

CORAL GABLES RETIREMENT SYSTEM
Minutes of October 16, 2013
Youth Center Theater/Auditorium
405 University Drive
8:00 a.m.

MEMBERS:	S	O	N	D	F	M	A	J	A	S	O	APPOINTED BY:
	12	12	12	12	13	13	13	13	13	13	13	
Andy Gomez	-	-	-	-	-	-	-	P	P	P	P	Mayor Jim Cason
Manuel A. Garcia-Linares	P	E	P	P	P	P	P	P	P	P	P	Vice Mayor William H. Kerdyk, Jr.
Bob Campbell	-	-	-	-	-	-	-	E	E	P	P	Commissioner Patricia Keon
Jon G. Ridley	-	-	-	-	-	-	-	-	P	P	P	Commissioner Vince Lago
James Gueits	P	E	P	P	P	P	P	P	P	P	P	Commissioner Frank C. Quesada
Joshua Nunez	-	-	-	-	-	-	-	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

STAFF:

Kimberly Groome, Retirement System Administrator	P = Present
Diana Gomez, Trustee/Finance Director	E = Excused
Alan E. Greenfield, Board Attorney	A = Absent
Dave West, The Bogdahn Group	

GUESTS:

Craig Leen, City Attorney

Ken Harrison, Sugarman & Susskind, P.A.

Chairperson James Gueits calls the meeting to order at 8:12 a.m. There was a quorum present. Mr. Campbell was not present at the start of the meeting.

1. Roll call.

Craig Leen, City Attorney, states that at the City Commission meeting the Commission conveyed a message that the Board would want to consider is that in choosing an actuary, in the spirit of cooperation, they were wondering and hoping that this Board would take input from City staff in particular Mike Tierney regarding the RFP. Obviously this is an independent Board but they thought it might be useful particularly since Mr. Tierney is a very well respected actuary and the City has input that instead of the Board making their final decision today that after considering the RFP that they would consider staff input. They thought it might be useful. Mr. Garcia-Linares asks if Mr. Tierney will be present at the meeting to hear the presentations. Mr. Leen responds that he will not be at the meeting. He thinks that the Commission was hoping that since Mr. Tierney knows all the actuaries that they would be able to look at the resume and the materials. Another suggestion they had was to use a scoring system similar to what the Procurement Department uses to help in the comparison. In the end there is recognition that this is an independent Board and they are responsible for choosing their actuary. Under the Code the connection to the City is that the Board is supposed to give notice to the City Manager in choosing the actuary and he thinks that in giving notice that they would ask for his input as well. That was what he was asked to convey. The Commission is happy the Board is looking

at an actuary and would like to provide any support they can.

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. Report of Administrative Manager.

2B. Submission of Bills.

1. Crain Communications Inc. invoice no. 695731 dated September 16, 2013 for Request for Proposal advertisement in the Pensions and Investments magazine and online in the amount of \$1,281.00.
2. Goldstein Schechter Koch invoice #107563 dated September 16, 2013 for Audit services for the year ending September 30, 2012. This invoice is in accordance with engagement letter signed by the Chairperson on September 14, 2012.
3. Foster and Foster Actuaries and Consultants invoice #5359 dated October 3, 2013 for final DROP distribution certifications in the amount of \$1,000.00. This invoice is in accordance with engagement letter signed by the Chairperson on October 19, 2012 which was terminated September 25, 2013.

A motion was made by Mr. Hoff and seconded by Dr. Gomez to approve the consent agenda. Motion unanimously approved (8-0).

3. Items from the Board Attorney. (*Agenda Item 4*).

Mr. Greenfield informs that there is not too much to report. He doesn't have anything to bring before the Board today. They have had the normal issues during the course of the month. Mr. Garcia-Linares noticed that in the Administrative Manager Report that there was a class action proceed statement. Does Northern Trust let him know what is going on when a class action is filed? Mr. Greenfield responds that when he gets the report he sees it. Ms. Groome informs that Northern Trust files class actions on the System's behalf automatically unless they need paperwork which is sent to Mr. Greenfield.

4. Investment Issues. (*Agenda Item 5*).

Dave West reports on the performance of the plan. The estimated total return for the plan for the fiscal year is 13.29% which beat the actuarial target. Once they get the final numbers in from the alternatives and real estate fund that number will be higher. The investment grade bond portfolio traded at a negative 1.44% so if they were at a generic 60/40 stock/bond type portfolio they are dependent upon 40% of plan assets in that investment grade bond portfolio helping them to get to the actuarial required rate of return and it turns out this year it took away.

The Board did diversify out of that. If you look at the contributors to the fiscal year rate of return the real estate portfolios were at 16.2%. The managed futures product did not perform well for them. The PIMCO Disco II fund was at 17%. The two global bond strategies were positive returns. All of the active domestic equity managers came in at the policy benchmarks. This plan has a more conservative equity allocation than the rest of the universe. They are about 5% lighter in equities than other plans. When they compare this plan's numbers to the grand universe approximately during the period of time when equities were the best performing asset they are going to be struggling to keep up with their peer group who have a higher portfolio asset allocation. Since they moved so aggressively out of their investment grade bond portfolio which turned out to be into very constructive alternative investments it is sufficient enough to carry the lack of equity to end up with a favorable peer group comparison. They will be recommending a strategy shift in November.

Mr. Campbell arrives to the meeting.

They opened the fiscal year with \$276,623,709. Contributions for the year was \$23,624,753. Distributions for the year was \$29,925,066. Management fees were \$1,616,739. Investment earnings is broken down in income which comes from real estate, operating earnings from fixed income, income coupon and stock event for the year was \$7,661,092. They had a nice appreciation of \$32,238,943. Investments generated around \$40 million to the pot so at the end of the fiscal year they are at \$308,455,905. Mr. Garcia-Linares asks how their management fees compare to other plans. Mr. West responds that they are in line toward the lower end. Given the type of investments they are in and given the total assets since they are in index funds with active management they are about in line to the lower end.

Dr. Gomez would like to hear from the Investment Committee about the process of selecting the three finalists. Mr. Campbell states that he thought they had a good meeting. They looked at and reviewed all the proposals. They looked at their business, their retention and checked references. They looked at their overall experience. They invited all six to be available for questions from the Investment Committee and four of them made themselves available. They took all of that into consideration and selected three finalists. Mr. Hoff adds that they all looked at different things and the amazing part of it was without any debate at all each one of the individual top three finalists were everyone's top three finalists. They all independently, separate from each other chose the three that the Board is interviewing today. Mr. Garcia-Linares asks what distinguished them from the others. Mr. Hoff replies that he looked at a lot of different aspects of it. He went through all of the proposals and just looked at the different aspects. There was a question about their ties and experience in Florida. And individually ranked them on their experience in that area. They didn't really put a whole lot of consideration on the fee structure because all of their fee structures were very close. Instead of it being a cost factor it was more of quality versus the actual costs.

5. Selection and qualification of candidate presentations for actuarial services.

Buck Consultants

Joe Griffin of Buck Consultants is a director out of the Atlanta office. He has been serving clients for over 15 years and has spent a lot of time in the Florida market and he is passionate about retirement systems in the State of Florida. This particular State is very well educated.

Stuart Sainvil of Buck Consultants is a senior consultant and project manager. He has 14 years of experience. He provides service to clients in private and public sectors. As project manager his role is to develop a project plan to make sure that deliverables are completed on schedule and within budget. He works with a team of analysts and review their work and monitor the progress to make sure they are schedule and on track. One of the analysts who will be working with them is David Campbell. He is one of the elite analysts and has 10 years of experience. He has significant experience in the Florida market and he is dedicated to working in the Florida market because he understands the Statutes, the regulations and the intricacies of working in this market.

Mr. Griffin informs that Buck was founded in 1916 by George Buck to provide actuarial services to public sector pension plans. They were recently acquired by Xerox. Buck has over 3,000 clients and operates throughout all 50 states. They service over 200 state wide public retirement systems. This is one of their core businesses. It is important to them. As far as Florida, he spends a lot of time in spring and late winter in Florida going to Board meetings. He has clients in South Florida like Miami Beach and North Miami Beach, which is a new client.

They have dedicated public sector specialists. They have a collaborative local and national team. Most of the concentration for him is in the State of Florida. They have a rigorous peer review in the Actuarial Valuation Process. The data is collected; it is run through their system and checked. Then that valuation goes out to a group of actuaries in their New York office. There are about five to six of them and they all have about 20 years of experience. Their job is to go through the whole valuation and look for ideas for improvement. They have a few client facing teams. If you ever need them just call and they will get it taken care of. They like to provide a personal touch. They like to get to know their clients and know the issues they face. They try to structure their consulting around that. Being a part of Xerox they have the best tools and technology available to them to bring forward on behalf of the Board. Mr. Sainvil points out is the fact that so many actuaries don't know how to communicate to non-actuaries. You are excited by mortality tables but they are. Their job is to bring that down to a level where you understand what goes into the calculations and how it affects the retirement system and the funding of the retirement system. They make sure that their communication is clear and concise. That it makes sense and is not in technical jargon.

Mr. Sainvil states that they have a process at Buck in terms of getting information they need to make that is based on the criteria used to come up with an assumption. They look at historical data like retirement rate, salary increases to see a pattern to see the experience overall. They also look at current information to see what an appropriate assumption would be going forward. The past assumptions are not necessarily relevant for future assumptions. They consult with the board and City Staff to make sure they understand if the assumptions would make sense for your population. They like to look at the collective bargaining agreements to help in selecting certain assumptions. They want to make sure their assumptions are consistent and make sense for the long term. They want to make sure the assumptions are reasonable. Mr. Campbell asks who makes the decisions on the assumptions. The actuary or the Board? Mr. Griffin informs that it is a collaborative effort between the actuary and the Board. They have actuarial standards and practices they must follow to guide them on the selection of those assumptions but ultimately they have to work with the Board and the Board approves the assumptions. Mr. Hoff asks what is to stop the Board from telling them as the actuary that they want to use an unrealistic actuarial assumption. Mr. Griffin responds that he is not going to put his professional credentials on the line to put an assumption that is not reasonable. At Buck they have an Actuarial

Standards Committee he can go to and present these situations. He has dealt with this issue head on before and he has a very special team he can refer to.

Mr. Sainvil states that under Florida Statute when you have a proposed plan change the actuary will put together an impact statement to look at the impact on the accrued liability and the unfunded liability of the plan as well as the annual contribution requirement. That is required. They like to look at forecasts and see what the impact would be five years, ten, fifteen years down the line. Some of these short term changes may seem insignificant in the short term but in the long term may have huge financial implications for the system. They also like to look at things in combination with the assumptions. If you change plan provisions that can have an effect on the assumptions selected.

Mr. Sainvil explains that their general approach to evaluating investment return/assumption rates is usually a collaborative process between Buck, the Board, City Staff and the Board's investment consultant to come up with what they think is a reasonable investment assumption. Typically the investment consultant performs the analysis and Buck will review the analysis to make sure it meets the appropriate standards of practice and it is a reasonable assumption. If the Board would rather engage Buck to perform the analysis they also have an investment consultant department that several other firms do not have called Buck Global Investment Advisors. They are well suited and well positioned to do these types of analysis. Generally they found that the Board's investment consultants were the ones performing the analysis and they would perform a review of that analysis.

Mr. Campbell asks if they think 7.75% is a valid investment return. Mr. Griffin responds that he has not specifically looked at the System's investment allocation but the most common rate is still 8% for plans in the State of Florida. The assumption rate is really specific to your Investment Policy. Mr. Garcia-Linares asks if any of their other clients in the State of Florida received a letter from the Division of Retirement asking them to specifically look at certain assumptions. Mr. Griffin responds that they perform a comprehensive study at least once every five years. He doesn't know if any of their plans have gotten that letter. They may have gotten some feedback about a salary assumption maybe being a little aggressive. They like to look at that once every five years and that is a standard that they really want to make sure they are putting forward the best long term assumptions. Mr. Garcia-Linares asks what they consider to be a good percentage to be funded at this time. Mr. Griffin responds that every actuarial valuation is designed to get a plan to 100%. Most of the plans they work on are about 80% funded.

Mr. Campbell asks where this plan stands in comparison to other plans they work with. Mr. Griffin replies that this plan is below average in comparison to the other plans they work with. Sainvil explains that one of the things pulling the plan down is that they are using the asset smoothing method which basically doesn't allow the plan to recognize the gains they have had over the last couple of years. They have had a solid year from 2011 to 2012. They had a nice return but they don't get to reflect that because of the asset smoothing method. They are actually carrying some losses from four or five years ago. As those years drop off and they continue to have good asset performance they will start to see a nice recovery. Mr. Garcia-Linares asks if they are in favor or against the asset smoothing method. Mr. Griffin thinks the asset smoothing method is a great thing to dampen the volatility but unless you forecast out into the future at least five years you will not see what type of impact a year like 2008 would have on the system. Mr. Garcia-Linares asks if they use a smoothing method with their clients. Mr. Griffin informs that they do use a smoothing method but they show a five year projection to show where you are heading.

Mr. Griffin thinks the plan's biggest challenge is the scrutiny that the plan is under. GASB 67 and 68 is coming into plan and the unfunded liability will be will now be on the City's balance sheet and it will be on market basis. You are going to have scrutiny from the public, the tax payers and bond holders. You need to have an actuary in place that will help you understand those issues. Mr. Garcia-Linares believes that is a challenge for the City and not the plan. Their goal is to make sure there is enough money for the retirees. What happens to the City in regards to their bond holders is really a challenge for the City. Mr. Griffin understands but it also puts pressure on the Board to make a rate of return of 7.75%, to make sure they look at their assumptions and making sure you have an actuary in place who will help you get from 60% funding to 100% funding and who is forecasting out over five years so everyone knows where they are headed.

Mr. Griffin informs that every one of their valuations requires making 415 forecasts. There are two pieces to it. One is the funding aspect and the other is calculating individual numbers. They have software that is customized to individual plans. It takes into account the plan's' actuarial conversion factors and the ones that are in the statute. It takes into account the form of payments that is offered to members. It is not a single calculation. They have to know about the plan and individualize the software to the plan. Once they do that then they set it up so it is a natural routine that will review the 415 calculations. Each member will have their own calculation. Once a calculation comes in and someone has entered the DROP they will calculate the likelihood if they will have 415 issues if they stay for a period of time. They project out the DROP balance and then they have to convert it to an equivalent annuity and add it to the annuity that they receive when they exit DROP and then compare it to the 415. If someone just retires they will do the 415 calculation at that point.

Mr. Hoff asks if there is something that their Administrator can use and plug in numbers and see if someone would be affected by the 415 limitations to let the employees know so they know how to make their plans for the future. Mr. Griffin states that these calculations are highly individualized. They can give the Administrator a tool that will let them know if the 415 will come into play. They would empower the Administrator with some parameters when she runs the calculations she will have some thresholds to compare to the 415 limitations. They can set up some parameters which will let the Administrator know if the 415 limitations will affect the employees going into the DROP or retiring.

Mr. Easley asks if they work for the Board or City for their other clients. Mr. Griffin responds that most of their contracts are directly with the Board and not the City. Mr. Easley states that they will look at the plans assumptions. What is the time frame they would indicate that they would need an Experience Study? Mr. Griffin responds that they would normally wait about five years to do an Experience Study. Mr. Hoff asks when their transition time is. Mr. Griffin responds that it normally takes about six to eight weeks. It depends on how timely they get information from the Administrator and the prior actuary.

Mr. Greenfield asks how flexible Buck is in regards in negotiating the contract. He read the sample contract and he does not like it. How flexible are they in negotiating and who do they negotiate with? Mr. Griffin informs that he can put him in touch with the specific person who handles the contract. That was their sample contract. They are flexible in regards to format and they have been able to successfully negotiate their contracts. There is a provision in the contract in regards to limiting Buck's liability towards the work they do and it is his

understanding that it has a lot to do with the fact that their competitors of their size also starting asking for that. Mr. Greenfield informs that the sample contract states there is a limit of liability to the extent of what they have received from the Board. Regardless of what the consequential damages are, there are none. Mr. Griffin states that it is something they can negotiate with the Board.

Cavanagh McDonald

Todd Green informs that he is a Principal Consulting Actuary with Cavanagh McDonald. He has been with the firm since inception. They were founded in 2005 and he was one of the original six employees. He is not assigned to the account. Jose Fernandez is as the co-lead with Jonathan Craven. Mr. Fernandez had a conflict and could not make the meeting. Cavanaugh McDonald is a wholly independent, privately held firm. It is currently owned by nine principals. One hundred percent of their revenue is derived from public sector actuarial consulting. They do not do anything outside the public sector. They are staffed by seasoned consultants who specialize in actuarial work for public plans. They are recognized leaders in the industry and are frequent speakers at national forums. They are engaged in industry associations and professional boards and committees. They are members of NASRA and FPPTA. They provide impartial advice and maintain their independence. They do not provide advice that would benefit one group versus the other. They are here to benefit the plan and to make sure that ultimately the plan can pay the benefits. They have clients throughout the nation. They have experience working with Florida pension boards, unions, city administration and elected officials with the idea that they provide impartial advice. They work for the plan and report to the Board. They have worked closely with Mike Tierney with a lot of their clients dealing with the negotiation process. They limit the number of clients assigned to each consultant. They want to make sure their consultants are available to service their clients. They staff ahead of their needs. They hire in advance and do not wait to get work to hire people. They have a fully experienced back-up team. Not only would the plan have a co-lead team but would have an experienced back-up team assigned as well. They are proactive and try to get in front of issues and not wait for them to pop up. They try to stay ahead of everything. The work they do is very complicated and it is hard to talk about so they pride themselves in the fact that they think they can describe these complicated issues in plain English to the Board members and whoever they are asked to explain it to.

They will have two co-lead actuaries; Jose Fernandez and Jonathan Craven. Mr. Craven worked on this plan at a previous employer so he has experience working for the plan. The support actuary is Micki Taylor. She has been with the firm since 2010. The Production Analyst will be Matthew Yonz.

Jonathan Craven informs that if they are hired as their actuary they will have a kickoff meeting with the Board to get all the deadlines setup for when the work is expected to be completed. They both agree on that and then they have a plan to work with. The first thing they do after that is collect the valuation data from the prior valuation. They would collect the data sent to Nyhart and then collect the data from Nyhart that they actually use in the system. They would also request the tables they use for the actuarial assumptions. Once they have all that information, the review the plan document, the current assumptions and then program the pension valuation software. Then they run the valuation and check it against Nyhart's numbers

and any discrepancies they will dig further and try and figure out what the differences are. Then they review the results with the Board. Once they agree they have replicated the valuation then they have the basis to do the 10-1-2013 valuation and the gain/loss from 10-1-2012 to 10-1-2013. When they do the valuation, they get the data as soon as possible and as soon as you get good data in the assets then you can run the valuation and come up with the results. They do gain/loss analysis so they can make sure they can go from last year to this year and see why the numbers changed if they did. They watch those gain/loss numbers every year and if they are consistently off you start to question that assumption and look at it. You periodically do an Experience Study and then you get into the details of exactly what happened over the period. That is usually when you make your adjustment to the actuarial assumptions. He notices they just had an Experience Study done and made some changes to their assumptions. They prepare a draft report and they review it with the Board and if the Board agrees it looks good then they finalize the report and send it out and present the report to the Board.

They have an extensive peer review policy. Each year they do internal audits. They are assigned a client that they have not worked on and have to program the benefits from scratch to see if you programmed it the same way as the original person programmed it. If you don't you have a discussion to see who did it right and who did not. It is valuable to have someone look at it from a different perspective.

Why choose Cavanaugh McDonald? They only do public plans. They have a lot of consultants with a lot of experience. They belong to a lot of nationwide organizations and are up to date on what is going on. They focus on client satisfaction. They have never lost a client and the firm has been in business since 2005. The proposed fee for the annual valuation is \$25,000 which includes the report, GASB 25 or 67 and meet with the Board for the valuation report. In addition to that they will provide the CAFR information to the City and the proposed fee for that is \$5,000 and that includes the implementation of GASB. Individual benefit calculations is \$350 and that includes DROP entry or regular retirement. DROP exit is \$175. Annual Benefit Statements is \$5,000. Annual IRS Section 415 checking retirees for the limit is \$2,500. Experience Studies is \$30,000. It is good to have an Experience Study every five years. The fees are good for three years and there is no set-up or transition fee. For their hourly rates consulting and senior actuary is \$320 to \$396 an hour, other professional staff is \$180 to \$320 an hour and administrative support is \$116 an hour.

On the IRS 415 limits, the 2013 limit is \$205,000 per year. That is on a straight life annuity basis or a qualified joint-survivor annuity basis. This plan the concern is retiring before the age of 62 if you are a general employee. Public safety employees are okay if they retire early. Age 62 you get the full 415 limit. Below that it has to actually be reduced to the age you retire. That lowers that \$205,000 quite a bit. Lump sum distributions are an area of concern. You can accumulate a lot of money in the DROP. You have to convert the account balance to a straight life annuity to compare it to the 415 limit. When you do that the IRS has three different sets of assumptions. The plan assumptions and they have two of their own which use lower interest rates than this plan uses. You pick the one that does the most damage to the individual. That is an area of concern. The idea of the 415 was for the private sector plans. They didn't want corporations getting a tax deduction for making contributions to a pension plan so their executives could get really high benefits. This plan is not a for profit plan so it really doesn't benefit from putting money in the pension plan on a tax basis but they still apply some of the

areas to the public sector. What they usually do is look at the high paid employees of the plan and screen them to see what is going to happen and see if they are close to the limits. Their pension valuation software they can turn on the 415 limit and put the limits on and it will restrict the benefits when it hits the 415 limit.

Their approach to evaluating and recommending assumptions when they do the valuation they do the gain/loss and see what caused the change in liabilities and the assets is the biggest thing they have no real control over except for the smoothing the value. You monitor year to year but when you do the Experience Study is when you make the changes to the assumptions. The basis for forecasting changes to the plan they prepare Actuarial Impact Statements when you make changes to the plan and sometimes they will review and adjust the assumptions. They will prepare a range of costs and work with the Board and with the City and the City Actuary. They do a lot of long term projections.

Their approach to investment return assumption they use a building block approach. They will start with their inflation assumption usually and use the investment consultant's assumptions as to what each asset class will return and the target asset allocation will be applied to come up with an expected return. They usually give a range around that. GASB 67 and 68 could require the use of a lower discount rate for accounting purposes.

The biggest challenge to the plan they believe is recovering from the big asset losses of 2008 and 2009. With the recession that went along with it the City revenues went down while their contribution requirements went up. It is a problem. All the pension plans they work with are still dealing with it. Some have cut benefits and some have increased contributions. They have had a lot of experience with a lot of different ways to fix the problem. That is what they think the biggest challenge is.

Mr. Hoff asks what their relationship is in dealing with the State of Florida Retirement System. Mr. Craven responds that he has worked with the State of Florida and so has Jose Fernandez. Mr. Green informs that they deal with the State Division of Retirement all the time. A lot of times it is clarification issues but lately they have been questioning things like assumed rate of return and questioning assumptions and they have to be justified with the use of their assumptions. Mr. Hoff asks of the plans they have in Florida how many of them do they do the 415 calculation for and are they doing it just for the people going into the DROP or ending the DROP. Mr. Craven informs that the public safety plans are usually not a problem because they do not have to go through the age reduction. Mr. Green states that when they do the valuation for the City of Miami they do it on a 415 basis and a non-415 basis because they put money into an excess benefit plan to fund the people affected by 415. Typically for funding purposes it is done at the valuation but at retirement is when they really need to check if someone will hit the limit. Technically you can't fund an excess benefit plan. The whole process is done close to retirement. Mr. Craven asks how they pay the people who are over the limit currently. Ms. Gomez informs that there was a preservation of benefits plan that was established when this came about but that plan has been closed. There has been a change to the ordinance that allows people who will be affected that can change their DROP date and advance it or withdrawal from the DROP. Ms. Groome adds that the issue is some people have been affected or may be affected and were not informed that they were and we were trying to get something that if she did an estimate that she can advise whether or not someone may be affected by 415

by either delaying going into the DROP or maybe they don't want to stay the whole time in the DROP.

Mr. Easley asks if the cities they deal with in and outside of Florida have an excess benefits plan set up for their employees. Mr. Craven responds that most cities he has worked with have established that type of plan. He remembers when this plan was at a 9% interest for the DROP. Most DROPs are five years. Mr. Easley asks if they were hired would they educate the Board in the layman's sense to be able to convey information to employees as to how the 415 works. Mr. Craven responds that they could design something that would try and simplify how the 415 works. The problem is you can't tell exactly until someone retires because these IRS factors change each year. Mr. Craven asks what the current accrual in the DROP is. Ms. Groome responds that it is an adjustable rate now. It goes no lower than 3% and no higher than the actuarial assumption rate. Mr. Hoff states that the biggest issue the Board is dealing with now is the 415 limits. They are looking for something that their administrator can use to input specific data for the employee to inform them that they may be affected by 415 limits because of the DROP. At that point it sets up a red flag so the employee can make the decision they need to make. Mr. Green responds that they can modify their software based upon a projected basis. They have never been asked to do that before. Mr. Hoff asks if their other clients have not been confronted with this issue. Mr. Green responds that they have been confronted with the issue but they usually are paid out of an excess benefit plan. Mr. Craven agrees. They get the money either way.

Mr. Hoff asks what their transition time is. Mr. Craven thinks it would be pretty quick. It usually takes them about eight weeks by the time they get the data. They would start programming it once they got hired once they got the plan document.

Mr. Campbell asks if they were in a situation where the Board and they did not agree on an assumption how they deal with that. Mr. Craven responds that they make the recommendation and it's the Board's decision. They don't force it on them. They would put something in their report that said it wasn't their recommendation but the Board wanted the assumption. If it is out of the ballpark they can't professionally say they can support it.

Chairperson Gueits asks the Board if everyone on the Board is prepared to vote for the System's actuarial firm during the meeting given the presentations, the information they have, the comments made by the City Attorney at the beginning of the meeting, etc. Mr. Hoff thinks they make the decision today or schedule another meeting this month. They have a very small time frame and have one more meeting scheduled before next year. This whole actuarial issue has been hanging over their heads and they have taken a lot of heat from the Commission about their inability to make decisions and how bad they are. He thinks that if they don't make a decision today then they need to set a meeting quickly to make the decision. They are looking at about six to eight weeks in transition time. Chairperson Gueits asks out of the top three if the Committee had one firm that stood out to them. Mr. Campbell responds that there was not. They had a lot of agreement that among the top three they were very close and they looked the same, acted the same, not only in fees but they asked additional questions because they could not rank 1, 2 or 3. So much of the quality came from references and things that don't come in the presentation. They talked about that they didn't want this to be a beauty contest on which PowerPoint was the best. Chairperson Gueits asks about the methodology of a point system.

Do they need to do a point system or do they just take a vote and that is it? Mr. Garcia-Linares doesn't think they need the point system. He thinks they get a better gut check in terms of where you are headed. He would like to get it done today. For him to make another meeting this month will be impossible.

6. Old Business.

- a. Report by GRS regarding their correspondence on the IRS 415(b) limitation calculations and the choice of assumptions for purposes of doing 415 calculations.

Pete Strong of Gabriel Roeder Smith informs that Melissa Algayer is their office guru on 415 limitations and has had many years of working with it. She is going to talk about the 415 letters. Ms. Algayer states that the Board should have four letters. There is one page letter that covers the assumptions they are using for purposes of converting the DROP balance to an equivalent annuity. The plan is silent on actuarial equivalence. There is a section 50-238 that provides for lump sum payment of small retirement income for payout of single lump sum value to participants and that section does address what assumptions to use for purposes for calculating that lump sum. They extended that to apply to the DROP distributions in absence of any other information. That is what the letter is addressing. Mr. Hoff asks if they used the assumption of the RP 2000 projected to 2012 and 7.75%. Ms. Algayer agrees. It is for purposes of converting the DROP lump sum to an equivalent annuity when they do the testing. Mr. Hoff informs that they have had continuing issues over what assumptions to use. He is more concerned about why they used those as opposed to what the calculations are. Ms. Algayer responds that the rules and regulations state that you have to compare different kinds of factors. One is the plan factor which is actuarial equivalence. There is no definition in the plan for actuarial equivalence. The only thing they could find was a reference to a payment of lump sum being that DROP distributions are similar to lump sum distributions they extended that to apply to DROP balances. Mr. Greenfield asks for Ms. Algayer to define actuarial equivalence in layman's terms. Ms. Algayer explains that with the DROP members accumulate a balance and leave at retirement and take a lump sum. Say it is \$300,000. When she says the equivalent life annuity, you can't compare a lump sum to an annual annuity so what you have to do is convert it to an actuarially equivalent annuity. So she is going to throw out numbers that are not actual figures but say that factor is ten. You take the \$300,000 DROP balance and divide it by ten that would be equivalent to \$30,000 payable for the rest of the person's life. Mr. Greenfield asks if there are plans that actually describe in the plan itself what the actuarial equivalence is. Ms. Algayer answers affirmatively. You can go to the section and it would state in the definitions what the actuarially equivalence is. It would tell you what mortality table to use and what interest rate to use. This is assumptions for purposes of benefit calculations and 415 calculations. It is not assumptions with respect to the annual valuation. That is entirely separate. Mr. Greenfield states that in the letter they go on to state that the mortality tables for actuarially valuations are sex distinct. Ms. Algayer explains that in the ordinance it says to use the sex distinct tables however for purposes of calculation of any optional form of payment or converting a lump sum to an annual annuity you cannot use distinct rates, separate rates for males and females. You have to use some type of blend or the same table. Mr. Greenfield asks who says you have to do that. Ms. Algayer responds that it is the IRS. Mr.

Greenfield asks if they followed that. Ms. Algayer answers affirmatively. Section 50-238 said for the basis for the small lump sum payout should be based on the assumptions used in the most recent actuarial valuation. That is what they did. So 7.75% was used and RP 2000 mortality table sex distinct is allowed to be used for valuation purposes but for purposes of calculating any kind of optional form of payment or any kind of lump sum you have to use a unisex table. Usually they use a 50/50 blend. Ms. Gomez asks when they use the statutory rate. Ms. Algayer informs that the calculations are very complex. Certain calculations within the 415 calculation have to use different basis for actuarial equivalence. Most of the time you have to compare them to one or two other actuarial equivalence assumptions. For converting the DROP lump sum the reason they end up using the 7.75% and the RP 2000 mortality table projected to 2012 is because there is no definition of actuarial equivalence and in converting that lump sum you have to use some kind of basis. There are also statutory rates that you have to compare it to. Using the 7.75% and the valuation assumptions produces a higher lump sum. The Internal Revenue Code says they have to compare this to this to plan actuarial equivalence and take the larger of the three and that is what ends up being the equivalent annuity. In all cases using these assumptions from the calculations they have done so far this has been override. There are other parts within the whole 415 calculation where you are supposed to use statutory rates meaning the statutory rates are defined in regulations. The 5% and the applicable mortality are the more recent IRS published mortality table. It is part of 415 regulations.

Chairperson Gueits points out that one of the issues that came up during a previous meeting is that if there is a statutory rate and you are required to apply that and follow the law. Ms. Algayer informs that you are required to apply that for purposes of comparing and that is why one of the questions they posed up front when they were engaged to do this work was what is the plan's mortality table and Ms. Groome responded that it was projected 1965 mortality table and for them that is meaningless because they can try to reproduce the factors they are using but without knowing the details behind how that table was constructed they were able to come very close.

Jim Rizzo of GRS understands the frustrations and the history they have had. Usually clients don't find themselves lifting up the hood and poking around 415 because once you get in that world it is like a house of mirrors. One of the things that have happened over the years is that 415 has been applicable to public sector for a long time. It integrated in kind of a parallel issue is whenever you have actuarial equivalence in your optional forms of benefits you need to put something in your plan. The IRS says that a participant needs to be able to pick up the plan document and the plan document needs to specify exactly how optional forms of benefit are calculated. So 415 says you have to statutorise but you have to compare it to your plan's definition. Most of the time plan documents specify what you are comparing it to. Some years ago they formed a 415 Committee of actuaries from their firm. Their office in Ft. Lauderdale has two actuaries that sit on the 415 committee. It is a big enough issue where they formed a committee on it. It is an issue around the country. Ms. Algayer is one of the two actuaries on the committee. It is complex and challenging to explain.

Ms. Algayer informs that she can come back and offer a session to go through how the calculations work and the mechanics of how it works if the Board would like. Mr. Hoff asks if they could explain why they used the 7.75% versus the 5%. Ms. Algayer explains that some parts of the calculation the regulations say you have to do a comparison of the equivalent annuity based on plan actuarial equivalence factors compared to the two sets of statutory factors and in all cases because those rates, the interest rates in particular, are so low they average around 5% and in every case they have looked at so far the 7.75% assumption and the RP 2000 mortality table projection produced a higher equivalent DROP annuity. So they had to go with the higher one. Let's say it is \$30,000 based on 7.75% and they compared it to the other two sets of assumptions you have to use they came out to be \$25,000 and \$23,000. The regulations say you have to take the greater of those three. That is probably why they have been problems with the 415 calculations because that assumption set changes it can drastically change the results. Mr. Hoff states that theoretically if you have three different tables you are comparing it to you would pick the table that produces the higher result. Ms. Algayer explains that you would pick whatever produces the lower factor because you divide it into the lower because the lower factor produces the higher amount. Mr. Rizzo points out that there is another test that goes the other way. You have to read the regulations carefully to know if it is a greater or lesser one. Ms. Algayer states that it is very complex and there are several pieces of an entire 415 calculation. Each step of the way you have to look at different sets of assumptions and may even have to do a comparison. Mr. Hoff asks if they need a motion to accept their explanation of the 415 calculations. Ms. Gomez thinks they should since there have been different actuaries looking at the 415. Ms. Groome agrees. It is a procedure they would be adopting. Mr. Garcia-Linares asks if they are comfortable with the methodology and the calculations. Ms. Gomez answers affirmatively. She also spoke to the City's actuary and he is comfortable with this also. Ms. Groome asks if it is possible for them to put the definition of actuarial equivalence into the ordinance. Mr. Greenfield asks Ms. Algayer if it would make life easier if the ordinance would have spelled out the definition of actuarial equivalence. Ms. Algayer answers affirmatively. Mr. Rizzo states that there are actually two areas in the plan document. One is the definition of actuarial equivalence for this purpose and the other is the language on the 415 section itself. The language they have now is fine for a number of years ago but it probably needs to be more robust and careful now. Mr. Hoff states that they can't change the ordinance but they can make policy for the Board.

A motion was made by Mr. Hoff and seconded by Mr. Easley to accept the 415 calculations that GRS has done to date and adopt the assumptions of calculations for the 415 limits into the policy of the Retirement Board and have the Board Attorney submit those to the City Attorney for possible inclusion into the ordinance Chapter 50.

Discussion:

Ken Harrison, attorney, states that there is a caveat on the letters of the calculations to the employees that clearly states they are not tax attorneys and as actuaries they are standing by these calculations but they make a specific recommendation that these calculations be looked at by a tax attorney. Ms. Algayer agrees. Mr. Harrison knows

they are a large firm and have attorneys working for them. Was this run by their legal staff? Ms. Algayer responds that they do not have in house legal staff. Mr. Harrison asks if it would have been a prerogative for them to run this by a tax attorney to at least get acknowledgement rather than to leave this caveat because it still leaves this Board with a what if. Ms. Algayer states that they definitely stand by their calculation. It is a standard disclaimer they put on every 415 letter that they send out. It is basically saying that this is not tax advice or legal advice. In respect to the caveat he is talking about they are just saying it is based on their interpretation of the regulations. Since they are not attorneys they are not in the position to make any interpretations with regards to the plan. Mr. Harrison states in the letter they do make an interpretation. Ms. Algayer points out that they made a recommendation because there was no clarity. Chairperson Gueits informs that he is comfortable with the disclaimer language and he is comfortable with the representations made to the Board that they stand by their calculations. He would like the same disclaimer to be put on all of the Retirement System's documents because they are not providing legal advice or tax advice. They can only do so much. They have had this looked at by three or four different firms and it is time to move on.

Mr. Campbell asks if they are talking about recommending a change to the ordinance. Mr. Hoff explains that his purpose is to establish policy because obviously there is a lack of policy here. The Board can make recommendations to the Commission to include it in the ordinance.

Motion unanimously approved (9-0).

Gabriel Roeder Smith

Pete Strong thanks the Board for the opportunity to present. He reintroduces Melissa Algayer, Jim Rizzo and introduces Travis Robinson. They would be their core team that would represent this plan. They are there to provide the Board with assistance and information they need to make informed decisions so they can have confidence that plan members can count on receiving their benefits as promised for the rest of their lives. They are there to assist the Board to fulfill their obligations not only to plan members but to also to all other interested parties which includes the City, taxpayers, regulating agencies, rating agencies, the Division of Retirement, etc. Their mission is to help the Board ensure that members will have confidence that benefits will be there when they need them and that all of the other interested parties will have confidence in the Board that they are making the best decisions and doing everything that is appropriate for the plan. Their role in that is to provide assistance to make sure they meet all the obligations.

GRS is the nation's largest provider of actuarial services to the public sector. At GRS it is not just part of what they do; it is all of what they do. They are dedicated to the public sector. They currently provide services to over 300 public pension plans throughout the country and over 100 public pension plans in the State of Florida. They have offices in 6 locations and clients in most of the 50 States. They have 51 credentialed actuaries in their firm and 12 of them are in the Ft. Lauderdale office. All consultants throughout their company are frequently called on to speak at meetings, to speak to other Trustees for educational purposes and to speak to other actuaries. They are considered one of the main leaders in this industry. Having 51

actuaries on board with their company would not be that great of a benefit unless they all collaborated with each other. That is something they make sure they do. They have annual seminars where all 6 offices get together. They have monthly conference calls where they share ideas and discuss issues that come up and solutions to those issues. There is usually never going to be an issue that they haven't already dealt with at some point with some other firm and client. There is usually going to be that a solution has already been established for anything that could arise. Bringing that depth of experience and expertise to this system will ensure they can handle any issue that may possibly come up.

GRS also has a dedicated research group in their home office. Their primary and only job is to stay apprised of current regulations, current issues, current benefit issues, current legislative proposals throughout the country and to send out regular emails to update the other actuaries about those updates.

Mr. Strong informs the Board that he will be the plan's lead actuary. Ms. Algayer will be the alternate lead actuary and managing actuary in the office. He will be the primary contact but also rely on Ms. Algayer as his partner. Ms. Algayer and he both have nearly 20 years of experience and they have been around the Florida scene for quite a while. They have knowledge already of the issues they are facing and the issues they will encounter. All of their actuaries have knowledge of the 415 issues that this Board has been dealing with. They can rest assured that all 415 calculations will be done correctly. They take confidence in that. Travis Robinson would be the senior analyst that would be assigned to the plan. He will be doing a lot of the calculations before they are checked and reviewed and doing work on the annual valuations. Not here today is Anthony Bulzone who would also be serving as the actuarial analyst for the plan.

They have a four step process for every client deliverable that they send out. They take pride in that process because ensures an accurate deliverable. They have a doer, a checker, a reviewer and a peer reviewer for every single work product. That four step process ensures that you can have confidence in the work product that they deliver.

Jim Rizzo would serve as their resource and back-up actuary. He has been a senior consultant and actuary with their firm for many years. He has 35 years of experiences. He serves on the ASOP committee which develops the actuarial standards of practice that every actuary has to abide by. He travelled to Tallahassee a couple of times this spring during a heavy legislative session to talk to legislatures and key staff on the issues they were dealing with. He is a national expert on GASB 67 and 68. He is a frequent speaker both locally and nationally.

Mr. Rizzo talks about GASB. GASB 67 and 68 is a big deal. He has been following what GASB started doing about 7 years ago and they were an advisor to GASB on a certain part of it and have done testimony and the comment letters. They call him informally on all kinds of issues. Now they are in the implementation phase. The deadlines are right in front of them. According to the City's financial statement this Board issues a stand-alone audited financial statement. That means the statement of 9-30-14 will need to comply with GASB 67. The 10-1-2013 valuation they are about to start that is used in all the disclosures and all the notes and schedules that are in GASB 67 that will find their way into the audited financial statement. The 10-1-2013 produces that. Depending on their situation, they may have to do two 10-1-2013

valuations. You have some issues they probably need to address in the next 30 to 60 days to decide on now. When it comes time for the City to comply with GASB 68 they are there to help guide through that process as well. There are a lot more spot lights on these financial statements than ever before. Everyone is looking at these financial statements more than they did before. Mr. Strong believes they are very fortunate to have someone like Mr. Rizzo in their offices because he brings such a depth of experience to this issue. He is a valuable resource.

Mr. Strong states that they have already discussed the IRS 415. They do have a spreadsheet they use for calculations. If they are hired, they will customize that spreadsheet to use as screening tool for this plan so they can see if someone is within 20% of hitting the 415 limit and then they can have a red flag and send to them for a full calculation.

Mr. Strong talks about their approach to implementing and recommending actuarial assumptions. The overall theme at GRS is to be realistic. You have to have reasonable assumptions in order to achieve the overall goal having contribution stability. Contributions will not going to determine the overall cost of the plan in the long run. They are going to determine the timing of when the contributions come in. If your assumptions are unrealistic or too aggressive they will end up with a low initial required contribution. Lower than they would have if they were using reasonable assumptions and a higher funded ratio. Over time the contribution requirement will continue to climb as experience losses incur. The losses will put upward pressure on the contribution requirement and downward pressure on the funded ratio. They want to use as realistic assumption as possible for each actuarial assumption.

Mr. Campbell asks how they deal with a disagreement between a Board and their firm regarding assumptions. Mr. Strong responds that it is ultimately up to the Board to make a decision on what actuarial assumption should be used. Their job is to advise and assist. All they can do is provide their recommendations as their professional advisor and it is up to the Board to take that recommendation and implement the assumptions. Mr. Campbell asks what they do if for some reason the Board doesn't want to implement an assumption. Mr. Strong replies that they would continue to value the plan the way it has been done. What they commonly do in that situation is include a statement in their Executive Summary is that they have recommended different assumptions than what are being used in the report. Mr. Rizzo informs that there is an actuarial standard of practice that says if they are asked to do work that violates the guidance in the actuarial standards of practice there is a range of reasonableness which people may differ. Just because they recommend something doesn't necessarily mean that Board's always have to do what they recommend. If a Board insists on an assumption or a method that is outside the limits of their professional standards they put a deviation clause in the report that says so. Mr. Strong informs that they do recommend that Experience Studies be done once every five years. He knows the Board just recently had an Experience Study completed.

Mr. Strong talks about how they approach forecasting changes. Whenever any plan or changes are being considered, they believe it is best practice to not only look at the effect those changes would have on the current year but also what effect it would have for many years to come. That tells the whole story and shows the big picture of contribution ranges and liabilities over a long period of time. When they do that they usually do 30 year projections and they do deterministic projections which is a straight line projection that helps determine the magnitude

difference between one scenario to another. It assumes that the same streams of assumptions are met and the only difference is the change they are considering.

Mr. Strong informs that the most scrutinized assumption is the investment assumption. It has most impact on cost liability. They believe it should be a realistic long term forward looking review using capital market assumptions from an array of investment consultants. Every investment consultant will have their own capital market assumptions. If you look at an array of different forecast assumptions you can take the average of those you can be more confident that they are taking the central approach. Mr. Rizzo points out that they have eight different national major investment forecasters in their library they work closely with the client's own investment consultant and have deference to their forecasts. Mr. Strong informs that they collect information from eight different investment firms throughout the country on a yearly basis and they are able to average out what eight different firms are saying. Chairperson Gueits asks how they pick the firms. Mr. Strong responds that he believes it started with sending out surveys and they got eight responses back. Mr. Rizzo adds that they have a lot of clients across the country and they found that many of the investment consulting firms that serve large State retirement systems have the internal brain power and forecasters and those were the ones they wanted to include.

Mr. Strong informs that every actuary at GRS is a strong advocate for defined benefit plans. They believe that a defined benefit plan is the best structure and the best fit for providing retirement income to public sector employees. They believe that education is very important for the Board and plan members. If hired they are willing to provide an annual session included in their base price where they will come and educate all the Board members and any plan members who want to come on actuarial topics and answer any questions of plan members about their benefits. They have tools available to all clients. It is a web based tool that provides death checks, secure file transfer, benchmarking tools, etc.

Mr. Easley asks if they have been terminated by any pension board in recent years. Mr. Strong responds that they have lost a couple of clients in the last couple of years and it is usually due to rebids to check who has the lowest prices. They have never lost a client due to service issues that they are aware of. Mr. Easley states that if they were to be the Board's actuary then they are the Board's actuary and not the City's actuary. Mr. Hoff thinks that is a big issue that he had. Someone told him there was an issue with Palm Beach Gardens. Mr. Strong replies that the client was not serviced out of their Southeast region. That client had been a long term client of an actuary out of their South Michigan office. They didn't have any control in their office over what exactly was going on. His understanding after talking to that actuary is that he got a call one day and he needed to do an impact statement and the City wanted it as soon as possible. He doesn't think the actuary saw immediate harm in doing that and he hadn't had any prior experience where that would come back to bite him in the past. He didn't have that kind of experience in dealing with that type of situation as they do in their office. Mr. Strong ensures that any time anyone outside the Board wants anything done regardless of how small it is that they always go to the Board. The Board is their client. They never do work for the City or the Union without getting explicit permission from the Board. Mr. Rizzo informs that there are times when collective bargaining comes up with plans and at the end of the day the Board's actuary prepares the impact statement. Regardless what the City might do with the City Actuary, at the end of the day they need to be the ones representing the pension Board's

assessment of the cost of the program that is being proposed. They don't work for the City. They don't work for the Union. They work for the Board. Mr. Strong informs that they do service the retiree medical plan. It is not worked on by this team but it is worked on by another actuary in their office. If there is a problem with that they can address that. They do not think it is a conflict. They are willing to resign from that if it is a problem.

Mr. Garcia-Linares asks how much it would cost to put together the screen tool for them. Ms. Algayer thinks they will have to start it from scratch. Mr. Strong thinks it would be between \$2,000 and \$4,000 which is a rough ball park.

Mr. Greenfield informs that he read their sample contract and there are some things in it they don't agree with. Who does he talk to? Who can he negotiate with and are they negotiable? Mr. Strong informs that most of the terms in their contract are negotiable. They can work with him. Just send him a list and he will work with upper management in their company to make changes.

Mr. Easley knows they are well versed in the IRS 415 code and the GASB 67 and 68 but how about SB 534. Mr. Rizzo informs that when the bill first came out it was a mess. It has been signed into law but there are talks about repealing it. Mr. Strong states that is why Mr. Rizzo was in Tallahassee trying to argue against it. They feel it has no value.

Mr. Strong states that they believe the biggest challenge for this system is making certain all their plan members can count on receiving all the benefits they have been promised. To do that entails making sure they accumulate enough assets to weather bad times in the future, making sure that all of their members have confidence that their numbers are being done correctly. It involves a number of different things that they are capable of handling for them. They need professionals they can count on and they believe that they bring that professionalism to them. The plan members are expecting them to make their retirement income secure and as actuaries they believe they are the best candidates to make that happen.

Chairperson Gueits would like to hear from their Trustee and from their Investment consultant. Ms. Gomez informs that she is not ready to give her full recommendation based on the information she received this morning. She would like to discuss it further with Mike Tierney because that was the direction she understood from the Commission. She called some Finance Directors and asked them about the three finalists and was able to get information on GRS and Cavanagh McDonald. She got very good recommendations for GRS. Everyone was happy with them and felt that they were very knowledgeable. They had no issues, no concerns and no problems. She is very impressed with GRS's knowledge on the GASB because as the Finance Director that is very important. It is very clear to her that GRS is knowledgeable in the 415 limitations. They are a local firm and that is important too. Cavanagh McDonald is the other firm I got references for. There were very positive things said about Jose Fernandez and that he was very capable and it was positive things said about him. She spoke with someone in Hollywood and they made her believe there was an issue with the premium tax calculations. She did receive a recommendation on Buck from Miami Beach that they were very happy with their service but they did want to make sure that they carefully looked at the liability issues in the contract. Overall, she would like more time to discuss it with the City's actuary before giving a full recommendation. Mr. Easley states that he would like to try and accommodate the

City but he doesn't think they should hold off on voting. If it was that important to the City then they should have had Mike Tierney at this meeting. Ms. Gomez states that it was just yesterday that the Commission brought that up. Mr. Easley understands but they knew a month ago the meeting was today. Chairperson Gueits doesn't see where these three firms have a huge difference in their methodology or the things they would use or the assumptions they would apply. Mr. Tierney is an actuary but he doesn't know what he is going to say with respect if he likes one firm over the other based on the qualitative method they employ. He heard the same thing out of all three firms.

Dr. Gomez would like to get the opinion of the members of the Investment Committees now they have finished this process. Mr. Campbell states that at the last meeting he said he would like to see more input from City staff. His original observation is that they need more staff support. He spoke with his Commissioner after the Commission meeting and he heard that they should defer if they don't feel comfortable in voting today. He is comfortable. He wasn't comfortable at the start. He came into this not having a clue with which firm to go with. Based on today he thought GRS was noticeably better than the other two firms. He thought GRS was more on point to their questions and issues. All the firms did a good job but he thinks that GRS hit the bull's eye with 415. He thought they did a noticeably better job at taking the information provided and taking the questions and hitting the bull's eye. Chairperson Gueits informs that he was also very impressed by GRS. Mr. Hoff states that he was impressed by GRS. He knows they had GRS as the actuary in the past. Ms. Groome informs that the actuary was first Watson Wyatt and then Watson Wyatt was bought out by GRS and GRS became the actuary. However they did not have this team. They had a different person. Mr. Garcia-Linares thinks they were terminated around the same time they had a problem with UBS and not disclosing issues. Wasn't that the same problem they had with them? Ms. Groome agrees but they were also doing work for the City and the Board wanted exclusively an actuary for them and that is when the Board hired Randall Stanley. Mr. Hoff states that they are talking about a different group of people from GRS. The fact that they are willing to give up the other contract on the insurance to work for this Board only made it more resolute in his mind. He is looking at the presentation they made and their knowledge of the 415. They had their team of people and as much as 415 is the issue in five years he doesn't think this Board will have any issues with 415 but they are still going to be doing the actuarial valuations and assumptions. They seemed to be more on point than the other firms. Mr. Garcia-Linares asks if any one liked Buck. Chairperson Gueits thought Buck was pretty deep. He was impressed by their resources. Mr. Hoff liked them too. The issue he had with them is they have six clients in Florida. Cavanaugh McDonald has seven clients in Florida. GRS has 100 clients in Florida. Ms. Groome informs that when she spoke to Miami Beach about Buck the issue they have is with the liability issue. She said that they weren't going out for RFP because of the service from Buck but because Xerox will not budge on the liability issue.

Mr. Garcia-Linares asks for Mr. West's opinion. Mr. West informs that they have worked with every firm that has presented today. They have a lot more overlap clients working with GRS. Mr. Garcia-Linares asks how they are. Mr. West informs that their dealings with all the firms have been positive. They will get into a little more debate on the rate of return assumption with GRS. As was indicated the first two actuaries will take the investment consultants assumptions, the capital market assumptions into their model. GRS, as stated, kind of does it independently on their own. Mr. Garcia-Linares thinks that is a good thing. Mr. West states

that in all cases there may be a little too much dependence on the finality of any of these assumptions. They are modeling but they will get into that debate with GRS. From their perspective he would want the actuary to prove or at least suggest sincerity and familiarity with the problems that the Board presented the three presenters because as a Board member he would want to know that they would sign on as fiduciary and as fiduciary they will work with the best interest of the membership of the plan. Chairperson Gueits asks if everyone is comfortable that is the case with GRS. The Board members agree.

A motion was made by Dr. Gomez and seconded by Mr. Campbell that the Board hire GRS subject to negotiating legal terms of the contract.

Discussion:

Mr. Hoff asks Mr. Greenfield if the issues are major or minor regarding the contract. Mr. Greenfield responds that there is a liability issue and they have an indemnification provision that he doesn't like. They have to indemnify their employees. There are a few things that are major and there are some minor things. He said they were flexible.

Motion unanimously approved (9-0).

Mr. Hoff asks on Jeanie Berryhill's issue the valuation was done effective 8/30/2013 he assumes she will get interest since the money hasn't been released to her. Ms. Groome answers negatively. She had already exited the DROP by 8/30/2013 and interest stops at that time. Mr. Hoff states that the money wasn't released to her. Ms. Groome informs that when the information was given to her she did not indicate what she wanted to do. Mr. Harrison informs that he represents Ms. Berryhill. Ms. Berryhill did provide the information on what to do with her money. The City has withheld the money during the period of this controversy. She is owed interest for two months. Usually it takes about a week or two to move the money and she has provided that information to the City. Chairperson Gueits asks what they should do to resolve this. Ms. Groome informs that this has never been questioned before. Chairperson Gueits asks if there is a challenge to her entitlement to the interest. Ms. Groome explains that once you leave the DROP and separate from the City there is no interest accrued on that money from the Retirement System. Mr. Easley asks if it just sits there. Ms. Groome answers affirmatively. Chairperson Gueits asks Mr. Harrison if his position is that she is entitled to interest. Mr. Harrison states that the only reason why the money hasn't been released is because of the controversy usually the money is released as soon as you notify them what to do with it. This case it was held because they were waiting for the letter of recalculation. Ms. Groome informs that Ms. Berryhill received the letter informing that she could release the money and be affected and she informed Ms. Berryhill when she spoke to her on the phone that the next year she may not be affected and that she would not be affected this year. She did not indicate either way that she wanted the money moved. Chairperson Gueits asks Mr. Greenfield if there is anything they can do. Mr. Greenfield understands that Ms. Berryhill didn't get her money and that she is entitled to interest on her money. Ms. Groome is saying that they would not normally pay that because once she is out of the DROP it is out our hands. Chairperson Gueits states that the ordinance does not provide for this type of scenario. Mr. Hoff states that if the money was not released because of the Retirement System then he thinks she is entitled to the interest but if the money wasn't released because of her then she is not entitled to the interest. Mr. Garcia-Linares thinks the issue still is should the Board use the funds that now belong to other employees out of this fund to pay her interest or should the City pay for the

interest. Mr. Harrison states that they credit DROP accounts out of earnings so when he leaves the City he gives the Administrator instructions for the DROP account for the transfer. Normally that happens within a couple of weeks so it is a non-issue. In this case it is two months. Ms. Groome informs that she has two gentlemen who just left the DROP in September 30th and they have been waiting because they had the transition between Foster and foster and GRS and she hasn't gotten their certification. So if they give Ms. Berryhill two months then these two gentlemen should get interest for one month also. Mr. Hill states that had she taken the money out of the account she could have been affected by the 415 which either she would have had to take less money from her DROP or take less money every month that is why she left her money in the account because they needed to resolve the fact whether or not she would be affected and now they have the letter stating she won't be affected. They need to understand that she left the money in the DROP account because she was told she was going to be affected. Ms. Gomez points out that if she chooses to she could have taken it out just like everyone else has but because she wasn't sure what to do. Ms. Groome informs that Martha Salazar-Blanco waited for two months to get her DROP money too. Ms. Gomez is concerned with the precedent that they are going to be setting. She had the right to move the money from day one. Mr. Harrison doesn't think this is precedent setting because you have unusual circumstances. He thinks they have an obligation because it wasn't her fault. Mr. Greenfield states that each individual has their own circumstances as to why they didn't take the money or why they did something that kept them from getting the money so he doesn't think it is precedential in the essence that if they are going to look at each person who makes a claim based upon their own set of facts they are not setting a precedent. The only precedent would be is if there was another person with that same set of facts then it would be precedent. Chairperson Gueits is concerned with whether this Board has authority to order the payment of that interest. The ordinance does not speak to it. Mr. Greenfield believes it is like any other payment. The Board has a right to correct payment. Chairperson Gueits is concerned with respect to whether or not this is precedent but sitting here as a lawyer he would find the first opportunity to come back and start making claims. He is concerned about that. This could open flood gates. Mr. Hoff thinks she is entitled to the interest because the money was in the retirement system making 13% and all they are paying her is 7.75%. Mr. Campbell thinks this issue is a good example of what he thinks the retirement Board should want from their staff and for them to spend this much time debating something is foreign. Going forward what he would like to see he would like to come to Board meetings and have Mr. Greenfield, Ms. Groome and Ms. Gomez to tell them the issue and make a recommendation. Mr. Greenfield explains that if this had come up during the normal circumstances there would have been a claim made by the aggrieved person and the claim would go to the Administrator and the Administrator would make an investigation and bring a recommendation to the Board. Mr. Hoff informs that this is something that just came up. Mr. Garcia-Linares asks how many other people are possibly affected by this. He doesn't think they know the answer to that. Mr. Hill asks if this has happened to any other people. Ms. Groome responds that there are people still waiting for their certification. Mr. Garcia-Linares thinks they are setting precedence. They aren't going to pay two months of interest. If they pay any interest at all it will be for one month because Mr. Harrison says it typically takes two to three weeks to get the money anyway. Do they really want to set precedence for one month and in that month would she really have made 7.75% with the market going up and down and up and down? Mr. Greenfield states that if the Board wants to consider Mr. Harrison's claim for Ms. Berryhill then Ms. Groome should be given an opportunity to make a recommendation to the Board. He asked her if she was prepared and she said she was. Mr. Garcia-Linares asks what the recommendation is. Ms. Groome informs that her recommendation is to deny the claim.

A motion was made by Dr. Gomez and seconded by Mr. Garcia-Linares to deny the claim made by Mr. Harrison on behalf of Ms. Berryhill.

Discussion:

Mr. Campbell asks if Mr. Greenfield is saying this is case by case or is Mr. Harrison saying it is case by case. Mr. Greenfield thinks that it is not precedence setting because each case is peculiar to their own facts but if this is a claim and Ms. Groome would have to consider the claim and make a recommendation to the Board. If it is a recommendation to accept a claim she can do it very easily by accepting the claim. If she denies the claim she has to give the Board a written explanation as to her denial. Chairperson Gueits states that from a procedural standpoint she can come and make the claim. It can work its way through and then they can make a decision at that point or they can vote now on the motion that has been made without prejudice to her bringing the claim back again and going through this investigative process. Mr. Garcia-Linares doesn't want to delay another month. Ms. Groome informs that she will be paid out this week because she received the updated letter.

Motion approved (5-4) with Mr. Hill, Mr. Hoff, Mr. Easley and Mr. Nunez dissenting.

7. New Business.
 - a. Retirement Board meeting dates for 2014
8. Public Comment.
9. Adjournment.

The next scheduled Retirement Board meeting is set for Thursday, November 14, 2013 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 12:06 p.m.

APPROVED

JAMES GUEITS
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
RETIREMENT SYSTEM ADMINISTRATOR