

CORAL GABLES RETIREMENT SYSTEM
 Minutes of June 21, 2018
 Police Community Meeting Room
 2801 Salzedo Street – Police Station Basement
 8:00 a.m.

MEMBERS:	J	A	S	O	D	J	F	M	A	M	J	APPOINTED BY:
	17	17	17	17	17	18	18	18	18	18	18	
Andy Gomez	P	P	P	P	P	P	P	P	P	P	P	Mayor Raul Valdes-Fauli
James Gueits	P	P	P	E	P	P	P	P	E	P	P	Vice Mayor C. Quesada
Javier Baños	-	P	P	P	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	E	P	P	P	E	P	P	E	E	P	Commissioner Patricia Keon
Rene Alvarez	P	P	E	P	P	E	E	P	E	P	E	Commissioner Vince Lago
Joshua Nunez	P	E	P	P	E	P	P	P	P	P	P	Police Representative
Randy Hoff	-	-	-	-	-	P	P	P	E	P	P	Member at Large
Carlos Fleites	P	P	P	P	P	P	E	P	P	P	P	General Employees
Troy Easley	P	P	P	P	E	P	P	P	P	P	E	Fire Representative
Diana Gomez	P	P	E	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Manuel A. Garcia-Linares	P	P	E	E	P	P	P	P	P	P	P	City Manager Appointee
Pete Chircut	P	P	P	P	E	P	P	P	P	P	P	City Manager Appointee

STAFF:
 Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan Greenfield, Board Attorney
 Dave West, AndCo Consulting
 Pete Strong, Gabriel Roeder Smith

P = Present
 E = Excused
 A = Absent

GUESTS:
 Mayor Raul Valdes-Fauli
 Commissioner Vince Lago
 Commissioner Mike Mena
 Commissioner Pat Keon
 Cathy Swanson, City Manager
 Gustavo Ceballos, Assistant City Attorney
 James Skinner
 Jesus Cordero
 John Baublitz, FOP

1. Roll call.
 Chairperson Gomez called the meeting to order at 8:09 am. Mr. Easley and Mr. Alvarez were excused. Commissioner Vince Lago, Commissioner Mike Mena, Commissioner Pat

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Keon and City Manager Cathy Swanson were present. Assistant City Attorney Gustavo Ceballos attended the meeting on behalf of City Attorney, Miriam Ramos. Chairperson Gomez greets each Commissioner present and the City manager. Ms. Ramos and Board member Javier Banos participated in the meeting via conference call.

2. Joint meeting with the Mayor, City Commission and City Administration discussing the current status of the Retirement System and recommendations looking forward for the betterment of the System.

Chairperson Gomez announces that this is the third year in a row that there is a joint meeting between the City Commissioner and the Retirement Board. He looks forward to hearing the Commissioners' input and is happy that the Commissioners took time out of their busy schedules for the meeting. He would like to provide Mr. Strong, the Board's actuary, and Mr. West, the Board's investment consultant, about five minutes each to bring everyone up to date with the status of the Retirement System.

Mr. Strong opens the discussion informing the actuarial value of assets as of 10/1/2017 was \$365.9 million. The market value did well in 2017 and the market value of assets as of 10/1/2017 was \$378.9 million. The rate of return on the actuarial value of assets during for the year ending 9/30/2017 was 9.4%. The rate of return on the market value of assets during the year ending 9/30/2017 was 14.3%. The actuarial accrued liability or AAL as of 10/1/2017 was \$592.7 million vs. \$574.1 million from last year. This includes the impact of the COLA Settlement (2013/2014 COLAs), which increased the AAL by \$14.4 million, and a change in the investment return (IR) assumption from 7.75% to 7.65%, which increased the AAL by \$5.1 million. The funded ratio as of 10/1/2017 was 61.7% vs. 60.8% last year. This is based on the actuarial value of assets. For a while he recommended lowering that current rate assumption however capital market outlook has come down in terms of what is expected to be earned. In the past when fixed income was generating 4% to 5.5% given where interest rates are now even 7.65% is still on the high side and so it has been recommended to bring the assumed rate of return down slowly. The first step was made this year moving 10 basis points. That move added about \$5 million to the liability and the COLA settlement added about \$14.4 million. The funded ratio would have risen to 63.8% prior to the changes of the basis points and the granting of the COLA. This funded ratio would have been 63.8% prior to reflecting the adjustments mentioned above. The m value-based funded ratio as of 10/1/2017 was 63.9% vs. 60.2% last year. This funded ratio would have been 66.1% prior to reflecting the adjustments mentioned above. The unfunded actuarial accrued liability or UAAL as of 10/1/2017 was \$226.8 million vs. \$224.9 million last year. The UAAL would have been \$207.3 million prior to reflecting the adjustments mentioned above. This reflects the deposit of extra City contributions of \$3.35 million to reduce the UAAL, deposited in October 2017. The required City Contribution for fiscal year 2019, payable in full on October 1, 2018, is approximately \$25.1 million. There was an actuarial experience gain of \$8.6 million realized during the year ended 9/30/2017 and approximately \$5.8 million was due to the return on the actuarial value of assets.

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Mr. Strong makes the following recommendations: they continue making extra payments toward the unfunded actuarial accrued liability and that they lower the investment return assumption further, at least incrementally. Based on the current asset allocation and forward-looking capital market assumptions, the probability of earning 7.65% compound average over the next 20 years is only 35%. The 50th percentile, median of average expected compound returns over the next 20 years, is 6.62%. The Plan's current 7.65% assumption is at the high end of what can be considered reasonable. Bringing the rate of return assumption down will aid in not continuing to build up an unfunded liability as they try to pay it down.

Mayor Valdes-Fauli arrives to the meeting at this time.

Chairperson Gomez greets the Mayor and thanks him for joining the meeting. He asks for Mr. Strong to remind all those in attendance what the average funded level is in the State. Mr. Strong replies that a ball park figure would be in the low 80's and the Coral Gables Retirement plan is at 61.7%.

Mr. Banos comments that he would like the Commission to be aware and understand that what Mr. Strong is saying that the Actuarial Report in front of them is a rosier picture than what the current state of the plan is in. The 61% number takes an assumption that was only about a third chance of happening. The 7.65% rate of return assumption is way too rosy and that is why he is recommending bringing it down and that is why the Board is periodically bringing it down. In reality, the plan is actually less funded in his opinion.

Mayor Valdez-Fauli asks what happened to cause the fund to be in its current state. Mr. Strong explains that most of the unfunded issues are due to adverse investment experiences from 2000 to the 2010. The average return was about 3.5% to 4% in returns. Commissioner Keon comments that there were two hits. Mr. Strong continues that those two negative years wiped out the good years. Commissioner Lago asks what can be done to ensure that everything in his power is done to reverse the negative effects that have increased the unfunded liability. He asks what the actuarial rates Mr. Strong deems appropriate so that a similar issue does not happen again. Mr. Strong states that recessions happen and they cannot predict when a recession will happen. Mr. Lago asks Mr. Strong what rate of return he would like to see for the plan. Mr. Strong responds that he would like to see the plan at 7% and possibly 6.75%. Mr. Lago asks what would be the ramifications of being around 7%. Mr. Strong replies that going from 7.65% to 7% would increase the contribution by roughly \$2.5 million.

Ms. Swanson comments that if all of the extra money would be rededicated then also there is the adjustment of the mortality rate. Mr. Strong agrees that that has already been adjusted. Ms. Swanson understands but it all costs the fund and the assumptions have been revised somewhat. Chairperson Gomez believes it is important to address that the City has been gracious enough to kick in extra money. Ms. Swanson explains that is a Commission policy. Chairperson Gomez states that the investment returns have been great and the plan has been very lucky. However he sees investments as a plus and not a way to catch up. The pension system will not change by adding \$3 million dollars here

and there. There is a policy issue that will need to be addressed moving forward. There were many bad decisions before any of the members on the Commission or any Retirement Board members were even here. Being a citizen of the City of Coral Gables and in talking to many other residents he knows that the citizens are completely unaware of what status the Retirement System is in.

Commissioner Mena asks if the extra funds paid by the City are effectively bridging the gap. Mr. Strong answers affirmatively. The extra payment is funding where the required contribution would be if the investment return assumptions were down.

Commissioner Keon asks how often do you see those two dips in the investment returns, There were two recessions within a very short period of time 2001 and 2008 which was within a ten year period and even with smoothing it didn't look good. The other thing is a COLA was granted by a Commission that probably should not have been granted. These were three hits that are not seen very often and if they act responsibly as a governing body and capital markets do not do this again they should do better. Commissioner Mena states that the issue is comparing where the plan was to where the plan is and if something of that sort happens again it would be catastrophic.

Mr. West informs that his firm began business with the Coral Gables Retirement System a year before the financial crisis started which was in 2007. The issue here clearly is that the plan is unfunded and the unfunded liability that has been accrued represents roughly 90 cents on the dollar of the annual City Contribution and the other 10 cents goes to pay for the normal costs. The purpose of investments is to continually be the larger source contributing to pension costs and market volatility needs to be minimalized and the risk taken needs to be mitigated as much as possible. What is paramount is the volatility of the City Contributions and the approach with the Board has been to be a very careful and conservative approach. The most recent financial crisis was truly severe and different and so they should expect for the recovery to last longer. The agreed purpose of the investment portfolio is to achieve the rate of return assumption, mitigate as much risk as possible and hopefully minimize volatility on the City contribution. The purpose of the investment portfolio is not to make enough money to close the unfunded gap. His firm's purpose is to achieve the target rate of return with minimal expense. There are not enough assets that if they were to embark on an aggressive program. The whole idea is to exceed the actuarial return by a wide margin and then to bank those dollars. Mayor Valdes-Fauli does not believe it has crossed anyone's mind to do that.

Mr. Banos thinks that the rate of return should be anywhere from 6.5% or 6.75%. This is essentially a reverse mortgage and it keeps on getting worse. Eventually, to solvency but that is just too far ahead. The basic question is the fund needs more money to ensure that the plan reaches a goal of resolution. Policy makers need to sit with the City Manager and truly decide if this type of benefit is one that you want to continue to guarantee and provide to your unionized workforce. There are many things that could happen such as closing the plan or restructure in ways so the City is not as burdened with this liability. Even with the money given the plan is still unsustainable to a large extent. So the real question is will the Commission go back to the unionized workforce and restructure these

benefits that the City has guaranteed because in his opinion it is becoming just way too expensive to manage. Commissioner Keon asks is it a viable option to end this program. She adds that she has read the minutes and heard this from this gentleman before. There is no response. Commissioner Keon asks again and Mr. Strong replies if the program was to end there would still be the unfunded liability. Commissioner Keon asks again if that is a viable option, to close the plan. Mr. Banos answers affirmatively. Chairperson Gomez answers he would say no.

Ms. Swanson states that the current workforce has had a reduction in their benefits and increases in their contributions toward their pension. The City also has a 401 plan for new employees, which is an option for those employees to join rather than stay in the defined benefit plan. The city actuary Mike Tierney advised that as long as the City can reduce their pension obligations the better it is in terms of employee self-selection. The Board and the City together have made bold actions to try and rectifying the issue.

Chairperson Gomez believes there are options that the Commissioners will need to look at to help close that gap. He is opposed to bonds as an option because he does not want to mortgage his daughters' and grand-children's futures that live in the City of Coral Gables. That is putting a band-aid on a twelve inch cut and it will continue to bleed. This problem will not go away and there are no easy decisions.

Commissioner Keon comments that continuing the conversation on closing the plan serves no good purpose. Mr. Banos disagrees. Commissioner Lago also expresses disagreement. He is not saying he is for closing the plan but he does believe that there needs to be all types of conversations. He adds that if any Board member has something they would like to discuss and bring before the Commission to not feel as though they cannot or that it will be shutdown. He would like to listen to every option in the book. He explains that he is not a pension expert and depends on staff and the Retirement Board to make decisions in regard to the plan whether those ideas have or have not worked in other cities. Commissioner Keon agrees. Once those options have been discussed and made viable then the discussions should be on viable points and not to keep hitting on issue that are not viable at this time because it is a waste of time. Ms. Gomez adds that closing the plan is an option. It is an expensive option initially but eventually you would just be done with it. Commissioner Lago restates for the record that he is not saying he is in favor of that but he does have many questions. He asks for examples of other cities and what were the results.

Mr. Strong informs that in Palm Beach they didn't completely eliminate the pension but radically reduced it. They withdrew from the Chapter 175 and 185 and they saw a mass exodus of Firefighters and Police Officers. Within two years they saw over 40% of their workforce leave to go to other cities. They had to train new people, bring new people in and there were huge staffing gaps. Commissioner Mena asks how many employees they have. Mr. Strong replies they are half of the size of Coral Gables. They have about 250 to 350 employees. There was an article written about it. Commissioner Lago asks for Mr. Strong to send the article to everyone. He thinks it would be great for everyone to read the article.

Ms. Gomez comments there are options but they could be expensive. The city has done a lot in improving the plan. There was an additional \$11 million contributed to the fund in the last few years. This year there was an additional \$4.5 million but due to the COLA lawsuit it absorbed some of that money. There was still roughly \$2.5 million additional funding. Lowering the investment rate of return would just sky rocket the unfunded liability and ideally make everything look horrible. Not to mention the annual contribution amount would increase. She believes it to be unwise to address everything at the same time. A lot has been done over the last few years and everyone should be proud of the accomplishments made. Drastic changes do not need to be made. Mr. Strong adds that the investment rate of return used to be 9% and it was brought down to 7.65% which is what also increased the unfunded. Ms. Gomez advises that the Board had agreed to decrease the basis points each year by 5 basis points depending on how well the investments do each year. Commissioner Lago asks how the Retirement System rates in comparison to other surrounding cities. Mr. Strong informs that the average right now for all of their clients is about 7.25%. Some have lowered to as much as 7%.

Mr. Banos addresses Commissioner Keon's question adding his experience is with the City of South Miami which is a smaller workforce they do not have Firefighters. In 2010, while he was the Board's Chairperson for South Miami's defined benefit plan, they chose to exempt Police and closed the plan to general employees. At that time the plan was around 72% to 75% funded. As of last year the plan is 105% funded. They allowed any members who wanted to opt-out to get their contributions back. He reiterates that it is expensive in the beginning but in the long-term it is cheaper. He then addresses Ms. Gomez's point adding that she is not wrong when advising that the Retirement System is on the right path and fixing the issue eventually. But there is not enough money being put into the fund and the assumptions are being made that are too rosy at the present moment for budgetary reasons. It is a function of several factors and very much something that should be on the table. If there is another recession this could place the plan in a much worse position than it is currently. Commissioner Lago asks Mr. Banos if he saw a massive migration of employed leaving to go to other cities. Mr. Banos answers negatively. It was a different job market there were not as many choices out there and unemployment was not 3.8%. They exempted people more prone to leave which were the Police because the City didn't have Firefighters. He saw a mass exodus of people wanting their money back because they needed the money right away. This is something that should very well be on the table. The Coral Gables Retirement System is probably one of the worst plans in Florida or at least it was a few years ago. Mr. Strong disagrees that it is the worst plan in Florida. There are some pretty significant size plans that are 50% funded or less. Commissioner Lago asks is it safe to say that Coral Gables Retirement is one of the 10 worst pension plans in Florida. Mr. Strong replies that he would say the plan is in the 75th to 80th percentile looking at all 400 plans throughout the State with the best plan being in the top 10 percentile and being fully funded the Coral Gables Retirement System is in the 75th to 80th percentile. Chairperson Gomez asks what are some of the factors besides investments that have caused many of those plans to be unfunded. Mr. Strong replies a lot of the same factors that have happened with Coral Gables. Some plans that are the best funded now have always been very conservative.

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Plans that have always used a 7% or a 7.5% return assumption rate even through the 1990's and the 2000's are well funded. This plan used a 9% assumption rate until 2003. Benefit increases were milder in those plans whereas COLA's were given in this plan.

Mayor Valdes-Fauli comments that some have said that we should end the plan and it will be expensive but in the long run the plan will be fine. Everyone went through the recession and most plans are better funded. This plan is not and he believes the benefits had a lot to do with that. He believes that they need to concentrate on contract negotiations as well as other steps that will need to be taken to increase contributions to the plan. It is not something that will be fixed in a year or two.

Ms. Swanson asks Ms. Gomez how many City employees new to the City have elected to participate in the 401k plan versus entering the City's pension. Ms. Gomez answers that it is over 50%. Ms. Swanson states that she is very open to exploring options but does not think that the idea of closing the plan or moving to FRS is an option when they have introduced a 401k with no cash match required at 7% and higher if it is the Director level. They have been able to recruit. For the Town of Palm Beach to have that much of an exodus it would put a City in turmoil and so other options need to be explored to make a meaningful change. To disrupt the workforce to that level she certainly could not recommend that. She suggests that there be a conversation in regards to the 175 and 185 plan funds distributed in other cities.

Commissioner Mena asks how they can increase the percentage of employees entering the 401k plan. Commissioner Keon believes that the answer would be that as new hires come in they keep offering the 401k plan. Commissioner Lago adds perhaps there should be incentives for those who sign up for the 401k plan instead of the defined benefit plan. Ms. Swanson predicts that in the last three years since introducing the 401k plan about 90% of the nonpublic safety employees are enrolling in it. She believes a factor is how long the employee sees being employed with the City.

Chairperson Gomez advises that he is going to recommend the Retirement Board members come up with ideas and alternative ways or suggestions by looking at other cities and seeing what they have done to help the fund. They will make those recommendations to the Commission by the end of this calendar year. This is the third joint meeting between the Commission and the Retirement Board. He believes the meetings are progressing well and serious policy issues are starting to be discussed. A time frame is to be put together and then represented to the Commission at a later meeting.

Mr. Gold agrees with Ms. Gomez's comments that the City has made great stride in the past three or four years to make greater contributions to the plan and since his start on the Board there has been great work in the Commission and the Board working together. He believes that Mr. Banos is right when he talks about the issues. They are paramount. Looking at the different issues there are so many that are significant but what is most vital is writing bigger checks. How those funds are accounted for is all left hand pocket right hand pocket accounting issues but getting more funds to close the gap is most

important. Mayor Valdes-Fauli replies that the City is not going to raise taxes and so if that is the only solution it will not happen. Mr. Gold replies that the solution is more money into the plan but he doesn't know how it will come. Chairperson Gomez states that as a citizen of the City of Coral Gables he would not be happy seeing his taxes increased however, he knows that most of the City's residents are unaware of what state the pension is in.

Ms. Swanson responds to the commissioner's question on what can be done to increase the amount of persons entering into the 401K. She advises that the City could study it and see what departments are not choosing the 401k so that it can be promoted better. They could raise the benefit or even require it so that new employees have to do that. Commissioner Lago asks how will having employees sign up for the 401 affect the plan. Ms. Swanson replies that the IRS has informed that this could not be done with existing employees. She advises that they looked at that option and understand that it's not the big picture but it is a small piece that can add up to big pieces. She will have Ms. Gomez obtain the details and break it down by department so that the 401K can be sold better. Chairperson Gomez asks how many employees are in the City. Ms. Swanson states that there are 1,076 employees including part-timers. They have 850 full-time employees.

Commissioner Mena agrees with not increasing taxes however he does believe that there needs to be a long hard look at the budget to see what can be done because this should be a top priority. Ms. Gomez expresses that paying down the unfunded liability is taken very seriously by the City. Ms. Swanson adds that they are also growing the emergency reserves and that is index increased as well.

Mr. Garcia-Linares points out that that taxes are not being raised but as property value increases so do property taxes. Those additional funds should be taken to pay down the unfunded. It is a viable option to start solving the problem. He asks if other cities have cushions. That is something that the City did not do was have a cushion and there were not additional moneys being put into the plan. There was no cushion during the recession which made situations worse. The City made lower payments every year. Ms. Gomez states that the City paid the minimum contribution requirement. Mr. Garcia-Linares comments that the City paid less. Mr. Gueits agrees. It's like paying the minimum of \$25.00 to your credit card. Ms. Swanson comments that the important factor is that the City is now paying more than the minimum requirement. Mr. Garcia-Linares agrees. Mr. Nunez comments that the City of Clearwater is 100% percent funded. During the recession they dropped to about 80% but due to having many assumptions in place they were able to bring their plan back to 100%. Mr. Strong states that Clearwater is actually 105% funded and their investment rate of return was always at 7% or 7.5% and never higher. Ms. Swanson asks if Clearwater is a client of GRS. Ms. Strong answers affirmatively. Ms. Swanson asks if Mr. Strong is able to obtain further information on that City. Mr. Strong answers affirmatively. When many cities were taking a contribution holiday Clearwater had a policy in place that their minimum contribution was that the City pay 7% even when their contribution requirement was zero.

Chairperson Gomez states that he knows the Commissioners have a lot of other important things to do for the day. The Board will continue the discussion further and will put together some suggestions and present them to the Commission at a later meeting. Mr. Garcia-Linares recommends having another joint meeting sometime before the year end. Commissioner Lago informs that he is open to have a joint meeting every quarter. Ms. Swanson recommends that they have a joint meeting earlier than in June to allow time for funds to be allocated before the budget is put together rather than when the budget is being finished. Mr. West points out that the Plan's investment program has consistently ranked in the top decile as far as performance goes across the Country. Chairperson Gomez thanks the Commission and City Manager for their time and conversation.

The joint meeting adjourned at 9:30 am.

The Regular Retirement Board meeting is called to order at 9:35 a.m.

3. 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.

3A. The Administrative Manager recommends approval of the Retirement Board meeting minutes for May 17, 2018.

3B. 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 \$2,900,000.00 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 May 2018 for the June 2018 benefit payments.

2. For the Board's information, the following Employee Contribution check was deposited into the Retirement Fund's SunTrust Bank account:

- Payroll ending date May 27, 2018 in the amount of \$181,154.49 was submitted for deposit on June 1, 2018.
- Payroll ending date June 10, 2018 in the amount of \$183,446.99 was submitted for deposit on June 19, 2018.

3. A copy of the detailed expense spreadsheet for the month of May 2018 is attached for the Board's information.

4. Attached for the Board's information is a copy of a letter from Lalantika Medema of PIMCO informing that DiSCO II will be returning 25% of capital to LPs on or about September 13, 2018.
 5. Attached for the Board's information is a report from the Berwyn Group showing that one death record was found from the current list of retirees' Social Security numbers as of June 14, 2018. A letter of verification has been sent to the family and carbon copied to the Board Attorney.
 6. A copy of an Impact Statement letter dated June 1, 2018 from Gabriel Roeder Smith regarding an ordinance change including Gap Members in the COLA determination provisions for the fiscal year ending September 30, 2017 and for each year thereafter is attached for the Board's information.
 7. A copy of a letter from Gabriel Roeder Smith regarding calculations to determine the first-year financial impact of the cost-of-living adjustment (COLA) of 2.25% effective January 1, 2018 if granted to Class Members and "Gap Members" who have been in receipt of benefits for the full year preceding January 1, 2018 is attached for the Board's information
- 3C. The Administrative Manager recommends approval of the following invoices:
- a. Gabriel, Roeder, Smith & Company invoice #438515 dated May 11, 2018 for actuarial services for the month of April 2018 in the amount of \$26,840.00.
 - b. Gabriel, Roeder, Smith & Company invoice #438862 dated June 8, 2018 for actuarial services for May 1, 2018 through June 1, 2018 in the amount of \$13,864.00.
- 3D. The Administrative Manager recommends approval of the following applications for purchase of other public employer service time:
- a. Jorge Rivas of the Police Department requesting to buy back 2 years, 11 months, 23 days (1,090 days) of other public employer service time.
 - b. Wilfredo Diaz of the Police Department requesting to buy back 3 years, 22 days (1,120 days) of other public employer service time.

A motion to approve the Consent Agenda was made by Mr. Gold and seconded by Mr. Hoff. Motion unanimously approved (11-0).

4. The Administrative Manager requests approval of the lease between Alhambra Circle Investments LLC and the Coral Gables Retirement Board for office space at 147 Alhambra Circle, Suite 215, Coral Gables, FL.

Mr. Greenfield informs that he and Ms. Groome have been working on several items. Mr. Greenfield informs that he has been working on the lease for the office space with Ms.

Groome. He has negotiated with former Commissioner Kerdyk who is the owner of the space and he has been very reasonable. Mr. Garcia-Linares asks if it is a five year lease. Mr. Greenfield confirms that it is a five year lease but it could be a two year lease. Chairperson Gomez asks if he could further explain. Mr. Greenfield explains that there is a provision in the lease that states that in the event Mr. Kerdyk decides to sell the building but he will not do that for at least the next two years. Mr. Kerdyk has owned the building for a very long time and has no interest in selling it and the building is not on the market. Mr. Garcia-Linares asks for a provision in the lease to be added that if the Retirement office decides to outsource that the lease can be broken. Mr. Greenfield replies that the lease reads that the lessor or lessee has the right to terminate the lease at any time after two years. They will be moving in August 1st.

A motion to approve the lease was made by Mr. Hoff and seconded by Mr. Garcia-Linares. Motion unanimously approved (11-0).

5. Items from the Board Attorney.

Mr. Greenfield continues. He has been working with the new auditor, Verdeja, and his group. A draft was prepared and there were lot of provisions that were not included in the contract along with Ms. Groome suggestions and they were shared with them. The contract has been drafted and needs the Board's approval. Chairperson Gomez advises that Mr. Greenfield and Ms. Groome brought up many great provisions to be added to the contract and he will go in whatever direction the Board suggests. If the Board would like to review the contract, he can wait. He informs that he feels comfortable with the contract.

A motion to approve the contract for Verdeja, De Armas & Trujillo, LLP CPA Firm was made by Mr. Garcia-Linares and seconded by Mr. Hoff. Motion unanimously approved (11-0).

Mr. Greenfield reports that there was a problem that surfaced at the beginning of the year. There were over payments made on recipients in the pension plan. He explains that there has always been a little problem with persons passing on and checks already being in the mail or the direct deposit already sent. Generally, contact is made with those persons and eventually they work things out. There was only one that Ms. Groome was unable to work out and it was sent over to the Police department. However what happened in the beginning of the year was not normal. This abnormality with three retirees in particular comes to about \$120,000. One of the cases was a death in 2014 and payments were made until 2017. Ms. Groome had been doing a death check monthly to a service that she was using through GRS. The death check never picked up those three persons who passed away. Mr. Greenfield advises that the Retirement System probably wouldn't have notice if GRS had not gotten out of the business of the third party service. Ms. Groome had to find another service and when she did that companied advised her that those three retirees were deceased. As normal procedure, Ms. Groome and Ms. Coffy send letters to the next of kin when incidences of this matter occur. Several of the people responded and would like to pay the funds back. One person in particular promised to make a fairly large

payment and did not. Chairperson Gomez states the amount is about \$60,000. Ms. Coffy informs that it is \$62,000 to be exact. There has now been discussion on the liability on how and why did this issue occur. Mr. Greenfield advises that they may or may not be able to recover the funds from these people. He informs that he has been reviewing the contract with GRS and he believes there is liability on the account of GRS and so with consultation with the Board Chairperson and Ms. Groome a formal demand letter has been sent to GRS. They have a month to respond and he is awaiting a response. He believes that they will ultimately work things out.

Chairperson Gomez asks what legal actions if any can be taken against those families who continue to collect funds. Mr. Greenfield replies that is something he must discuss with GRS but there are avenues they can take to collect on those people who owe the Retirement System. Ms. Groome replies that the benefits have ceased. Chairperson Gomez understands that those funds have been cut. Mr. Banos states that Mr. Greenfield provided the paperwork to him at the last meeting and he reviewed the contract. It specifically says that there is not guarantee on the information provided. He further adds that is a problem and he does not see much of a resolution to the issue. He wishes he knew about the issue much earlier in the year rather than learning about it in August. Seven months has now been wasted and his recommendation was to hire a person to do collections and try to go after as many of these families or beneficiaries as possible.

Mr. Greenfield explains that he also sent the details to the other attorneys on the Board, Mr. Garcia-Linares and Mr. Gueits, and their opinions differ from Mr. Banos' opinion. He advises that he does not believe it is appropriate for this Board to discuss. Mr. Banos is arguing a position that would be taken by GRS and he feels that further discussion on the matter should not be had as it is inappropriate because it can be a part of a lawsuit. Mr. Hoff asks for further discussion to cease. The conversation sounds like an Executive Session and it should not be occurring on the record.

Mr. Hoff asks Ms. Groome for clarification on exactly what happened. Ms. Groome explains that the Retirement System paid persons who when they pass away the benefit is to stop. The death checks did not come back correctly and this caused the issues of over payment. Mr. Hoff states that it sounds like criminal cases. Ms. Groome informs that Ms. Coffy has been working to get one of the cases paid with one of the detectives and has reached a wall. Detective Christenson interviewed Mr. Kinder and she determined that he made a mistake and that she didn't believe he had done it intentionally. Mr. Hoff advises that he will have one of the officers get in touch with the Retirement office. The issue was tabled.

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

Mr. Greenfield reminds the Board to complete Ms. Groome's evaluation. He has received four evaluations out of thirteen. Chairperson Gomez reminds the Board of the annual filling with the State of Florida they must do as Board members.

Mr. Greenfield explains that he has been assisting participants with QDRO's and there has been more than usual. He also informs that the court approved for the Claim against Virginia Paul's Estate and that payment should be received soon.

6. Presentation of the 10/1/2018 Actuarial Valuation report by Gabriel Roeder Smith.

Chairperson Gomez asks Mr. Strong if there is anything further that he would like to add that was not discussed at the earlier meeting. Mr. Strong informs that there are a few extra points that he would like to make. The assumed rate of return was lowered to 7.65% per year but the target needs to be 7%. The assumption change resulted in \$428,820 increase in the cities required contribution and an increase in the UAAL of \$5,112,631. Doing assumption math he explains that it would take roughly \$2.5 million to do down to 7% and the target needs to be 7%. For the first time, this policy is reflecting all of the adoptive changes made in 2017 including amortizing benefit changes of employees. Benefit changes are amortized over 10 years and actuarial experience gains or losses are amortized over 20 years. There was a net actuarial gain of \$8,574,453 since the last actuarial valuation. The gain resulted from a higher investment return. The investment return was 9.4% based the actuarial value of assets versus the expected investment return amount of 7.75%.

Mr. Strong advises that something he did not discuss in the morning meeting was that salary increases were higher than expected this year. That was an offsetting source of loss just shy of \$1.8 million. Ms. Gomez comments that there was a compensation study done and those were the reasons behind the major jump in salary increase. Ms. Elejabarrieta adds that a lot of vacancies were filled as well. Mr. Strong continues. Mortality was a source of gain of \$4.5 million dollars across all groups. The investment experience was about a \$5.76 million dollar hit. He believes the investment return assumption was discussed enough so he will not further discuss it. Chairperson Gomez believes the topic needs to be revisited once everyone returns from summer vacation. Mr. Strong adds he knows there was discussion on only lowering the investment assumption incrementally if there was an experience gain on assets. He thinks that is something that should be done even if there are no gains. If they wait for gains on assets, they could be waiting two or three years. Ms. Gomez reminds the Board that it was the Commissions suggestion when she brought the matter up at a Commission meeting. The City is making extra payments and the extra payments are doing what in effect the requirement would do. Mr. Banos agrees. He believes in lowering the assumptions from 25 years to 20 years. He believes that Mr. Gold was correct earlier that more money needs to be put into the plan. He also thinks the assumption rate should be brought down to 7%. Ms. Gomez comments that there is a resolution for lowering the assumption rate. Mr. Banos responds that they can change the resolution. Ms. Gomez agrees but it is in the resolution and she feels to just start discussing changing the investment return assumption again is disrespectful to the Commission because they have had these conversations and they came up with a timetable. It has only been a year and they have lowered the assumption rate 10 basis points already. Chairperson Gomez comments that the discussion is not to be disrespectful to anyone. He thinks that Ms. Gomez's point is well taken and he does believe it is part of the big overall strategy. Mr. Gueits states that it is very likely after

putting the Board recommendations down to decide to become more aggressive in their contributions and let's see what happens. Mr. Hoff asks what would be the additional contribution if the rate was to go down to 7%. Mr. Strong replies it's an additional \$2.5 million. Mr. Hoff asks if the City is paying more than required does it really matter. Mr. Strong responds that the State has been coming down on many of GRS's clients to lower their assumption rate. It is a nationwide issue. Even FRS has been lowering their assumption rate due to pressure from their investors. Mr. Hoff comments that this is basically pulling levers. Mr. Strong agrees. Mr. Hoff believes that the overall concern is getting more money.

A motion to approve the 10/1/2018 Actuarial Valuation report by Gabriel Roeder Smith was made by Mr. Hoff and seconded by Mr. Gueits. Motion unanimously approved (10-0).

7. Investment Issues.

Mr. West gives a brief overview of the investments. As of fiscal year to date the fund is at 6.48% and is ahead of the policy benchmark. All managers are actively ahead of the benchmark. He has no asset allocation recommendations.

8. Comments from Retirement Board Chairperson.

Chairperson Gomez believes that the meeting with the Commission was a very useful and a fruitful one. The invitation he heard from the Commission, especially from Commissioner Mena and Commissioner Lago was to come up with recommendations in moving forward. He would like to appoint a few people that can come up with a set of variables that can be brought back to this Board. They can then discuss them and flush them out to be taken to the Commission. Chairperson Gomez requests for Mr. Gold, Mr. Banos and Mr. Hoff to come up with variables with a time frame to be discussed at the August board meeting and that Mr. Gold will chair the meeting.

9. Old Business.

There was no Old Business.

10. New Business.

Ms. Groome asks if the Board can designate an amount to spend on furnishing the new office. Mr. Hoff recommends up to \$10,000. Chairperson Gomez concurs.

A motion was made by Mr. Hoff and seconded by Mr. Gold to allow the Retirement Office to use up to \$10,000.00 for furnishing the new office space with any excess needed be approved by the Chairperson. Motion unanimously approved (10-0).

11. Public Comment.

There was no Public Comment.

12. Adjournment.

Meeting is adjourned at 10:38 a.m..

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER