

CORAL GABLES RETIREMENT SYSTEM
 Minutes of December 13, 2017
 Institute for Cuban and Cuban-American Studies
 University of Miami Campus
 1531 Brescia Avenue
 Coral Gables, FL 33146

MEMBERS:	N	J	F	M	A	M	J	A	S	O	D	APPOINTED BY:
	16	17	17	17	17	17	17	17	17	17	17	
Andy Gomez	P	P	P	P	P	P	P	P	P	P	P	Mayor Raul Valdes-Fauli
James Gueits	P	E	P	P	P	P	P	P	P	E	P	Vice Mayor C. Quesada
Javier Baños	-	-	-	-	-	-	-	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	E	P	E	P	E	P	P	P	Commissioner Patricia Keon
Rene Alvarez	P	E	P	P	P	P	P	P	E	P	P	Commissioner Vince Lago
Joshua Nunez	E	E	E	P	E	P	E	P	P	P	E	Police Representative
Tom Zelenak	-	-	-	-	-	-	-	P	P	P	P	Member at Large
Carlos Fleites	-	P	P	P	E	P	P	P	P	P	P	General Employees
Troy Easley	E	P	P	P	E	P	P	P	P	P	E	Fire Representative
Diana Gomez	P	P	P	E	P	P	P	E	P	P	P	Finance Director
Raquel Elejabarrieta	-	-	-	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Manuel A. Garcia-Linares	P	P	P	P	E	P	E	P	E	E	P	City Manager Appointee
Pete Chircut	P	E	P	P	P	P	P	P	P	P	E	City Manager Appointee

STAFF:
 Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Dave West, AndCo Consulting

P = Present
 E = Excused
 A = Absent

GUEST:
 Miriam Ramos, City Attorney
 Jim Linn, Lewis, Longman & Walker, P.A.

1. Roll call.

Chairperson Gomez calls the meeting to order at 8:07 a.m. Mr. Chircut, Mr. Zelenak and Mr. Nunez were excused. There was a quorum. Chairperson Gomez welcomes everyone to the Institute for Cuban and Cuban-American Studies. He explains that his colleague and he co-founded the Institute in 1999 and it was opened in 2001. It became the premier institute on Cuban studies. He retired four years ago from the University of Miami and was asked to come back. This Institute has become very politicized. When he accepted the offer to come back, he advised that he would give them a return for six months. The six months has now come to an end and unfortunately, the University has taken so long to find someone to replace him that the building will be closing. He then explains that

everyone in attendance is receiving an early Christmas gift a book named Habaneros which depicts old Cuba.

2. Consent Agenda.

All items listed within this section entitled "Consent Agenda" are considered to be self-explanatory and are not expected to require additional review or discussion, unless a member of the Retirement Board or a citizen so requests, in which case, the item will be removed from the Consent Agenda and considered along with the regular order of business. Hearing no objections to the items listed under the "Consent Agenda", a vote on the adoption of the Consent Agenda will be taken.

2A. The Administrative Manager recommends approval of the Retirement Board meeting minutes for October 12, 2017.

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 \$2,750,000.00 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 October for the November 2017 benefit payments.
2. For the Board's information, there was a transfer in the amount of \$3,200,000.00 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 November for the December 2017 benefit payments.
3. For the Board's information:
 - Paul Goyette, Off Duty Coordinator for the Police Department, passed away on October 15, 2017. He retired on December 1, 2008 with No Option. His benefits have ceased.
 - Janet Croy, Communication Operator, passed away on November 19, 2017. She entered the DROP on November 1, 2006 and received her first monthly retirement benefit on June 1, 2007. She chose Option 2B – 50%. Her beneficiary started receiving post-survivor benefits on December 1, 2017.
 - Alvin Maestre, Police Officer, entered the DROP on May 1, 2015 and left the DROP on October 29, 2017. He received his first retirement monthly benefit on November 1, 2017 and was not affected by the IRS 415(b) limits for the 2017 year.

- Bart Barta, Police Lieutenant, entered the DROP on September 1, 2012 and left the DROP on November 26, 2017. He received his first retirement monthly benefit on December 1, 2017 and was not affected by the IRS 415(b) limits for the 2017 year.
 - Darnell Johnson, Foreman for Public Service – Landscape Services, entered the DROP on December 1, 2012 and left the DROP on November 30, 2017. He received his first retirement monthly benefit on December 1, 2017 and was not affected by the IRS 415(b) limits for the 2017 year.
4. For the Board’s information, the following Employee Contribution check was deposited into the Retirement Fund’s SunTrust Bank account:
- Payroll ending date October 1, 2017 in the amount of \$176,244.71 was submitted for deposit on October 6, 2017.
 - Payroll ending date October 15, 2017 in the amount of \$183,245.04 was submitted for deposit on October 15, 2017.
 - Payroll ending date October 29, 2017 in the amount of \$182,784.13 was submitted for deposit on November 8, 2017.
 - Payroll ending date November 12, 2017 in the amount of \$185,938.33 was submitted for deposit on November 16, 2017.
 - Payroll ending date November 26, 2017 in the amount of \$190,794.98 was submitted for deposit on November 30, 2017.
5. A copy of the detailed expense spreadsheet for the month of October and November 2017 is attached for the Board’s information.
6. For the Board’s information, a letter is attached dated October 17, 2017 from Richmond Capital stating that they hold no securities of companies represented in the scrutinized list produced by the Florida State Board of Administration.
7. A copy of a letter dated November 30, 2017 from Gabriel Roeder Smith regarding GASB No. 68 Disclosure Report is attached for the Board’s information.
- 2C. The Administrative Manager recommends approval for the following invoices:
- a. Gabriel, Roeder, Smith & Company invoice #433192 for actuarial services from July 1, 2017 through September 30, 2017 in the amount of \$11,962.00.
 - b. Gabriel, Roeder, Smith & Company invoice #434259 for actuarial services from October 1, 2017 through November 3, 2017 in the amount of \$14,860.00.

- c. The City of Coral Gables invoice #331929 for general liability insurance in the amount of \$1,268.76 (\$422.92/month) for the months of October through December 2017.
- 2D. The Administrative Manager recommends approval of the following Retirement DROP Certifications: Brian Lawrence (Police) and Gilberto Hernandez (Firefighter).
- 2E. The Administrative Manager recommends approval of the Independent Medical Exam of disability retiree John Norman (Police Officer). It is the opinion of Dr. Fernandez that that Mr. Norman continues to be unable to perform his duties as a Police Officer and should continue disability status.

A motion was made to approve the Consent Agenda by Mr. Baños and seconded by Mr. Garcia-Linares. The motion was unanimously approved (10-0).

- 3. Comments from Retirement Board Chairperson.
Chairperson Gomez had no comments.
- 4. Discussion of the 2018 COLA determination letter submitted by Gabriel Roeder Smith.

Chairperson Gomez welcomes the new City Attorney, Miriam Ramos, and congratulates her on her new position. He opens the floor to her. Ms. Ramos thanks the Board for welcoming her to the meeting. She informs that she was the Deputy City Attorney for the past two and a half years and she has to extend her apologies in not ever making it to a Retirement Board meeting during that time. She explains that Craig Leen briefed her as much as he could on this issue before leaving to Washington, D.C. She informs that Jim Linn is also in attendance for any questions from the Board members. Ms. Ramos states that she will be attending as many Retirement Board meetings as she can and that her office is available to help in any way possible. Craig Leen and Alan Greenfield had a great working relationship and she is looking forward to continuing that with not only the Mr. Greenfield but with the Board Chairperson and Board members as well. Chairperson Gomez comments that the Board looks forward to working with the newly appointed City Attorney.

Chairperson Gomez informs that the net rate of investment return on the market value of assets during the year ending September 30, 2017 was calculated to be 14.5%. Therefore, the cost of living increase is eligible to be granted on January 1, 2018 in the amount of 2.25%. Mr. Baños states that his main concern is for the overall Pension Plan versus the effect of any particular individual. He does not agree that the COLA should be granted for 2018 mostly because the plan is on a negative tract and just because one year was in the positive does not mean they can go ahead and afford the COLA. He explains that he would vote “no” in approving the COLA for 2018. However, he would like to table the item until further notice or at least until there is a clearer indication as to what will

happen with the settlement agreement. Mr. Gold comments that he was under the impression that the agreement since the last Board meeting was that no decision would be made until the current COLA litigation is finalized. Ms. Ramos informs that it is also the City's request to delay a decision until there is further movement regarding the COLA settlement. Mr. Greenfield feels that a decision on this item would be premature. There is a hearing scheduled for February 26, 2018 in regards to the propriety of the settlement agreement in regard to whether the court will accept it or not. There will also be further things to happen thereafter and so he believes there should be enough flexibility to wait until the appeal periods and for any other situations involved are completed. Chairperson Gomez asks if the litigation will be done by January. Mr. Greenfield answers negatively. Ms. Ramos estimates that litigation will be done probably in the summer of 2018. Mr., Garcia-Linares asks if the class members have already been certified. Ms. Ramos answers negatively. Mr. Garcia-Linares asks if they are going for preliminary approval at this point. Ms. Ramos replies that everything has been sent out and the mailing is complete. Ms. Groome points out that she is currently receiving mail in from those who want to opt out of the settlement. Mr. Garcia-Linares comments that the Class must be finalized then for settlement purposes and there has been a preliminary approval to settle. He states that they must be just waiting for the final approval hearing. Ms. Ramos agrees.

A motion was made to delay a resolution on the 2018 COLA until June or earlier resolution of the case was made by Mr. Banos and seconded by Mr. Garcia-Lianres. The motion was unanimously approved (10-0).

Chairperson Gomez informs that he met with the City Manager which is something he tries to do periodically and with the Mayor who appointed him. He tries to keep them both aware of the health of the Retirement System and continue to improve the working relationship of the Board with City Hall. He encourages all appointed members to speak with their Commissioner and to continue to give them feedback and let them know that the Board is always open to them attending the meetings and to their comments and suggestions.

5. Items from the Board Attorney.

Mr. Greenfield states that he is thrilled to be at the Board meeting. He had his last chemo treatment on Monday. He took tests yesterday and should know soon if the chemo therapy has been working or not. He feels very positive that cancer is not going to beat him. He thanks everyone for their well wishes and support and wishes everyone Happy Holidays.

Mr. Greenfield reports that there are a few claims they have made regarding retirees who passed away but the Retirement Office was not notified of their passing. There are two cases in probate and he believes he will be receiving payment on both. He attended Ms. Ramos' Swearing in Ceremony and it was a very touching event. He knows that they will be able to work well together and will be able to come up with what is best for the

retirees. He points out that the winter school for the FPPTA is approaching and he recommends that all Board members should attend. The education is in Orlando for three days from January 28th to the 31st.

Mr. Greenfield informs that the compilation of Ms. Groome's evaluation was sent to the Chairperson. Her evaluation was very good. There were things that could not be added into the evaluation. There were very nice comments that were listed on her evaluations.

Mr. Baños asks about the Retirement System's Office space. He knows that the conversation has come back and forth and there was supposed to be some looking into other spaces that are not City spaces. Chairperson Gomez replies that the issue is still being discussed and he has spoken with the City Manager. Mr. Greenfield replies that he was told to not move forward until there was some further discussion that was to take place. Chairperson Gomez replies that the issue was that there were a few facilities that were looked at but he personally had an issue with signing a three year contract. Also, there was an issue on whether this Board was an independent Board and if the City Manager needed to be the signee on the lease. Mr. Greenfield explains that the Property Attorney for the 457 Building questioned the Board's ability to enter into a contract. He pointed out the City Charter provisions that allowed the Board to do this but only if the City would give a letter acting as a guarantor. He spoke with Craig Lee who had agreed to draft the letter but Craig is no longer working for the City. Mr. Baños comments that he has no problem with a three year lease because the Board will continue to exist unless it stops in the next three years. Mr. Gold agrees. He believes they could get greater concessions by signing a longer lease.

Chairperson Gomez asks what the amount was for the office space. Ms. Groome responds that it was \$32.00 a square foot for the 565 square foot office. Mr. Garcia-Linares asks Ms. Ramos if there is any space in the City that is available. Ms. Ramos replies that she needs space for her own office and there is no space that she is aware of. Mr. Gold thinks that the lease should be for at least five years. The Administrative Manager's job is not disappearing and there will be someone in Ms. Groome's position whenever she retires. Mr. Fleites comments that he was doing some work in the building at 2506 Ponce de Leon and the building is completely empty. He is unaware of what the City's plan is for the building but he does know that the building is empty. Ms. Ramos states that there is some talk of either the Economic Development Department or the Historic Resources Department moving into that building.

Chairperson Gomez replies that based on the comments from the Retirement Board he will move things forward. Mr. Gold asks what will need to be done to move things forward. Chairperson Gomez answers that they need to look into different options. Mr. Baños suggests that Ms. Groome provides two spaces that she likes and that are convenient and reasonably priced. Mr. Gueits asks what the City perspective is on signing a lease for the space in the 457 building. Mr. Zelenak thinks they should go forward with signing a lease. Chairperson Gomez would like to look at other possibilities.

6. The Administrative Manager recommends approval of the Gabriel Roeder Smith additional fees due to the Florida Division of Retirement's new requirement that actuaries submit the annual actuarial report on their new online reporting portal as required for all Florida municipal plans.

Ms. Groome informs that the State of Florida has mandated that all Actuarial Reports be placed on their portal by the actuary therefore; GRS has to charge the Board an additional fee for this service.

A motion to approve payment to GRS to upload the Actuarial Report on the Florida Division of Retirement's portal was made by Mr. Baños and seconded by Mr. Gold. The motion was unanimously approved (10-0).

7. Investment Issues.

Mr. West reports on the November investments. The fund is off to a great start. The total fund for the fiscal year to date is already up to 2.75%. For the year ending November 30th the fund was at 18.10% and they have moved ahead of the target policy which was at 16.43%. On a three year basis, the fund was annualizing at 8.20% and on a five year basis the fund was annualizing at 9.92%.

Mr. West informs that the managers that continue to outperform are Eagle and the International equity funds. The fixed income managers' interest rates have gone back up and so bond prices have gone down. The fund continues to be hugely underweight to the maximum and so far fiscal year to date you can see that the domestic fixed income is showing a negative total return again. It is nicely offset on the continued investment into the alternatives. All those strategies continue to deliver pretty positive returns. Mr. Gold asks why the Tortoise management returns are not listed. Mr. West responds that they had not received the November 30th numbers from Tortoise yet. Since Tortoise is a private equity structure they are calculating the rate of return in a different way and they have to consider the cash out flows, capital calls and the distribution that come back and require a different calculation.

Mr. West reviews the fiscal year cash flow for November. The total fund as of October 1, 2017 was at \$373,274,198 which is almost about half a million dollars in income. As of November 30th they are at \$404,628,803 with a running balance. He believes the fund is positioned where it needs to be. He is recommending continuing being at the maximum underweight in domestic fixed income and those monies are allocated to the overweight in real estate and other assets. Mr. West is not recommending any changes.

Mr. Banos asks if the domestic fixed income allocation should be amended in the policy. Mr. West answers negatively. He explains that it is a longer term policy and they feel they have a sufficient flexibility within the ranges so they can move prudently within policy guidelines. Mr. Banos is concerned about a market correction. Mr. West explains

that everything they are doing is within the policy. The fund is moving into an even better economic environment for productivity and corporate earnings. They are overweight in the correct areas and underweight in the correct areas. When the time comes for the inevitable correction, the plan is well positioned and diversified enough to be in a good position.

Mr. West reviews the quarterly report ending September 30th. The purpose of this brief discussion is to go over the peer groupings of the system and the individual managers and the compliance checklist. As of September 30th, all investments are in compliance. From a performance stand point the total fund was at a gross of 15.48% for the year putting the fund in the top third percentile of public funds. This included small funds, billion dollar funds, closed funds and open funds. The median rate of return assumption is right around 7.5%. With this asset allocation you can see the total fund policy came in at 13.07%. The asset allocation that they are driving pushed this up into the top 29th percentile.

Mr. West continues. Eagle Capital is doing very well and is out performing their benchmark. MD Sass is a much more volatile manager from a performance standpoint. Their performance has been way over or way under the benchmark. When they do the math, it all depends if they are over when they do the point to point but their long term accumulative results have netted the fund additional returns above and beyond the benchmark. A more recent snap shot has nicely been ahead about 36th percentile but when they average in the three year and the five year performance numbers, they are on the three year out of compliance by underperforming and on the five year they are about even to the benchmark in the 65th percentile. AndCo has had exhaustive discussions with this manager and there are very nice offsets to Eagle Capital. They continue to advocate staying with MD Sass and understanding the performance volatility. It is his recommendation to stay the course with this manager.

Mr. West informs that if there is any manager on the list that the Board would like to move forward with is probably Winslow. Just looking back at the past history they have done okay but the same thing could have been done with an index fund. He thinks the Board should stay the same course and wait to see what happens with this manager especially in the growth arena since they are an active investor and see how it plays out for a couple more quarters.

Mr. Banos asks if Mr. West is making a recommendation to change the manager or is he recommending staying the course for a couple of quarters. How long has Winslow not been performing to par? Mr. West replies that by par he would define as the index and they are shooting par for almost their entire history. He is not recommending a change at this time. Mr. Banos states that it sounded as if he did. Chairperson Gomez comments that he did not take it as a recommendation for a change. Mr. Banos explains that he has had a previous experience with Mr. West were he wanted a change a manager and then later said that a decision wasn't made to make a change the manager when he could have. He wants to be very sure and very clear about his comments regarding Winslow. If Mr.

West is not sure of a particular investment then the Board should make sure that they are aware of the manager not meeting their benchmark. He does not want to be at a meeting in the future and Mr. West tells the Board that they should have chosen a different manager. Mr. West understands.

Chairperson Gomez believes that Mr. West has been very open with the Board and he understands Mr. Banos' point. Mr. Banos states that it seems the manager has not done well for the last two years. Chairperson Gomez states that if there was a better option then he is sure Mr. West would advise the Board of that option. Mr. Gold comments that Mr. West is simply saying that the manager has been placed on a watch list of managers and that AndCo has a list of managers that can be replacements. They do lots of research and due diligence on the managers and Mr. West is just keeping the Board informed. Mr. Baños explains that in the past, when he was on another Board, there was a situation that had occurred between himself and Mr. West where a manager had four quarters of underperformance and at that time there was a decision made by the Board.

Mr. Gueits asks what Winslow's strategy is in regards to other managers. How does Mr. West feel it fits in with what they are doing? Mr. West replies that his research team is fully endorsing and recommending this manager. This manager is a great fit with Wells Capital because they are a broad cap growth manager. Their portfolio is managed very differently and provides a nice offset in approach and they are a little thematic in their approach in putting their package together. They shift their emphasis as the cycle goes along. It is a very different approach and a more stable approach but a nice pair up with Wells Capital. Mr. Gueits informs that he is much more comfortable now since he has heard Mr. West's explanation. Chairperson Gomez and Mr. Garcia-Linares agree. Mr. Banos replies that he is not but for the sake of time will allow Mr. West to continue with his presentation.

Mr. West continues shifting to international equity. For the year, WCM was under the benchmark but their three year number was very strong at 9.94% which is way ahead of their benchmark. RBC is one of the best managers in the business up 9.11% on a three year performance. This manager has delivered incredible returns. Both Richmond Capital and JK Milne outperformed the benchmark for the year. PIMCO DISCO is way ahead of the benchmark at 11%. The real estate investments are very long term. They look good in certain parts of the cycle and do not look good in other parts of the cycle. However, they are definitely getting the job done for this fund. Mr. Gueits asks if DISCO winding down. Mr. West replies that it was supposed to but it continues to find opportunity and continues to be a huge beneficiary of the recovery.

Mr. West advises that the Black Rock Multi-Assets fund is up 7.97% which is a little behind their benchmark on the rolling three and five year periods so they need to give this fund more time. PIMCO Tac Ops did excellent at 8.12% for the three year period. Titan came in a little low at 3.02% for the quarter. There is no three year or five year number for Titan at this time since they were brought on in 2015. Mr. West completes his

presentation. He comments that it is truly a pleasure to work with this Board and he greatly appreciates the opportunity.

8. Old Business.
There was no old business.
9. New Business.

Chairperson Gomez thanks Mr. Zelenak for his time serving the Board. He announces that former Board member Randy Hoff will be returning in 2018.

- a. Public Pension Coordinating Council recognition of the Coral Gables Retirement System meeting professional standards for plan funding and administration as set forth in the Public Pension Standards for 2017.
 - b. Retirement Board meeting dates for 2018. Ms. Groome announces that the Board meeting will continue to be held on the second Thursday of each month. Ms. Gomez asks for the invitations to the Board meeting to be sent as email calendar invites. Ms. Groome agrees and will do so as soon as she secures a location to hold the meetings.
10. Public Comment.
There was no public comment.
 11. Adjournment.

The next scheduled regular Retirement Board meeting is set for Thursday, January 11, 2018 located at the _____ at 8:00 a.m.

Meeting adjourned at 10:17 a.m.

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER