

CORAL GABLES RETIREMENT SYSTEM
 Minutes of May 14, 2015
 Youth Center Theater/Auditorium
 405 University Drive
 8:00 a.m.

MEMBERS:	M	J	A	S	O	N	J	F	M	A	M	APPOINTED BY:
	14	14	14	14	14	14	15	15	15	15	14	
Andy Gomez	P	P	P	E	E	P	E	P	P	P	P	Mayor Jim Cason
Manuel A. Garcia-Linares	E	P	P	P	E	P	P	P	P	P	P	Vice Mayor William H. Kerdyk, Jr.
Michael Gold	-	-	-	-	-	-	-	-	-	P	P	Commissioner Patricia Keon
Rene Alvarez	-	-	-	-	-	P	P	P	E	P	P	Commissioner Vince Lago
James Gueits	P	P	P	P	P	P	P	P	P	P	P	Commissioner Frank C. Quesada
Joshua Nunez	P	P	E	P	E	P	P	P	P	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Donald R. Hill	P	P	P	P	P	P	P	P	P	P	P	General Employees
Troy Easley	P	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
Elsa Jaramillo-Velez	P	P	P	P	P	P	P	P	P	P	P	Human Resources Director
Keith Kleiman	-	P	P	P	P	P	P	P	P	P	P	City Manager Appointee
Pete Chircut	-	P	P	P	P	P	P	P	P	P	P	City Manager Appointee

STAFF: P = Present
E = Excused
A = Absent
 Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan E. Greenfield, Board Attorney
 Dave West, The Bogdahn Group

GUESTS:
 Craig Leen, City Attorney
 Pete Strong, Gabriel Roeder Smith Actuaries
 Walter and Caroline Carlson, CGRS retiree and spouse
 Terri Shepard, Code Enforcement
 James Skinner, Resident and CGRS retiree

Chairperson Randy Hoff calls the meeting to order at 8:11 a.m. Mr. Gueits was not present at the start of the meeting.

1. Roll call.
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 and Executive Summary minutes for March 12, 2015.
- 2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.
 1. For the Board's information, there was a transfer in the amount of \$2,400,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of April for the May 2015 benefit payments.
 2. For the Board's information:
 - David Henghold, Police Officer, passed away on April 14, 2015. His retirement date was July 1, 1999 and separated from the City's employment on June 30, 2004. He chose Option 2B – 100%. His beneficiary began receiving her post-retirement monthly benefit on May 1, 2015.
 - Theodore Gibson, Maintenance Repair Worker, passed away on April 2015. He retired from the City on October 1, 1993 with service connected disability. His spouse will receive 50% of his monthly benefit once the paperwork has been submitted to the Retirement System.
 - Thomas Carrigan, Police Sergeant, entered the DROP on July 1, 2010 and left the DROP on April 1, 2015. He received his first retirement monthly benefit on May 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.
 - Paul Miyares, Police Lieutenant, entered the DROP on February 1, 2011 and left the DROP on April 5, 2015. He received his first retirement monthly benefit on May 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.
 - Daniel Mosquera, Police Sergeant, entered the DROP on January 1, 2011 and left the DROP on April 5, 2015. He received his first retirement monthly benefit on May 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.
 - Michael Hearn, Police Officer, entered the DROP on May 1, 2010 and left the DROP on April 30, 2015. He received his first retirement monthly benefit on May 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.
 3. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:
 - Payroll ending date April 8, 2015 in the amount of \$177,437.48 was submitted for deposit on April 13, 2015.
 - Payroll ending date April 19, 2015 in the amount of \$176,289.28 was submitted for deposit on April 23, 2015.

4. Copy of the detailed expense spreadsheet for the month of April 2015 is attached for the Board's information.
5. For the Board's information the Northern Trust Securities Lending Summary Earnings Statement for April 2015 is attached.
6. A copy of the March 2015 FPPTA Newsletter is attached for the Board's information.

2C. The Administrative Manager recommends approval for the following invoices:

1. The City of Coral Gables invoice #010942 for the rental of City's public facilities in the amount of \$1,317.00 (\$439.00/month) and general liability insurance in the amount of \$982.26 (\$327.42/month) for the months of April thru June 2015.
2. The City of Coral Gables invoice for period ending December 31, 2014 in the amount of \$60,185.52 for expenses of the retirement system paid out of the general ledger account of the City.
3. GRS invoice #412548 dated March 31, 2015 for actuarial consulting services for the month of February 2015 in the amount of \$7,824.00.
4. GRS invoice #413366 dated April 7, 2015 for actuarial consulting services for the month of March 2015 in the amount of \$19,864.00.

A motion was made by Mr. Hill and seconded by Dr. Gomez to approve the consent agenda. Motion unanimously approved (12-0).

3. Items from the Board Attorney

The Administrative Manger recommends approval of a settlement to retiree Walter Carlson to correct a mistake in accordance with Retirement ordinance Section 50 94(a)(4). Mr. Carlson's monthly amount was incorrectly stated to him in his 2010 DROP certification prepared by Stanley Holcombe and Associates.

Mr. Greenfield advises that he and Mr. Leen need to address an issue with the Board regarding the DROP calculations provided to Mr. Carlson. There was a problem that resulted from some miscalculations of the Retirement benefits to Mr. Carlson which affected his DROP amount and his monthly payment.

Mr. Gueits arrives to the meeting at this time.

There was a transposition of figures between the figures he initially received and the figures that the current actuary provided. In reliance with the numbers provided Mr. Carlson went forward with his retirement plans. Mr. Carlson presented reasons why he felt he should have compensation from the Board relative to the harm that came to him. Mr. Leen, Mrs. Groome, Ms. Gomez and Mr. Greenfield discussed this matter during a conference call and did what research they had to regarding the issue. Since the Board has the authority under the ordinance to correct any mistakes they believe it was a mistake and it should be handled. The City has asked an outside council to prepare a settlement agreement and basically the settlement agreement will be to make Mr. Carlson's DROP amount whole and Mr. Carlson will accept the

lesser actuarial amount for his retirement payments thereafter. In other words were going to make whole what Mr. Carlson would have lost in the DROP but Mr. Carlson will recognize the fact that the actuary's figure is a figure he will accept for his future monthly retirement benefit. They also discussed the fact that the problem arose through the previous actuary and the ability to amend the complaint of this particular loss and add it to the complaint. The amount Mr. Carlson is to receive in round figures is \$30,000 dollars.

