

CORAL GABLES RETIREMENT SYSTEM
Minutes of May 12, 2025
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 A APPOINTED BY:
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Sean McGrover	-	-	-	P	P	P	P	P	P	P	Mayor Vince Lago
Alex Mantecon	P	P	P	P	P	P	P	E	P	P	Commissioner Castro
Juan Lucas Alvarez	P	P	P	P	P	P	P	P	P	E	Commissioner Ariel Fernandez
Vacant	-	-	-	-	-	-	-	-	-	-	Commissioner Kirk Menendez
Manny Carreno	P	A	P	P	P	P	E	P	P	P	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	E	P	P	P	P	P	P	Police Representative
Christopher Challenger	E	P	P	P	P	P	P	P	P	P	Member at Large
Sureya Serret	E	P	P	P	E	P	E	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	E	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	E	Labor Relations and Risk Management
Rene Alvarez	P	E	A	P	P	P	E	P	P	E	City Manager Appointee
James Gueits	P	P	P	P	P	P	E	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Finance Administrative Specialist	P = Present
Dave West, Mariner	E = Excused
Manuel Garcia-Linares, Board Attorney	A = Absent
Pete Strong, Gabriel Roeder Smith	
Edemir Estrada, Gabriel Roeder Smith	

1. Roll call.

Chairperson Diana Gomez called the meeting to order at 8:21 a.m.

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 April 10, 2025.
- 2B. The Administrative Manager recommends approval of the following invoices:
 - 1. Gabriel Roeder Smith invoice #493464 for administrative services during the month of April 2025 in the amount of \$24,141.82.
 - 2. Gabriel Roeder Smith invoice #493470 for actuarial services during the period April 1, 2025 through April 30, 2025 in the amount of \$29,314.00.
- 2C. The Administrative Manager recommends approval of the following Benefit Certifications: DROP – Susan Dacosta (General Excludable Employee - Confidential), Carmen Martinez (General Non-Excludable Employee), Ramon Alvarez (General Non-Excludable Employee), Carolina Alvizuri (General Excludable Employee - Professional), Alexander Engmann (Police Officer), Mabel Escalona (General Non-Excludable Employee), Juan Rivero (General Non-Excludable Employee); Vested Deferred – Naomi Levi (General Excludable Employee - Professional).

A motion to approve the Consent Agenda was made by Mr. Nunez and seconded by Mr. Easley. Motion unanimously approved (9-0).

- 3. Comments from Retirement Board Chairperson.

There were no comments from the Chairperson.

- 4. Items from the Board Attorney.

Mr. Garcia-Linares informed that he reviewed the agreement with PenChecks as requested by the Board. Based on the agreement, dated in August 2021, a 30-day notice needs to be provided in order to terminate services if the Board decides to do so. GRS reached out to Northern Trust and Northern Trust explained a new agreement will not be necessary because there is an existing agreement for custody services to the Plan stating they can cover additional benefit payment services; however, they need to be more specific as to which are those services and the cost. Ms. Estrada contacted Northern and confirmed they can take over and provide the same services PenChecks is providing at this time; their proposal included two free death searches per year and they would charge 15 cents per participant every month, in case the Board decides to request monthly death searches.

Chairperson Diana Gomez spoke briefly about the presentation made by Northern to the Board and parallel runs to ensure everything will work correctly. Then, validate 1099s for a two- or three-months period to avoid issues in the future. The main reason for the revision of the PenChecks agreement was to make sure that there were no legal concerns and when the Board could terminate the existing services. Mr. Strong reiterated that PensionSoft will need about three or four months to completely get everything coded correctly and programmed.

A motion was made by Vice Chairperson Mantecon and seconded by Mr. Easley to proceed and engage with Northern Trust as of January 1, 2026 for pension benefit payments and run parallels beginning October 2025, then terminate services provided by PenChecks once they have completed, issued and file all 1099s with the IRS prior to the deadline. Motion unanimously approved (9-0).

5. Items from the third-party Pension Administrator.

Ms. Estrada spoke about the email notifications Board members should have received from the State regarding the Financial Disclosure (Form 1) to be filed by July 1st. For questions related to that matter, Board members should contact the City Clerk however a reminder will be sent by the Administrator to Board members prior to the deadline with basic information on how to file electronically and fees that might apply to late filers.

6. Presentation of the 10/1/2024 Actuarial Valuation report by Gabriel Roeder Smith.

Pete Strong, actuary of the Plan, presented the October 1, 2024 Actuarial Valuation and spoke about the results. A lot happened including two different ordinances passed, one for Police and one for General employees (the first ordinance was already reflected as an impact statement that replaced last year's evaluation results; anything past after October 1 goes into this valuation); the investment return assumption also changed from 7.15 to 7.0; there was a 4% COLA that was granted to eligible retirees.

The Required City Contribution for FY 2026 (payable in-full on October 1, 2025) is \$25,123,161 vs. \$21,238,129 for the previous year. Prior to reflecting any changes, the required City contribution would have been \$21,784,812 (the combined impact of all changes increased the required City contribution by \$3.34 million, including: +\$0.92 million due to the change in investment return assumption from 7.15% to 7.00%, +\$0.42 million due to benefit changes for General Employees, +\$1.86 million due to the 4% retiree COLA, and +\$0.14 million due to method change). This method change will need Board approval.

Mr. Strong spoke about the actuarially determined contribution before assumption and plan/benefit changes. The normal cost went up because covered payroll went up about 10%. The total payroll last year was \$47.7 million and this year was \$52.5 million. The normal cost tends to stay a level percentage of pay, therefore the expected contributions from members also went up but not nearly as much as the total normal cost.

- Actuarial Value of Assets as of 10/1/2024 = \$497.22 million.
- Market Value of Assets as of 10/1/2024 = \$517.11 million.
- Rate of return on the Actuarial Value of Assets during the year ending 9/30/2024 was +8.2%.
- Rate of return on the Market Value of Assets during the year ending 9/30/2024 was +18.9%.
- The Actuarial Accrued Liability (AAL) as of 10/1/2024 is \$667,059,624 (vs. \$632,118,883 last year). The combined impact of this year's changes increased the AAL by \$23,190,716.
- LDROM (Low Default Risk Obligation Measure) as of 10/1/2024 (at 3.81% interest rate) is \$935,366,374.
- Funded Ratio as of 10/1/2024 = 74.5% (vs. 75.2% last year). This is based on the Actuarial Value of Assets. This funded ratio would have been 77.2% prior to reflecting this year's changes.
- Market Value-based funded ratio as of 10/1/2024 = 77.5% (vs. 71.1% last year). This funded ratio would have been 80.3% prior to reflecting this year's changes.
- Unfunded Actuarial Accrued Liability (UAAL) as of 10/1/2024 is \$169,839,044 (vs. \$157,014,720 last year). It would have been \$146,648,328 prior to reflecting this year's changes. On a market value basis, the UAAL is \$149,947,691 (vs. \$182,752,317 last year). The UAAL reflects the deposit of an extra City contribution of \$9.55 million to reduce the UAAL (deposited in October 2024). The additional contribution (plus some of the excess contribution reserve) was used to eliminate 8 amortization bases, which caused the required contribution to decrease by \$1.56 million.

There was an overall net Actuarial Experience (Loss) of (\$6.08) million during the year ended 9/30/2024. There was a partially-offsetting investment experience gain (on the actuarial value of assets) of about \$4.82 million and liability experience loss of \$10.90 million. The most significant sources of the liability experience loss are salary increase experience (average salary increases were 13.4% versus 4.8% expected) and mortality experience. The net actuarial experience loss this year caused the required City contribution to increase by approximately \$536,000. Page 4 of the 10/1/2024 Actuarial Valuation Report presents a good history of where the Plan has been and where it is now.

The actuarial liability has kind of stabilized for a while, while the assets kept increasing.

This year, the liability increased more than expected because of all the changes.

Mr. Strong spoke about the breakdown of the net actuarial experience gain/(loss). Mortality was also a pretty big contributor towards losses; mortality amongst retirees was about half than expected. Termination was an offsetting source of gain. There were 47 separations from employment and there's a big number of those on the Police side.

Next year, the mortality change is going to increase the liability about \$13 or \$14 million and increase the contribution about \$1.3 million. And in 2026 there is a negative \$8.7 million asset loss to phase-in and that is going to increase the contribution by about 8%.

The investment returns have been solid over the last 10 years.

A motion to approve the 10/1/2024 Actuarial Valuation and approve the method change was made by Mr. Gueits and seconded by Mr. Easley. Motion unanimously approved (9-0).

A motion to maintain the rate of return at 7% was made by Vice Chairperson Mantecon and seconded by Mr. Easley. Motion unanimously approved (9-0).

7. Investment Issues.

Dave West provided a mid-quarter update on things that have taken place beginning with the impact of the tariff standoff and shipping traffic. Garcia Hamilton has been positioned aggressively, making their portfolio more sensitive to changes in interest rates. Mr. West provided an overview of the recent changes and rebalancing and went over the allocation summary. Also, since it might be interesting to take a look at the relative standing of the overall market and growth versus value, Mr. West will bring in discussion charts for the next meeting.

An item of consequence was the euro; the dollar has somewhat gained a little bit from April. We were at \$1.15 by the euro; as of April, we're about \$1.13, and currency trading this morning in anticipation to the China deal also led to some additional dollar appreciation. Meanwhile, rates stay pretty much the same. The yield curve is back to a modest deepening.

After the most recent rebalancing, the portfolio has enough money to make all the required distributions until the City contribution comes in at the end of the year. Mr. West provided a summary on private investment; Taurus Private Markets with an inception IRR of 9.7%, and HarvbourVest with an inception IRR of 26.3%. Regarding the asset allocation, there might be another rebalancing suggestion at the next meeting.

As previously communicated, Receipt and Disbursement shows roughly 4% of total assets with \$19.4 million in cash; which is more than enough money to take care of all of the plan's net distribution now until the end of the year. Mr. McGrover had a question regarding having any commodities in the portfolio, to which Mr. West responded in the negative.

Mr. West had no action recommendations.

8. Old Business.

There was no old business.

9. New Business

Pete Strong briefly commented on a section of the Actuarial Valuation Report; a projection of the amortization of the Unfunded Actuarial Accrued Liability (UAAL) with vs. without the extra City payments. Without the extra City payments, it would take until 2043 or 2044 to be paid off. With the extra City payments, they're expected to be just eight to nine years away from full funding.

Mr. Garcia-Linares commented on a request received on the schedule of the next Joint meeting with the City Commission. The meeting is to be scheduled around September-October.

10. Public Comments.

Mr. Harry Pickering wanted to confirm the scheduling of the next Joint meeting with the Commission this year. Also, Mr. Pickering asked for clarification on whether two 1099s will be provided next year, to which Chairperson Diana Gomez clarified that only one 1099 will be issued and provided by PenChecks. His next question was on Commissioner Menendez, the recent appointment of Commissioner Lara and the vacant position on the Retirement Board. Mr. Pickering's last comment was a follow-up question regarding the projection of the amortization of the Unfunded Actuarial Accrued Liability (UAAL) with vs. without the extra City payments.

11. Adjournment.

Meeting was adjourned at 9:37 a.m.

APPROVED ON: _____