,672.

7. Presentation of the draft 2022-2023 financial report by Verdeja De Armas Trujillo and Alvarez. (Out of Order)

Tab Verdeja and Michelle Del Sol presented the 2022-2023 financial report. They have been working on the Retirement System engagement for a few years now and they are familiar with the plan. They transitioned from manual process to an automated process and they have been part of that process since the beginning.

They went over some main areas of the financial statements audit, and they were in the final stages of getting the field work that they needed.

They spoke about the most important part of any audit and what they do out there when they go through the field work; when they look at internal controls is they give an opinion on the financial statements and give an unmodified clean opinion on the financial statements. There are no material weaknesses in internal controls, and they were in the process of obtaining a SOC report from GRS.

Mr. Verdeja explained that the main areas that they test in any plan are contributions and contributions that employees make to the plan, they look at benefit payments that are paid out to different participants of the plan, look at eligibility requirements, investments changes, the gains are losses for the year and they put statements for investments and see confirmations. They also do a walk-through internal control, and at least get an understanding of what the internal controls are.

They review the actuarial assumptions at the end of the year and through the reports that are provided to them by GRS, look at the investment return, employer contributions and recalculate that as part of the process. Additionally, they evaluate the funding status of the plan and then prepare the state report that they're in the process of doing as well and that is due on March 15th. Mr. Verdeja went over the summary of the plan membership and explained the difference since the prior year.

The most important part of the financials are the Statement of Fiduciary Net Position, essentially the Balance Sheet and the Statement of Changes in Fiduciary Net Position. The main changes on the investment asset allocation had to do with the change in investments. A chart reflected the target allocation versus the actual allocation.

Mr. Verdeja added that as part of the regular audit, we can discuss a little bit about just some of the comments that we had, some areas from observation.

Ms. Del Sol indicated that they try to look for opportunities for recommendations and observations when they go through the audit and they have two 2 main points that they need to highlight. One point is with respect to the timing of the reports and schedules that they need in order to start their testing. For the audit, normally they get those a lot earlier in the audit process and this year it's a little bit delayed. They received the schedules between February 27 and March 1st; and the deadline for the reporting to the state is March 15th. They were in constant communication with GRS and it's the year transition, however they wanted to bring it up. They hope everything is streamlined already next year and they can get those reports earlier in the process. Vice-chairperson Gold wanted further clarification from GRS to which Pete Strong commented that GRS's team had worked extraordinarily hard to meet the deadlines that were in place.

He explained why GRS was late and that it was 100% driven by having their systems not 100% set up to provide all the extracts that the auditors needed. GRS kept running into problems; part of that was everything wasn't fully coded in PensionSoft when they did the extracts it didn't completely match what they were getting from PenChecks; it is fully set up now. The extracts have been built and next year will be smoother.

Mr. Verdeja also mentioned that they have received all the reports, and are sending some minor items to wrap up their field work. He didn't see any delay in issuing the state report that's due on Friday March 15 and he'll go and issue that. If there is an issue with the testing they would have to amend the state report.

The second point is to the financial closing process. What's happening is that the trial balance was provided to us actually last week but it was provided before they had a chance to be reconciled.

When Mr. Garcia-Linares asked how can this be prevented in the future, Pete Strong responded that GRS has their own internal checking process that they do. The schedules were done, checked and reviewed before they went to the auditor. GRS needs someone from the City to provide information once Ms. Groome does retire; there has to be a liaison from either HR or Payroll.

Ms. Diana Gomez commented that maybe this year there was a lot of confusion because of the schedules and not having everything set up properly.

A motion to approve the September 30, 2023 Financial Statements was made by Ms.Gomez and seconded by Mr. Easley. Motion unanimously approved (11-0).

8. Old Business.

There was no old business.

9. New Business

There was no new business.

10. Public Comments.

11. Adjournment.

Meeting was adjourned at 9:23 a.m.

APPROVED ON: _____