Mr. Garcia-Linares asks which actuarial firm is this. Mr. Greenfield responds that it is Nyhart. They recommend to the Board that the Board accept the settlement proposal that was negotiated with the Carlson's and that they have the authority to proceed with the settlement putting the matter before the court as an additional element of damage in the pending litigation.

Mr. Leen informs that there are two parts of the settlement. There is the moral component or what is the right thing to do here and then there is the liability component which is if there was no settlement and if this went to a lawsuit the City is looking at paying approximately \$500 a month for the rest of Mr. Carlson's life. You are talking about substantial liability as well. He met with the Carlson's and he was looking for whether or not they showed reliance. The law in this area is from his perspective as City Attorney is that you have a contract theory of liability and a promissory estoppel theory of liability. When a participant goes into the DROP they receive a certification and at that point you make an election and agree to retire. You do that in exchange of the amount provided. That is the way the pension code is structured. There is a contractual agreement element to that. The benefit provided is a promise that is relied on by the participant and if it is to their detriment and if it is unjust that they not be compensated there would be a potential claim for estoppel. He discussed this with Jim Linn, the City outside council, and Mr. Linn says it is a viable theory. A couple of years ago they settled claims relating to the based on this same theory. The situation was a little different but there are still equities that are important to consider. He does not want to go through all the pieces of reliance that the Carlson's informed him of but one piece of reliance that is important to know is that Mrs. Carlson retired from her law practice to attend to certain family matters and this decision was based on the amount they believed they would receive and it would make it much harder for them based on their income that they are supposed to have to meet all their needs that they have committed to. He feels convinced by that having meeting with Mr. and Mrs. Carlson and Ms. Groome. The settlement would be basically everything provided to them. They will receive everything and then going forward it will be corrected. They will keep the amount they have received and sign a release. Then the City will prosecute this case along with Mr. Greenfield on the Board's behalf against the actuary.

Mr. Chircut asks how the mistake was discovered. Mrs. Groome answers that all calculations are forwarded to GRS to review. Pete Strong brought it to her attention that the numbers had been transposed. Mr. Chircut asks that when the numbers are sent to the actuary and the numbers are then sent back to the Retirement System if the numbers are checked. Mr. Hoff comments that is the purpose of the actuary to do the final check of the calculations. Mr. Chircut states that that they need to double check the certifications once they are received. This is something they have to make sure doesn't happen in the future. Dr. Gomez does not want to derive from the current matter because it is the morale thing to do and the right thing to do.

A motion was made by Mr. Garcia-Linares and seconded by Dr. Gomez to approve the negotiated settlement to retiree Walter Carlson correcting a mistake in accordance with Retirement Ordinance Section 50-94(a)(4). Motion unanimously approved (13-0).

Mr. Leen announces that today Mr. Greenfield has completed 60 years in the Florida Bar and half of that has been for the Retirement Board. Mr. Greenfield states that it has been his pleasure in associating with this Board.

Mr. Greenfield continues his report. In regards to the COLA there are no new details and it is still being discussed between the parties. In regards to the Nyhart case the responses of the discovery has been submitted and there has not been any action by either party since the end of April. Jim Linn's office in West Palm Beach has been fairly aggressive doing the work they have to do. He reminds the Board that next month is the annual FFPTA meeting in Boca Raton this year and he thinks that those members of the Board who are not active in that association should attend that conference.

Mr. Leen informs that they did receive an overture from the actuary's counsel about settlement and that is one reason they want to get an amendment to add this claim to as soon as possible.

Dr. Gomez asks Ms. Groome if the system is in place to add a final step for the numbers to be checked after the actuary. Mrs. Groome informs that calculations are sent on an Excel spreadsheet. The benefit amount has to be found. Once the calculations are completed they are sent to the actuary and the actuary double checks her calculations. Sometimes numbers do not match and also sometimes numbers do not match due to the mortality tables. The mortality tables are very outdated. Mr. Garcia-Linares asks why the tables are outdated. Mr. Strong informs that the mortality tables were changed in 2014 and GRS is in the process of putting together more up to date tables to send to Ms. Groome. Ms. Groome informs that when she receives the certifications from GRS now, they explain in the certification letter why their calculation was different than the calculation sent by the Retirement Office when in the past it did not happen all the time. Dr. Gomez suggests that they go back and look at the process to see if something needs to be done to make sure it works better. Ms. Groome informs that the process is working now. Mr. Strong agrees. He believes that what may be suggested is for Ms. Groome to look over their certifications once she receives them from GRS. Ms. Groome informs that process is being done now.

Chairperson Hoff doesn't think this situation they just voted on was because of that it was simply a mistake. Ms. Gomez states that it was that. If Ms. Groome had checked the original it would not have happened. She should have asked the actuary why the numbers came back different. Mr. Chircut states that the amount was a large amount that was different. Because when you have \$500 difference in the numbers between what was sent and what was sent back that should have been caught. Ms. Groome informs again that the process is being done now. Mr. Garcia-Linares comments that now Ms. Groome receives the certification with explanations as to why the numbers are different than what was initially sent. Ms. Groome agrees. Mr. Chircut states that the difference should not be that big of an amount. Ms. Groome responds that it does happen. Mr. Leen intervenes and advises that they should be careful in implementing an additional step formally because in the end they are relying on the professional judgment of the actuary which is why they can sue an actuary. It doesn't mean

they shouldn't look but he would not know if he would add a formal step or if they don't do the formal step can they still go to the actuary and ask them. Hopefully they would make the person whole which is why the actuary has insurance.

Ms. Gomez adds that there was an email circulating that the way Ms. Groome had been calculating was incorrect and since GRS has been on the Board's actuary they have been correcting it and they have been fine. Have the calculations using the new pension provisions that were certified by Nyhart been reviewed? Ms. Groome explains that when it was brought to her attention that the calculations between the five year average and the three year average were incorrect she had Ms. Coffy go through all of the calculations and double check them to assure they had been recalculated properly.

4. Attendance of Pete Strong of Gabriel Roeder Smith Actuaries presenting the updated 2014 Actuarial Valuation Report.

Mr. Strong reports on the updated 2014 Actuarial Valuation Report. The contribution is down for this upcoming year compared to last year. This is not a true apple to apples comparison because the 9-30-15 column includes an increase due to reducing the general employee contribution rate down to 15%. The cost sharing taken on by the City was amended by the City in September of last year. If they were talking about a true comparison the contribution number would have been more like \$22.9 million versus \$24.1 million. Still the contribution is down about \$500,000 from the prior year. The contribution is about \$180,000 more than it was in the first 10-1-2014 report due to the method changes made by the Board at the April meeting. As of April 14, 2015, three method changes were made. The first being the difference between what is contributed and what is expected to be contributed which will be placed in an excess reserve. These funds can then be used to reduce unfunded amortization basis in the future. The funds won't be used as a true credit balance to reduce later contributions but for unfunded liability basis.

Ms. Gomez has an issue with the wording. The wording states: "The difference between actual contributions and scheduled (required) contributions (due to the one-year contribution log and any voluntary excess City contributions) will be applied to an excess contribution reserve. This excess contribution reserve will not be used to reduce future required contributions, but it can be used to reduce or eliminate outstanding UAAL amortization bases at the discretion of the Retirement Board Trustees." Ms. Gomez states that if the City is making the contribution the wording should be discretion to both the Board and the City. What if the Board wanted to do something with the moneys that the City didn't want to do? She doesn't accept that from the City's standpoint.

Mr. Strong informs that it was written that way because it was understood that there is equal City and non-City representation on the Board. Mr. Garcia-Linares comments that if the Board does something that the City does not agree with the City has the right to overrule them. Ms. Gomez replies that it is only for cause. If there is no cause and if there is something that the Board does that the City doesn't like then the City can't do anything about it like. Mr. Garcia-Linares asks what if they cannot agree then they have a stale mate. What happens? Ms. Gomez does not know. She doesn't think the City will be comfortable giving the Board full discretion. Mr. Strong informs that ultimately it is the Board's discretion to change assumptions

or methods. The reason they put the Retirement Board of Trustees was because they knew it was a joint Board. Mr. Hill adds that the only way this could change is if the City did an Ordinance change and took away their right to have the discretion. Ms. Gomez explains that the issue she is trying to state is if the City decides to make extra contributions it is because the City's intent that the extra contribution should be to fund the unfunded liability. This gives discretion to the Board and she doesn't think it's fair that the City will make a contribution in excess and yet the Board can decide. So at minimum they need to be in agreement as to what happens. Mr. Garcia-Linares believes it is the Board's discretion and that is the reason they are appointed to the Board. Ms. Gomez thinks it will jeopardize the City's willingness to provide extra funding if it could be manipulated or just at will of the Board.

Mr. Strong advises that the sentence can be changed to read "This excess contribution reserve will not be used to reduce future required contributions, but it can be used to reduce or eliminate outstanding UAAL amortization bases." Ms. Gomez thinks that giving the full discretion to the Board when the City is given something above and beyond what they need to do. Mr. Garcia-Linares states that that may apply to anything and that is the reason why more Board members were added so the City could have more representation. They can make that argument on anything this Board does. Ms. Gomez understands that the Board can invest as they see fit and make assumptions but when the City's intent is to give additional funds for the purpose of reducing the unfunded liability quicker and that is what the City wants those moneys to be used for. There may be some actuarial issue that may not go in line with the simple thought of paying down the unfunded liability and at the Board's discretion they can do what they want. Mr. Garcia-Linares states that it is the same way that at the Board's discretion the Board can change any of the assumptions they rely upon. Ms. Gomez agrees. All she is saying is if the City is providing additional funds then it should not be the Board's discretion as to how they want to use it. Mr. Garcia-Linares states that they should take the language out. Mr. Gold comments that he is trying to understand why this is an issue because this is an actuarial report and not a legal document. Mr. Leen states that the City can't stop the Board from doing what they think is right regarding the pension. All they are asking is that if there are excess contributions that that money be used to lower the unfunded liability. Mr. Garcia-Linares thinks they need to just eliminate the language. Mr. Gueits adds that he can see this being an issue later on and it needing to be addressed through a formal mechanism because when that pot of money grows to like \$100,000 there will probably be a fight.

Ms. Gomez asks at what point does the reserve not become a reserve and is just less of an unfunded liability. Does an action need to happen? Mr. Strong recommends that once it builds up enough to pay off the bases then you pay off the bases. If you have a base that has \$10 million on it and you are paying \$1 million a year and the excess contribution grosses to \$10 million so you can use that \$10 million to pay off the \$10 million base. You have eliminated a \$1 million annual amortization payment and the contribution would go down. Ms. Gomez understands. The intention is to lower the amount of time that it takes not necessarily to make the City's payment less. Mr. Easley explains that is what it is doing. Mr. Garcia-Linares adds that it is reducing the amount of payment and the City is saying they are committing to pay a base amount. You are continuing to pay extra money and that will continue to reduce the unfunded liability. Mr. Leen understands that the intention was to pay off the unfunded liability. Is that common in pensions to have a paid off unfunded liability? Mr. Strong informs that he only has one plan that is 100% funded. Mr. Leen thinks that is a good commitment.

His concern is that he doesn't want the Commission to back away from the commitment of paying off the unfunded liability because they don't think they are going to accomplish that goal because it is a great goal. It is agreed that the changes will be made on both pages 3 and 43 to in the updated Actuarial Report to read "This excess contribution reserve will not be used to reduce future required contributions, but it can be used to reduce or eliminate outstanding UAAL amortization bases."

Mr. Strong informs that all amortization bases were separated to each division as discussed and all amortization bases were reduced to 25 years from 30 and going forward each new amortization base would be over 25 years instead of 30 years. The net impact of those method changes was an increase of \$122,000 if the City makes the same change as last year to cap the General Employees at 15% in contributions. He points out that the market value of assets exceeds the actuarial value by almost \$23 million and that is to be phased in in pretty big chunks over the next 4 years.

They had almost \$30 million in flows during the year in contributions from members, the State and the City. There was a total outflow of almost \$35 million. Regular monthly benefits are almost \$28.7 million and DROP distributions of just under \$6 million and refunds of contributions of about \$445,000. That is what is causing the negative cash flow situation. It is because the plan has matured. About 80% of liabilities are for retirees and because the plan is so mature that is what happens when it gets that way. They are continuing to pay down the unfunded liability with the cost but you have all these retirees you are paying benefits for. People are living longer and that is why they suggested changing the mortality tables. They are at RP 2000 projected to 2015. At the last meeting they talked about the potential Senate Bill 242 passing in the Legislature which would require all plans to use FRS mortality. That bill passed the House and the Senate and it is waiting for Governor Scott to sign or veto it. As of yesterday it still wasn't signed. Speculation is that he probably will sign it. They changed the effective date from 10/1/2015 to 1/1/2016 so that it wouldn't immediately impact the 10/1/2015 valuations. It might be a good idea to go ahead and adopt it anyway if it is going to be law next year. The total increase in contribution was about \$975,000 and about \$290,000 was cost sharing and about \$685,000 of that is direct City contribution. Ms. Gomez asks if they have to implement it this year. Mr. Strong responds that they don't have to implement it for 10/1/2015 but his recommendation is to go ahead because it will be required. The first time it would be required is for the 10/1/2016 valuation report. Ms. Gomez recommends that they do not implement it yet because if they are paying extra payments they may have a more natural lower required payment. Mr. Strong informs that he is recommending to his Boards to implement it now because they are going to have to do it anyway. He has a couple of Boards using a mortality table that is more conservative than FRS and for those plans he is recommending not changing their tables yet. If they implement it for the 10/1/2015 valuation report it is for the 10/1/2016 City Contribution payment. It affects next year's valuation report.

A motion was made by Ms. Gomez and seconded by Mr. Hill to defer implementing the FRS mortality rates early and implement the FRS mortality rates when required by law.

Discussion:

Mr. Gueits asks when it is required. Mr. Strong responds that it is required for the 10/1/2016 actuarial report which would affect the October 2017 City contribution payment. Ms. Gomez informs that she would like it implemented when required and not early because you don't know what other things are going to happen. Chairperson Hoff understands but the Board's actuary is recommending that they do it. Mr. Strong believes that the mortality table currently in use is too liberal. They had \$2.2 million in experience losses due to mortality survivorship. In the past couple of years it has been clear that the mortality needs to be updated. They did a compromise by only increasing it for three years instead of the RP 2014 which is what they recommended. He was planning on revisiting this as of 10/1/2015. Now they have a requirement by the State. Mr. Easley asks if this is one of the reasons as to why they are where they are with the unfunded liability being so high. They were so liberal in the past with many of their assumptions and they keep deferring these recommendations to adopt certain assumptions when the Board's actuary makes these recommendations. The actuary is making the right recommendation for the plan and the Board delays taking the advice of their own actuaries in favor of a liberal approach. He is against continuing to delay until the State recommends it and that is a great recommendation that the State finally came up with but why don't they take the recommendation now since it doesn't affect the budget year 2015/2016. They need to do what they should do according to what their actuary tells them. He thinks they need to get rid of some of the liabilities so why not implement the things that will get rid of it instead of keep delaying everything. Ms. Gomez remembers that at the last meeting they talked about the FRS mortality table not being the best thing out there. It was just what the State wanted municipalities to do. Mr. Strong does not think that the FRS mortality table is conservative enough but it is an improvement from what most plans are using but it is not going all the way to RP 2014. Mr. Chircut remembers a couple of meetings ago when they were talking about this and Mr. Strong did his research and updated it based on another assumption. It had nothing to do with the State. Mr. Strong agrees. They updated the tables from RP 2000 projected to 2012 to RP 2000 projected to 2015. Mr. Chircut states that Mr. Strong said he was comfortable with that table. Mr. Strong informs that it was because he and the City's actuary disagreed about what the right mortality table was and he was okay with a one year compromise to extend the mortality table from 2012 to 2015 and revisit it once they got to next year. He thought that was the understanding of the Board that they were going to revisit it next year. Mr. Chircut states that they agreed with that at that time. This whole issue is because the State Legislature decided to do this with FRS but Mr. Strong was comfortable with the mortality table that was recommended to the Board. Mr. Strong informs that he said he was okay with it as a temporary compromise and was not comfortable with that as a long term assumption. Mr. Chircut asks if the State did not come up with this what would have made him comfortable. Mr. Strong responds that he would be recommending that they go to RP 2014. Mr. Gueits asks how many of GRS's plans have adopted or plan to adopt the table now. Mr. Strong states that since it was just passed in the Legislature he has only had a handful of meetings since then but he already decided to have his plans adopt it as of 10/1/2015. Chairperson Hoff asks how many of GRS's plans do they plan to recommend that they go to the State's mortality table. Mr. Strong responds that he will recommend to all of the plans currently using a less conservative table than FRS. Mr. Gueits asks how many plans. Mr. Strong responds that it is about 95%. Mr. Kleiman asks if they adopt this now their arc goes up. What does it do to the unfunded liability? Mr. Strong informs that it would go down by

roughly .9%. Mr. Kleiman asks that if they adopt this table it would increase the regular payment. Mr. Strong responds that it increases the required contribution so overtime you still get to the same goal of being 100% funded but as of current date it would be an increase in the unfunded liability and a reduction in the funded ratio. You would go from 56.6 to 55.8 because it increases the liability.

The question was called.

Mr. Alvarez – No	Mr. Gold – No	Mr. Hill – Yes
Mr. Chircut – Yes	Dr. Gomez – No	Mr. Hoff – No
Mr. Easley – No	Ms. Gomez – Yes	Ms. Jaramillo-Velez – Yes
Mr. Garcia Linares – No	Mr. Gueits – No	Mr. Kleiman – Yes
		Mr. Nunez – No

Motion failed (5-8).

A motion was made by Mr. Garcia-Linares and seconded by Mr. Easley to implement the FRS mortality table effective 10/1/2015 as recommended by the Board’s actuary.

Discussion:

Ms. Gomez states that they also talked about other assumptions that they need to look at next year. She asks that they not call the question now until they discuss other things that may affect them down the line and make a determination. This is a set \$1 million that will be required in the contribution. Can they see if there are other assumptions that may make the contribution higher? They don’t have to make this decision today. It doesn’t affect anything in this current valuation. Mr. Garcia-Linares asks if Mr. Strong will change his recommendation if they delay this a month. Mr. Strong responds that it will not. Mr. Gueits asks if the other assumptions less important than this one. Mr. Strong explains that the only other assumption is the investment return assumption and there has been a little discussion about having an assumption of 7.5% instead of the 7.75%. That is the only other item. That would also be significant like the mortality table. Mr. Chircut asks if the Governor vetoes the bill what do they do. Mr. Strong replies that he would recommend the mortality table he recommended in the Experience Study which is the RP 2014 which is more conservative. He asked Keith Brinkman from the State if they can go to a more conservative table and Mr. Brinkman informed that they cannot.

The question was called.

Mr. Alvarez – Yes	Mr. Gold – Yes	Mr. Hill – No
Mr. Chircut – No	Dr. Gomez – No	Mr. Hoff – Yes
Mr. Easley – Yes	Ms. Gomez – No	Ms. Jaramillo-Velez – No
Mr. Garcia Linares – Yes	Mr. Gueits – Yes	Mr. Kleiman – No
		Mr. Nunez – Yes

Motion approved (7-6).

Mr. Chircut states that the contribution of 10/1/2016 based on what they are looking at is a \$2 million excess toward the pension liability and with this new assumption there is an excess of \$975,000. Mr. Strong informs that the contribution would be approximately \$23.3 million. If the City wants to keep that same amount then it will be about \$1 million less toward the liability. Ms. Gomez states that they will get less value for the money that they spend in one extra year instead of having that money work for them for an additional year and they didn't have to but that is what is going to happen. It is just less money toward the liability. Mr. Chircut states that the earnings when transferred will go toward reducing the liability. Mr. Garcia-Linares states that if they waited for one more year they would still have to make the change. He has been on this Board for a very long time and they haven't been contributing the amount they should because they have been using the wrong assumptions. The Board has been trying to move to the right position for years. Last year and the year before they took a baby step and went half way and now they are taking another step. Next year they will have to take a further step on this issue. Mr. Chircut is not against that. He is just saying is that on one hand they are looking to reduce the liability. They talked about this issue a month ago. They have done many things that have never been done before. It looks like they are trying to do everything at one time.

Mr. Strong talks about the normal cost. The contribution requirement is made up of two parts. One part is the payment of the unfunded liability. That is the share of the contribution requirement. If the plan was fully funded the only contribution requirement would be the normal cost which is the cost of benefits being earned each year. That is the long term run rate of the plan. The annual costs of each year's accruals. This used to be in double digits percentage wise. Because of all the concessions that have been made over the last four years by general employees, police and fire this contribution rate overall is now only 6.24% of pay. That means if the plan was fully funded the employer costs would be about \$2.3 million or about 10% of what it is now so about 90% of contributions would be going toward the unfunded liability payment. That is significant. This is probably one of the biggest ratios he has seen as far as what the contribution long term would be if the fund were fully funded versus the true annual cost of benefits versus what they are still paying down on the unfunded liability. It varies by group. Because the member contribution rates are higher for general employees the employer normal cost there is only 2% to 4% of pay which is only in the \$300,000 range for each general employee group. For police and fire it is a little higher at 9.5% and 11.3%. Once that unfunded liability is paid down this is a very cost effective and inexpensive plan to run in the long run.

A motion was made by Mr. Gueits and seconded by Mr. Alvarez to approve the report with the changes discussed. Motion unanimously approved (13-0).

Mr. Strong informs that he and Dave West have been invited by Peter Hapgood of the FPPTA to be on a panel at the annual conference in Boca Raton at the end of June. It is a 90 minute presentation. One of the things they will center the discussion around is a few case studies of funding realities around the State of Florida. They wanted to see if the Board wouldn't mind if this plan was used as a one of the case studies. The plan can be kept anonymous or they can identify that it is the Coral Gables Retirement System. The Board members agreed that the plan name can be used.

Mr. Kleiman left the meeting at this time.

4. Discussion continuing the March 2015 meeting discussion regarding Board member education and attendance at conferences. (This item was deferred at the last meeting).

Dr. Gomez informs that he has continued to suggest that the Board should have their own workshop. Ms. Groome got him in touch with Pete Hapgood and he spoke with him. Mr. Hapgood is willing to come down to speak on funding models for approximately an hour and then have questions and answers for 30 minutes. They aren't going to solve the issues in one workshop. Having this discussion they just had he is worried. He is worried in terms of the liability of this plan. They are far away from having it fully funded. Also as a citizen of Coral Gables and a member of the Board he keeps hearing about the City, the City, the City. Not to defend anyone but this particular administration financially has been at better health than we have been in the last 15 to 20 years. As a citizen and not as a member of the Board he has spoken to most of the Commission and the Mayor who everyone knows appointed him and they are going to have to look at every single portion and find out where the money is going to come from. The City has talked about adding additional money to the plan and he wants them to add even more than what they are talking about which will need to be discussed in their own collective bargaining agreements. He thinks they have to seriously look at where they are today. He hopes that with workshop they can begin these conversations amongst themselves. He would like to invite the Commissioners and Mayor for listening purposes because he does not want them to come and politically pontificate. He would also like to invite the Budget/Audit Advisory Committee to the workshop also for listening purposes only. He would like to do the first workshop sometime in June.

5. Discussion continuing the March 2015 meeting discussion regarding Board member education and attendance at conferences. (This item was deferred at the last meeting).

Chairperson Hoff informs that this item will be deferred.

6. Hedge Fund of Fund manager interviews: EnTrust Capital, Sky Bridge Capital and Titian Advisors.

Kevin Manning, Chris Kennan and Jill Zelenko of EnTrust Capital make their presentation. Kevin Manning is the Sr. Managing Director and been with the firm for 15 years. Chris Kennan is a partner of the firm ad senior member of the investment team. Jill Zelenko is also a Partner of the firm; head of risk management and the ODD team. Mr. Kennan begins by informing that Entrust is a \$13 billion hedge fund management firm. Their firm has been around since 1997 and is registered with the Securities and Exchange Commission since day one. Currently they manage for over 300 institutional investors and 500 institutional accounts. When thinking of the investor base 93% of their investor base is institutional investors, like minded investors such as the Coral Gables Pension plan. Their clients are State funds, municipalities, foundations, universities and more. The firm has 75 fulltime employees and 20 investment professionals. This portfolio is not designed to keep up with the equity market. They have a conservative philosophy with how they manage their portfolio. This is not a strategy designed to hit the ball out of the park. There is a real focus to capture and preserve capital at the same time generating attractive risk adjusted rates of return. They do don't utilize

any leverage at the fund of fund level and they avoid all highly leveled managers and strategies. This strategy is designed for institutional investors to generate mid-single digit and high single digit returns over time. He speaks on the various funds and strategies managed on behalf of institutional investors and he will focus his comments on the flagship diversified funds. It is a strategy they have been managing since January 2002.

Mr. Kennan discusses how EnTrust has been able to differentiate themselves relative to their peers over the years. One is by performance through most kind of market environments and trailing periods they have been at or near the top of their peer group. They are a very sticky and stable investor base. In their fund they are investing alongside other institutional investors. Transparency is a big focus of their firm. With such a large institutional investor base and significant capital they manager for public funds the ability for investors to understand exactly what they are investing in, who is managing it and where it is being invested with the fiduciary responsibility that is critical. They go to great lengths to let people know what they are investing in. They have a significant presence in Florida and manage roughly \$200 million U.S dollars on behalf of institutional investors and most of that is public pension fund money.

Since March 2009 they have benefited with the run of equity markets both globally and domestically. Equity markets in the US are trading at or near historically valuations and the market is up over 200% since the lows of March 2009. There is a mindset among institutional investors is how do you preserve the gains of equities they have had over the last six or seven years. Usually you would take the risk off the table and move into fixed income. Traditional fixed income is how you create stability in the fund. Given where yields are today in fixed income here in the US as the Federal Reserve is about to raise interest rates moving out of equities into fixed income is not necessarily what they consider would reduce risk in the portfolio. If equities are expensive and you want to preserve many of the gains over the last six years fixed income is a strategy they see in the future may be a strategy that will give a negative return. So investors are looking to more alternative investments that are focused on preservation of capital. It gives the ability to generate and construct attractive risk adjusted rate of return with significant focus on downside protection.

Their strategy focuses on giving some of the participation of the equity markets and the protection traditionally inherent in fixed income without generating interest rate sensitivity. The idea is to preserve some of the gains received over the last six or seven years and take some of the equity risks off the table and protect the assets of the overall fund. They have been able to generate attractive risk adjusted rates of return and low volatility. They invest in a subset of conservative, research driven, fundamental strategies. They are constructing a portfolio that gives them the highest probability of being able to generate, regardless of the market environment, mid-single to high-single digit returns with mid-single rate volatility. Hedge funds are not a new asset class rather instead it is a different investment strategy. Their portfolio is largely comprised of equities and fixed income largely investing in equity and bond markets that traditional managers do but doing it in a different way with the focus on driving and delivering the most attractive risk adjusted rates of return. One of the reasons to invest with a fund of fund manager is to have diversification by the underlying manager that they are allocating capital with. They are investing with very large well established managers with significant amounts of experience just north of 25 years total assets under management just under \$300 billion.

Jill Zelenko, Chief Risk Officer, advises that her group is charged with making sure they don't expose investors to any business risks. The team goes in and makes sure it is a high quality firm they are dealing with and that the people they are dealing with are smart and know what is going on. They don't want to expose any of their clients to headline risk, losing their money because of fraud and any bad exposure. Over the course of her 15 years with the firm an issue of this matter has never happened. Before she joined EnTrust she was a partner in a CPA firm and all of her clients were from financial institutions like brokerages, fund of funds, hedge funds and registered investment advisors. The six people team who handles these tasks is all certified CPA's and all have had prior hedge fund audit experience. They don't just interview managers but also look at their documentation supporting what they are being told to ensure what they are telling them is actually what is being done. In keeping with EnTrust's philosophy of transparency for every manager in the portfolio they provide all their investors what they think is pertinent information regarding their results of the operational due diligence. They recommend that tax exempt investors invest in their offshore corporation for purposes of avoiding unrelated business tax implications. All the assets are custodied in the United States and all the money returns to the US.

Mr. Easley left the meeting at this time.

EnTrust has two share classes that can be invested through. The first is a management fee only share which starts at 140 basis points up to \$10 million and after the \$10 million it starts to decrease. The other share class is a flat management fee of 125 basis points and there is an incentive fee of 5% over 6% hurdle. The first 6% goes to the investor and the 5% would go to the manager. The offshore fund is a plan offset fund. They are diversified fiduciaries and are qualified professional asset managers. They have never had an issue with not completing a contract with a manager. They look forward to continuing that run.

Mr. Nunez left the meeting at this time.

Rich Lesser, Vice President on the Sales and Marketing Team and Robert Duggan, Senior Portfolio Manager at SkyBridge make their presentation. They were in the office about six weeks ago and met with Mr. Chircut and Ms. Gomez. SkyBridge was founded in 2005 by Anthony Scaramucci who is Founder and Co-Managing Partner of Sky Bridge. Currently SkyBridge has approximately \$13.2 billion under management which is broken up into two business lines. First advisory lines where there are some hedge fund allocations for one large US global bank a \$4 billion relationship. The bulk of the assets is the discretionary side which is about \$9 billion which is comprised of series G which is about \$7.5 billion and the G2 which is the more diversified and less concentrated version which is about \$100 million and they have about \$300 million to \$400 million in separately manage accounts for some companies that cannot invest in a commingled product. They also have an offshore fund which is about \$1.5 million. Their headquarters are in New York. There are small offices in Zurich and Seoul, Korea for marketing. They recently opened an office in Palm Beach Gardens.

Robert Duggan informs that he is a partner of the firm and works on the portfolio side. There are three key objectives they seek to achieve when they construct their portfolios. First from a return perspective this is a multi-strategy fund investing across asset classes and across

different hedge fund strategies with the ultimate goal of hitting singles and doubles consistently to get to a competitive return over a four month cycle. This strategy is more of a long term approach and style with the goal of generating returns of 6% to 10% annualized over a market cycle which includes both the bull market and bear market generating competitive returns. The second key objective is to do this with significantly less volatility. The higher the number the more risky the asset class or the index is. The S&P has historically been about 15% or 16 % on the standard deviation basis. Their targeted standard deviation is 4% to 8% so a third to a half of volatility is what they are targeting. The third key objective is to have a low correlation and low sensitivity to major assets class. They do not always want to move in the same direction as equities this is done so by using a method called beta. They have been managing the portfolio with no turnover. They lost a junior analyst several years ago and that was the only lost they have had to their team.

They believe they are able to achieve continued goals moving forward. There are three philosophies they believe differentiate them from other fund of funds managers. First they run opportunity set driven or thematic portfolios. In the hedge fund industry the issue is that multi-strategy funds like themselves think they need exposures to all hedge fund strategies at all times and the hedge fund strategies coming out of the crisis have been disappointing because multi-strategies funds tend to be allocated to all strategies at all times. Two of the most popular strategies over the long term have been in global macro and long short equity space which have been two of the worst strategies over that time. Their portfolio has dynamically allocated to different hedge fund strategies and when they don't like strategies they aren't afraid to have zero percent exposures or to go to 30% or 40% with a limit of a maximum of 40%.

Every investment is supported by risk management, operational due diligence, and an ongoing monitoring process. SkyBridge issues formal research reports for each new investment with appropriate updates. SkyBridge takes an active and multi-dimensional approach to portfolio construction, seeking to minimize volatility and maximize returns through non-correlated risk exposures. The investment team establishes a top-down view of macroeconomic and geopolitical conditions in order to help identify market opportunities, set strategy performance forecasts, and determine strategic and tactical portfolio weightings. Portfolio management is dynamic and focused on the liquidity of the underlying funds. Due diligence pays particular attention to the opportunity set for each investment strategy and the fund's alpha/value proposition versus its peers. Operational due diligence has veto power over the investment team if necessary. Every investment is supported by risk management, operational due diligence, and an ongoing monitoring process.

Mr. West asks about the fee schedule. Mr. Duggan informs that there are two fund series which are G and G2. Series G2 is the more diversified less concentrated version and it has an 85 basis point management fee. Series G is 1.5%. The reason in the difference in fees is because the institutional fund has a \$25 million minimum investment for some of the plans that are unable to meet that they wanted to create another product with similar fee. The reason it is more diversified and less concentrated is due to the feedback from institutional clients that they wanted something more diversified. Series G is the flagship fund and Series G2 is the more diversified fund. Both strategies are run identical. They have the same fee discounts and the same transparency. Think of them as the same but one is less concentrated than the next with a lower investment fee. These two funds are from the lower cost. They do not have any public

plans in the State of Florida but do have many universities and institutional clients specifically in the Miami area. They do have an offshore fund. It is a 1% management fee and 10% incentive fee.

George Fox and Karl Chalupa of Titan Advisors make their presentation. Mr. Fox provides strategic leadership to the firm. He is one of the co-founders and is responsible for Titan's business development efforts. He actively engages in the firm's research and portfolio management process as a member of the Investment Committee. Titan is a 15 year old hedge fund of funds business. That is all they do. They have a little over \$5.2 million in assets under management. Their primary office is in Stamford, Ct. They are a firm that likes to keep things simple. The hedge fund space can be complicated. There is a broad spectrum of strategies where some are simple and some are more complex. Some use leverage and some do not use leverage. Some are highly structured. They don't believe in leverage being the driver of returns. Their target is 7% to 12% and they don't believe they need to use a lot of leverage to get there. They are big believers in liquidity but they are not big believers in highly concentrated portfolios. They are believers in mid-size hedge funds that respond as the market environment changes, which maneuver and are opportunistic. They are looking for managers that are good fundamentally. You are supposed to get active management of the capital and market savvy with a little trading acumen to get the volatility low. What he assumes they are looking at for this allocation is a piece of the overall portfolio which is not so correlated to the market news that will bring in returns and not lose anything if the market is difficult and reduce the volatility of the overall portfolio. All their managers control risk at the manager level. Every allocation they make is to a manager who is somewhat market savvy and can trade the portfolio.

Mr. Fox introduces Karl Chalupa. Mr. Chalupa joined Titan Advisors in August 2007 and is responsible for risk management. His duties include monitoring quantitative and qualitative measures of manager performance, and analyzing the portfolio structure and relative and absolute performance of Titan's funds-of-funds. He is also active in the portfolio construction process as a member of the Investment Committee.

Mr. Chalupa states that Titan hedge funds consist of diversified portfolios of nimble, opportunistic managers who share the goal of generating attractive, risk-adjusted returns independent of the major indices over time. The founders of Titan Advisors have remained true to their core tenets for more than 20 years, building and maintaining longstanding relationships with many successful asset managers, while continually identifying new talent. They employ sound judgment gained from substantial experience. Titan emphasis on capital preservation in difficult markets and have about 100 years of trading markets when combining their experience. Titan has a program that monitors the managers because the managers that control their asset size are generally better able to remain liquid and flexible. They don't need to take a lot of leverage and have found historically that the fund of funds that do take a lot of leverage by reaching for yield are the ones that have fallen. They have found that taking a lot of leverage is very dangerous prospect in the long term. They invest in managers that trade in liquid instruments and are able to move in and out of the markets very quickly. They don't like managers that bet the ranch in one or two positions because when they get it wrong they tend to go under. They have experience where they can identify managers that have an edge in their investment process and their risk process. They don't take a lot of risk in choosing their

managers. Once a manager is chosen for the portfolio they have a number of different programs to monitor how they do. When they hire a manager they have a certain expectation of what the manager will do in terms of returns, risk, and exposure. They have a program that monitors the manager across a number of different criteria and acts as a leading indicator of whether the manager has deviated substantially from what they expect them to do.

Mr. Fox comments that their philosophy is winning by not losing. They control downside well and get to a number over a cycle or two and they are very judicious and careful with their investors and client's capital. They appreciate the chance to come to the Board and chat about Titan.

Mr. Garcia-Linares left the meeting at this time.

Mr. West asks if Titan has any Florida public pension funds. Mr. Fox answers he does not believe they do but will get the answers and provide them to the Board. They do have a couple universities. Mr. West asks about the fee structure and the product delivery. Mr. Fox informs that they are talking about the Titan master fund which is a fifteen year commingled fund of funds. It has quarterly liquidity with 60 day notice that is completely transparent. The fees on the fund are 75 basis points and 10. The fund has been closed for the last year and a half at about \$2.25 billion. They have a little bit of capacity there because they had an investor redeem so they could build a custom fund for them. The fund is closing again. The Coral Gables system would be one of the last investors in the fund if they decide to choose Titan. It is an offshore account in the Cayman Islands.

Chairperson Hoff states that since so many Board members need to leave the meeting and they will be losing a quorum that he would like to defer making a decision until the next meeting.

Mr. Gueits and Dr. Gomez left the meeting at this time.

7. Investment Issues

Mr. West reports on the monthly performance. The plan is in very good shape investment wise. The fund picked up 1.12 % for the month and fiscal year to date they are at 6.8% very near the objective mark. There are no manager issues to report. For the month they opened at \$356,167,598 with contributions at \$9,665 and distributions for pension payments was \$2,400,028. Investment management fees were \$265,787 with other expenses at \$89,386. The investment earnings for the month in income was \$442,843 with an appreciation of \$3,792,645. The month closed with a market value of \$357,657,549.

Mr. Hill asks what the likelihood of the plan making 10% by October. Mr. West responds that he does not have the ability to do the calculation at the time but he will advise. There is sufficient momentum.

Mr. West reports on the quarterly performance. The total fund gross for fiscal year-to-date is 6.12% and the plan has moved into the top 11 percentile due to the higher weight in international and higher weight in real estate. Winslow is being monitored. Wells Capital has already made a turnaround from the last time they were discussed and they have no issue with

Wells. Winslow has been coming in average. It has triggered a couple of performance flags which is why they are being monitored. They are still comfortable with the manager's ability.

Mr. West suggests that they discuss the funding of the two new mandates at the June meeting. The new Investment Policy Statement will officially be in effect as of the June meeting.

Mr. West informs that all three candidates interviewed have been fully vetted by the research group and they are all top notch managers. They are well respected and have a long term track record with great stability of their senior management people. There is not a bad choice. The decision becomes what is the best fit for this particular plan. They are looking at three different aspects which are returns, preservation orientation and low correlation with existing investments. They tried to find the appropriate blend of those attributes. The down market capture is more favorable with SkyBridge then Titan then EnTrust. They ran their down market capture and compared the manager directly with the plan's policy allocation. They wanted to know if they add a hedge fund manager if it would make any difference to the current asset allocation. They want to know what the manager historically added to their asset allocation. From a return aspect they are looking to see if the manager adds to their asset allocations. They also want to bring in a manager that has a low correlation to their current total asset allocation. They anticipate the hedge fund managers' returns over time between equities and fixed income. They do not expect these managers to keep up with the equity markets. They have held off considering this type of allocation until the cycle has matured. If they are in the 7th inning it is their opinion that now is the appropriate time to start looking at managers and approaches that typically perform better late in the cycle and when the cycle rolls over. They know the up market capture is going to be way behind equity and they don't want to deprive the portfolio of those returns. It is a forward looking move. If they look at the portfolio analytics they are looking for an upside net addition over return to the portfolio's allocation. The upside mirrors the downside characteristics of these managers.

8. Old Business

There was no Old Business to discuss.

9. New Business

a. Sample Peer Comparison by MSCI Peer Universe & Management Fees. This item was deferred.

b. Ordinance definition of part-time employee as requested by Board member Elsa Jaramillo-Velez.

Ms. Groome asks for the item to be deferred when they have the full Board. Ms. Jaramillo-Velez informs that this item came up because someone had inquired from the Retirement Office about buying back their part-time service. In the past based on the City's ordinance for you to be a part-time employee it is 32 hours or less and that was changed to 29 hours or less in the City's Rules and Regulations due to the Affordable Health Care Act. The City ordinance still has a part-time employee at 32 hours so technically no one will ever be able to meet that definition. Ms. Groome adds that no one working the 32 hours was ever about to purchase that time when they became full-time because they have to work 32 hours for 52 consecutive weeks and no one was able

to have 52 consecutive weeks when they worked 32 hours. Back in the late 1980's The Commission amended the ordinance after some employees were able to receive their unclassified time when they became full-time employees.

10. Public Comment.
There was no public comment.
11. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, June 11, 2015 at 8:00 a.m. in the Police Community meeting room in the Police Station basement.

Meeting adjourned at 11:06 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER