

CORAL GABLES RETIREMENT SYSTEM
 Minutes of February 11, 2021
 City Commission Chambers and Zoom
 8:00 a.m.

MEMBERS:	N	J	F	M	J	A	S	O	N	J	F	APPOINTED BY:
	19	20	20	20	20	20	20	20	20	21	21	
Andy Gomez	P	P	E	P	P	P	E	P	P	P	P	Mayor Raul Valdes-Fauli
Rene Alvarez	E	P	P	E	P	P	P	P	P	P	E	Vice Mayor Vince Lago
Alex Mantecon	P	P	P	P	E	P	P	A	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	P	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	P	P	P	P	P	Commissioner Patricia Keon
Joshua Nunez	P	E	P	P	P	P	P	P	P	P	P	Police Representative
Christopher Challenger	-	P	P	P	P	P	P	P	P	P	P	Member at Large
Marangely Vazquez	-	-	P	P	P	E	P	P	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	P	P	P	P	Finance Director
Raquel Elejabarrieta	P	P	P	P	P	P	P	P	P	P	P	Labor Relations and Risk Management
Need appointment	-	-	-	-	-	-	-	-	-	-	-	City Manager Appointee
Pete Chircut	P	P	P	P	P	P	P	P	P	P	E	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager	P = Present
Manuel Garcia-Linares, Day Pitney LLC	E = Excused
Dave West, AndCo Consulting	A = Absent
Dan Johnson, AndCo Consulting	

GUESTS:

Yolanda Menegazzo, LagomHR

1. Roll call.

Chairperson Gold calls the meeting to order at 8:01 a.m. There was a quorum. Mr. Alvarez and Mr. Chircut were not in attendance when the meeting began.

2. Consent Agenda.

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

- 2A. The Administrative Manager recommends approval of the Retirement Board meeting minutes for January 14, 2021.
- 2B. The Administrative Manager recommends approval of the following invoices:
1. Gabriel Roeder, Smith and Company invoice #458599 dated November 13, 2020 in the amount of \$15,075.39 and invoice #458602 dated November 13, 2020 in the amount of \$9,474.00 for actuarial services for the month of October 2020 and for professional administrative services for the month of October 2020.
 2. City of Coral Gables invoice #350706 dated February 1, 2021 in the amount of \$1,181.50 for the 2nd quarter 2021 general liability insurance.
 3. Verdeja De Armas Trujillo invoice #28954 dated February 1, 2021 in the amount of \$10,700.00 for the second installment in connection with the audit of financial statements at September 30, 2020.

A motion to approve the Consent Agenda was made by Mr. Easley and seconded by Mr. Challenger. Motion unanimously approved (10-0).

3. Comments from Retirement Board Chairperson.

Chairperson Gold informs that he will keep his comments brief. This is his first full meeting and he likes to keep his meetings to the three “E’s” – efficient, effective and expedient. They must keep the meeting within the hour today because the Board of Architects needs the Commission Chambers at 9:00 a.m. Nothing would make him happier than to have this meeting last less than an hour and get everything done that they need to get done.

4. Items from the Board Attorney.

Mr. Garcia-Linares informs that the Board Attorney response letter to the auditors should be going out today.

Dr. Gomez asks about the new owner of the building where the Retirement Office is. He believes the lease expires in 2023. Given the space availability around the City he wonders if his colleagues would agree that maybe they can go to the owner and try to lower their monthly rent. Mr. Garcia-Linares replies that he is happy to contact them. Chairperson Gold asks if they are talking about lowering the rent in the future or about a reduction now for negotiating perhaps an extension. Dr. Gomez would like to have a conversation to see if they can have a reduction now. Mr. Garcia-Linares does not know if they want to extend the lease or do anything at this point until they see how the whole system works and I he does not know what additional space the City might have.

5. Update of the Pension Administration System RFP responses by Yolanda Menegazzo of LagomHR.

Ms. Menegazzo reports on the latest update. They are working on the active member data. That is the biggest priority they have now, and it is twofold in the sense that they are doing a mass import of the active and also working collecting the active data every two weeks when payroll is done by the City so the system is updated.

She attended a virtual meeting yesterday between GRS and the City's IT Department. They are going to have a combination of reports from IT, the HR Department and the Retirement Office. It is going to be a manual process to get all this data into the system. That is why they separated the retirees and the active employees because it was too time-consuming. That is the main objective now. Once they get that data into the system, they can start to test the benefit calculations and then roll it out to the to all the members. They are still on track for the end of spring to roll this out to everybody. That is where they are at now.

Dr. Gomez asks if they have had any feedback from the retirees. Ms. Groome answers affirmatively. Dr. Gomez asks about the specific feedback. Ms. Groome informs that the direct deposit notices are not being sent out. She has had some retirees contact her about receiving the notices and she has been keeping a list of those retirees to send out the notices to them. Right now, they are doing a hybrid payroll, so it is easier to print out the notices from the EDEN system and send those out to the retirees who have requested them. She has a list of about 50 retirees who want their notice. Dr. Gomez asks if the system is not set up for the retirees to get notification of their direct deposit. Ms. Groome answers affirmatively. If you want to send out notices you have to pay for that service. She believes it is approximately 80 cents per notice plus postage. Ms. Menegazzo adds that is the charge for notices to be mailed out. Dr. Gomez asks why mail them out. Why can't they email them? Ms. Groome informs that she would have to email them. Dr. Gomez thinks it is very important for the retirees to get notice once their deposits go into the bank. Paper in today's technological world does not make sense. Mr. Easley does not think they should mail them out. Ms. Gomez thought that they were going to get an email saying that they have a new document in their portal and then they can go into the portal to get the document. That was something she thought they showed us. Do they not get that? Ms. Groome states that what she understands they do not get that. Ms. Gomez states that is one thing that software said that they would generate some type of notification to the retiree to retrieve it from their portal. That is what PensionSoft told them would happen. Dr. Gomez does not see why Ms. Groome has to do this by hand. Ms. Gomez does not think they should be mailing the notices out and she does not think Ms. Groome should be emailing them out individually either. She thinks the pension software should have a mechanism because that is what they told the Board it would have. There should be some type of trigger or email informing that the statement is there. Ms. Menegazzo states that they will have that access to be able to go in and see their statement and their whole payment history. She will go back and check with PensionSoft to see if a notice can be sent via email advising the retirees, they have received payment. Mr. Easley does not think she should ask; she should tell them that is what needs to be done and this is how it needs to proceed from here forward. No mail outs. No emails on the Administrator's part. That is what he was under the impression of when they presented to the Board. Dr. Gomez thought that everyone would receive a notice informing that this

is how to access your direct deposit notice. Mr. Garcia-Linares states that is a standard system with pension plans and 401k plans. Every time they have to give you legal notice or make a change or something goes into your account you get a notice that says to login to your account and the information is in there. This should not turn into another manual process for the Administrator. Ms. Menegazzo states that she will give an update to the Board the next time they meet.

Chairperson Gold asks if there is anything that is a manual process now that needs to be addressed going forward. Ms. Groome explains that she is in the middle of the training and learning the system and still doing the hybrid. She really cannot answer that question correctly until everything is in the new system. Ms. Gomez informs that there is also process of office accounting processes that they have not yet met to discuss. Since all of last fiscal year was on the old system, they chose to wait a few months before they start reconciling that process because there are some things that Finance accounting does for the Retirement System. They still have to go through that process and understand it and that has not started yet. She wanted to make the Board aware that they will start that process in the next couple months to identify who is going to do what in terms of the accounting side.

6. Investment Issues.

Mr. West reports on the investments. He updates the Board on AndCo. This year was obviously was a very unusual year for everyone. It is important for everyone to know that they did not miss a beat during this time period. In fact, they took advantage of this period to retain some new professionals. They are now 91 team members strong with those additions during the year and AndCo breached the \$100 billion mark under advisement. There were continuing investments and personnel, especially in technology this year. They continue to follow the traditional business model of independence and remain a hundred percent employee owned. They added two partners this year which is the next generation that will continue the leadership going forward.

Mr. West reviews the quarterly report ending 12/31/2020. They have already gone through the investment numbers so he will update the Board on the peer groupings. The total fund earned just under 11% and the fiscal year-to-date number at 16.3% for the period put them in the top 29th percentile in the public fund peer group. The three-year rolling return analyzing at 11.5% put them in the top second percentile and the five-year return annualizing just under 12% put them in the top second percentile. All is well from a peer grouping standpoint. They are handily outperforming their self-imposed policy benchmark. Chairperson Gold directs everybody's attention to the one, three, five and seven-year numbers. Better than 98% of your peers is an unbelievable achievement and probably if his math is correct it puts in the pockets of their pensioners an extra \$40 or \$50 million exceeding their benchmark by a point and a half. It is not just exceeding the benchmark; it is doing better than everybody else in the game. That is an exceptional accomplishment. Mr. West thanks Chairperson Gold. His comments and recognition are greatly appreciated. He enjoys working with the system and helping work through all the challenges they are facing. He is very pleased to be able to give this report. He continues.

They have no immediate concerns regarding the managers as far as the compliance expectations go.

Mr. West reviews the January investment performance. The markets took a breather in January and the results were marginally negative fortunately because of the very well diversified portfolio they have, they fared well. Looking at the asset allocation everything is close to policy targets and they have no change recommendations at this point. At the last meeting they made the necessary adjustments to raise operating funds for the next quarter's worth of distributions. The investment return was slightly negative, and they declined \$2.086 million and had a positive income generation of \$405,000. Looking at the fiscal year-to-date the plan assets stand at \$473 million and the fiscal year-to-date investment earnings are \$42 million from appreciation and they earned \$3.1 million from income generation for the program.

From a return standpoint for January they declined about .5% across the board. Equities were down marginally and fixed income with down marginally. The alternative assets were the only positive learning area for January. It looks like markets are back on track for February.

Dr. Gomez asks how Mr. West sees the markets reacting with the new Administration's hefty budget proposal. Mr. West responds that they got this program together to invest through the market cycles with a lot of installations and protections built in regardless of what the immediate future entails. There is a lot of optimism built into the marketplace right now. Obviously, the distribution of the Covid vaccination is ahead of expectations up to this point. The economy has been showing better results than expected and the stimulus program certainly larger than anticipated. So far, the market has viewed that as a positive. Janet Yellen, the ex-Fed, is heading up the Treasury so there are some very informed and knowledgeable people at the financial helm. It looks like the markets are viewing everything positively. He suggests that if going back to their growth value and previous market cycle history, he would hope that if there is any market correction on the horizon that the rotation that is in place right now may be a greater dependence on value stock orientation that they have in the portfolio to hold up valuations and also secondarily they we have a very high quality bond portfolio with Garcia Hamilton and Richmond that should provide some safety for them in the event things go temporarily sideways.

Ms. Gomez informs the Chairperson that the City Manager is in attendance and he has some questions on the investments.

City Manager Peter Iglesias addresses the Board. They have come off a 10-year bear market and probably are in an 11-year bull market. He asks what the strategy is for the fund in case of a bear market. He knows this is a perpetual fund. It is going to go through highs and lows. Most of the finance folks are saying that 2021 will be a good year and 2022 has a little more speculation. They have probably over 10% unemployment right now. They have a lot of businesses that have not made it and probably will not make it. There is a lot of money that is there right now, and their savings are high. Looking at the fact that they have been in a bull market for as long as they have what would they do if

they start going into a bear market. What is their strategy in case they come out of this bull market and get into a bear market?

Mr. West answers that this is something they review on an ongoing basis with the Board. The way the program is structured, they designed this system as an invest through the market cycle. They have number of safety valves and provisions built into the portfolio. Starting with the asset allocation, they have attempted to put together a portfolio that is combined of different asset classes that will play well together. Certain asset classes are expected to perform well early in the market cycle and some are expected to perform well late in the market cycle and some are expected to perform well in a bear market recessionary period. They saw this firsthand working well for them during the March 2021 decline. That was severe. The pension assets did decline significantly during that period but the behavior of other areas of investments in the asset allocation scheme worked well. The second element here is from a type of top-down structure safety mechanism standpoint. In the Investment Policy Statement, they have set up an automated rebalancing system. It was pointed out that the pension fund is a system that is in perpetuity. Programs like this are in a wonderful position to be able to dollar cost average new investments into underperforming areas of the market. In the event of market declines, they have a minimum equity range set up in the Investment Policy Statement should there be depreciation that brings the relative value of equities to the bottom end or perhaps even outside of that range which happened in the 2008 financial crisis. They have a system in place where they will recommend rebalancing and dollar cost averaging into underperforming areas. History and countless white papers show that they can add additional value to the program over time if they follow the 5% rebalancing rule. If they look back at history at some of the previous cycles and discuss the diversification of the equity portfolios, they have both growth and value styles in place in addition to the index fund investing. If past history is precedent, the value area of the market would likely hold up well if there is a market decline and if the more recently higher earning areas such as growth and the concentration in the S&P 500 index, those would be the areas that would most likely suffer the greatest amount of decline. They have that diversification offset with the style of investment that historically has provided an early cycle and late cycle offset during periods of correction. Lastly, they have been through a period where fixed income has performed extraordinarily well in the portfolio during the March crisis with some very positive returns. They have been upgrading the quality of the bond investment area with the expectation that corporate bonds are not providing as higher rate of return as they have historically. They completed an upgrade that still includes corporate bonds but at a much higher quality than was previously permitted. Looking at the real estate fund and some of the other alternative fund areas they would hope that these areas would also provide some support during a more volatile time. Their primary objective is to meet the actuarial required rate of return and hopefully exceed it and to minimize the contribution volatility from investments and minimize the City's contribution volatility. The actuary also employs an accounting mechanism where they smooth the investment results as well as other techniques to mitigate any interim volatility both positively and negatively. The actuary also employs some mechanisms to help minimize that that contribution volatility that the City might face.

City Manager Iglesias asks for Mr. West to elaborate on the 5% rebalancing strategy. Mr. West explains that the way the Investment Policy is set up is that they have a long-term target with equity issues if that is the primary focus of the rebalancing. They have minimum and a maximum permissions in the Policy and have the ability to work within those established ranges. They have been doing that with a modest overweight to equity generally over time but once they hit an appreciation or an appreciation that pumps up to the outer bands then that requires that they rebalance the portfolio. It is a systematic set up and it requires that they rebalance. They have an upper end and a lower end of plus or minus 5% to the target.

Dr. Gomez comments that one thing that the Board did not do this past year because of Covid-19 is a meeting discussing a variety of these issues with the Board, the City Manager, the City Commission and the consultants. He would like to have that joint session again with the City Commission and City Manager but also get a picture of where the City finances are as well too.

City Manager Iglesias informs that they have had an issue about every ten years, and this is something he has discussed with the Finance Director. They have worked from a strategy of being very fiscally sound. If you look at the expenditure levels, they are all in line. One of the reasons why they did not have layoffs or furloughs or pay cut is because they have been on that strategy. He does not want to get back into a situation where they maybe not investing in or not looking at their portfolio properly and spending beyond their means. He would love to give everybody everything, but they have to be able to remain within their means. If you look at the City's employment levels in 2009, they were much higher than what their expenditures were and now everything is aligned. They have worked on many issues to maintain the right fiscal mindset and the right optical mindset as far as far the City's residents are concerned. They have an excellent Finance Department. He comes from the private sector and budgets are very important to him. They may be the government, but it does not mean that we cannot work effectively and efficiently.

A motion was made by Dr. Gomez and seconded by Mr. Easley to have a joint meeting with the City Commission, the City Manager and the Board consultants in May or June but preferably in May. Motion unanimously approved (10-0).

Dr. Gomez reminds the Board that they have a meeting set with the two Mayor Candidates on February 12th.

Chairperson Gold states that last year is the best example of what Mr. West is trying to do and that is not tactically managing through bear and bull markets. They had a market down 35% and they ended the year with a 15% gain. The longer they keep to the strategy the more likely they will have positive and effective returns.

7. Old Business.

There was no old business.

8. New Business.

Dr. Gomez asks where the City stands on collective bargaining with the different employee groups. Ms. Elejabarrieta replies that they have three collective bargaining agreements for three separate employee groups. The general employees are represented by the Teamsters and they are currently in the middle of their Collective Bargaining Agreement. It expires at the end of this fiscal year and negotiations have not started between the City and the Teamsters. The firefighters' contract expired October of 2020 and negotiations have not started between the City and the firefighters. The police contract expired October of 2019. They had about five to seven negotiating sessions prior to the pandemic and have had one negotiating session since the pandemic. Things are in the standstill right now with the police.

9. Public Comment.

There was no public comment.

10. Adjournment.

Meeting adjourned at 8:55 a.m.

APPROVED

MICHAEL GOLD
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER