

CORAL GABLES RETIREMENT SYSTEM
 Minutes of January 12, 2023
 City Commission Chambers
 405 Biltmore Way
 8:00 a.m.

MEMBERS:	J	F	M	A	M	J	A	S	O	N	J	APPOINTED BY:
	22	22	22	22	22	22	22	22	22	22	23	
Andy Gomez	E	P	E	P	P	P	P	P	E	P	P	Mayor Vince Lago
Alex Mantecon	P	E	P	P	P	E	E	P	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	E	P	P	P	P	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	E	P	P	P	P	Commissioner Kirk Menendez
Beatriz Vazquez	-	-	-	-	P	P	P	P	P	E	E	Commissioner Rhonda Anderson
Joshua Nunez	P	P	E	P	P	P	P	P	P	P	E	Police Representative
Christopher Challenger	P	P	P	P	P	P	P	P	P	P	P	Member at Large
Marangely Vazquez	E	A	P	P	P	E	P	E	E	P	P	General Employees
Troy Easley	P	P	P	P	P	P	E	P	P	E	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	E	P	P	P	P	Labor Relations and Risk Management
Rene Alvarez	E	P	P	E	E	P	P	E	P	P	E	City Manager Appointee
Andy Mayobre	E	P	P	P	E	E	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager	P = Present
Manuel Garcia-Linares, Board Attorney	E = Excused
Pete Strong, Gabriel Roeder Smith via Zoom	A = Absent
Edemir Estrada, Gabriel Roeder Smith via Zoom	
Peter Tramont, Gabriel Roeder Smith via Zoom	

GUESTS:

1. Roll call.

Chairperson Gold calls the meeting to order at 8:07 a.m. Ms. Beatriz Vazquez, Mr. Alvarez and Mr. Nunez were excused. Mr. Challenger was running late.

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 12, 2023.
- 2B. The Administrative Manager recommends approval of the following Retirement Benefit Certifications: DROP – Terri Sheppard (General/Excluded), John Brown (General/Teamster).
- 2C. The Administrative Manager recommends approval of the following invoices:
1. City of Coral Gables invoice due to G/L July 1, 2022 through September 30, 2022 in the amount of \$34,452.14.
 2. City of Coral Gables invoice 359916 for general liability from October to December 2022 in the amount of \$1,194.25.
 3. Gabriel Roeder Smith invoice 474963 for actuarial services from the month of October and November 2022 in the amount of \$3,906.78.
 4. Verdeja DeArmas Trujillo Alvarez invoice 36464 for retainer of audit finance statements at September 30, 2022 in the amount of \$6,050.00.
 5. AndCo Consulting invoice 42883 for consulting services from October to December 2022 in the amount of \$38,062.50.
 6. Gabriel Roeder Smith invoice 475674 for actuarial services for the month of December 2022 in the amount of \$2,019.39.
 7. Gabriel Roeder Smith invoice 476208 for administrative services from October 1, 2022 to December 31, 2022 in the amount of \$29,863.00.
- 2D. The Administrative Manager recommends approval of the purchase of Other Public Employer Service for Arceli Redila (General/Excluded) requesting to buy back 1,789 days (4 years, 10 months, 24 days).

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

3. Comments from Retirement Board Chairperson.

Chairperson Gold states that it is his character to try and run efficient meetings. In that vein, he will be brief and say that he loves the City of Coral Gables and it has been his pleasure to serve all the employees. He truly enjoys his work and the fact that they work so well together. They have accomplished so much in the seven to eight years of his involvement and two years as Chairperson. It truly has been a pleasure. and have a copper stone in the past. I think several years of my involvement. He thanks the Board for being part of the team.

4. Items from the Board Attorney.

Mr. Garcia-Linares informs that Dr. Gomez wrote a book “Lessons From Abuelo: History of Cuba.” He bought three of them this is from a way of history of Cuba. I bought 3 of them for his daughters so that they can read them to their kids. Dr. Gomez will be at Books and Books on Sunday, January 20th, at 11:30 a.m. talking about the book. The pictures are beautiful. He congratulates Dr. Gomez. Dr. Gomez comments that Books and Books called him and told him there were too many people coming. The book came out right before Christmas and they sold out

in 72 hours. It was a fascinating thing. Seventy percent of the books sold outside of Florida. He found Cubans living in cities in the United States that he had never heard of. It took three and a half years to finish the book. He designed it for families so they can sit down and talk about their own experiences within the history. He picked certain times in Cuban history. What makes the book is the illustrator. The illustrator is 83 years old. He was famous in Cuba and he is famous here.

Mr. Garcia-Linares reports that he responded to a request from the auditor for the current audit. . They are sending follow-up letters to the people who owe the System money. These are small amounts so he is not recommending to file lawsuits. Some people are responding, and for those that have not, they have filed caveats, which means that if they open up an estate, they will get notice and file a claim. He needs direction from the Board as to what they are doing in regards to the office space. He thinks they should inform the landlord that they will not be staying in the space once the lease expires. He and Ms. Groome have had a couple of meetings with GRS and they have informed that everything is on track for them to take over. They are going to be asking for an amendment to the contract and they are working on the language. At the last meeting, they discovered there are some duties, services and responsibilities that will stay with the City so they are going to be changing the contract a little bit to make sure that it is clear as to who is going to be doing what once GRS completely takes over.

It has been a pleasure representing the Board and over the last three years they have not increased their fees. He sent an email requesting an increase starting January 1, 2023. He thinks they have provided good services to the Board and when certain issues have come up they have involved other members of their team. The fee is still a very discounted rate from regular rates. They are proposing going from \$4,000.00 a month to \$5,500.00 a month and an hourly increase from \$350.00 to \$500.00 for special projects. His current rate is \$725.00 an hour and the people that worked on the tax problem last year, their rate is \$900.00 an hour. They spent almost 170 hours working on the tax issue last year and they were paid \$350.00 an hour for that work. He will continue to try to do most of the work under the flat fee and if another major issue comes up, then that will be charged on the hourly rate.

A motion was made by Mr. Mantecon and seconded by Mr. Mayobre approving the increase in legal fees beginning January 1, 2023. Motion unanimously approved (9-0).

Ms. Gomez asks when the office space lease expires. Mr. Garcia-Linares responds that it expires June 30, 2023. He will do a notice now to the landlord. Ms. Gomez informs that the only space they have is in the City Hall Mezzanine and temporarily she will have to share the space for a couple of months. If she needs to have any private meeting then she can use the conference room on the first floor.

5. Request approval of The Berwyn Group contract for weekly death audit of 1,000 to 4,999 records at \$2,850.00 a year.

Ms. Groome informs that they have had a contract with The Berwyn Group for a couple of years and they needed to update the contract. The updated contract allows for the Retirement System to do up to 1,000 to 5,000 record searches a week. She is currently doing searches twice a month and this contract will allow the System to do the searches every week. Mr. Garcia-Linares informs that he has reviewed the contract and recommends approval.

A motion was made by Mr. Mayobre and seconded by Mr. Gueits to approve The Berwyn Group contract. Motion unanimously approved (9-0).

6. Request approval of the AndCo Consulting 3-year consulting fee proposal effective date October 1, 2022.
7. Investment Issues (*Agenda Item 8*).

Mr. West reports on the investments. They have been through a lot together over the years with the financial crisis, the covid crisis, and he thinks the last year will go down in history as one of the ultimate investment resets with the U.S. Fed forcing all investments to re-value assets. The Fed inflicted a lot of pain on them as far as asset valuations all the way down to investment grade fixed income. They have worked with the City's 457 and 401a plans. A lot of those members selected the target dated funds which the asset allocation is automatically managed and if one was conservative they were probably in the "close to retirement" managed investment. People are starting to realize that there is a delay in the observation reaction that their very conservative portfolio was marked down substantially because of the forced reset. He thinks the focus now is on the bond market. It is very opportunistic for them to take very low risk and keep money in the Northern Trust cash portfolio. They are currently earning 4.59% in current yields. The bond market is starting to discount the possibility that the Fed is going to have to start easing the pace of rate increases. The yield curve is very inverted by market. Typically, has been very good casting recessions and economic slowdowns. Now that the bond market is screaming, the Fed is going to need to stop, or at least slow the pace of rate increases.

December payroll showed good job creation. The wage inflation component of that and gas prices over in Europe are starting to roll over. The market seems to be suggesting that they may be entering an environment that the Fed was trying to manipulate and slowly driving down inflation. He suggests that they maintain policy neutrality as far as the investments. They continue to take advantage of high short-term yields and maintaining higher than usual level in cash getting that nice interest rate. They are starting to see the valuation issues start to creep into private investments. The adjustments went to public equities and publicly traded bonds. Now it is starting to force adjustments in private real estate. Returns are starting to turn negative. If they are looking at other private investments, they are starting to see slow adjustments to market values which is a necessary thing to get done. He would like to look at for future meetings is possibly putting some money into private equity investments. The more they move out of the public markets, the more volatility they can take out of the picture. It is important that they maintain sufficient liquidity because they have a high-level cash flow requirements coming out of this plan. As the private sector valuations start to get marked down, he thinks they will have an opportunity to move some money out of public assets. Public equities have rebounded 10% from the October low of last year. He thinks it is a good time that they start getting ideas on the table and discuss moving some money into private equities.

Mr. Garcia-Linares asks how the TerraCap fund is doing. Mr. West informs that the fund is doing well. It is very important that they move into real estate managers that have a very focused, nimble approach. It is going to be a very challenging environment for real estate going forward. That fund is performing very well. They have already liquidated a number of properties. Their focus is in the demographically hot areas. They already sold some properties in the southeast with substantial

gains. Products that were investments previously on the books, they are making some liquidations and taking some very nice profits. They should be seeing some additional positive gains with that fund. The issue they are dealing with their real estate managers is the required mark to market that was forced by the Fed. The other fund, Boyd Waterson, is the fund that invests in Government office buildings. They may have the opportunity to accelerate or shorten the investment queue. They are still waiting to invest in that fund. As real estate starts to correct and normalize, they might not have long before they get money in that environment. That fund continues to make very nice rent returns from their Government clients. JP Morgan products are feeling the greatest pressure as far as property write downs. The other new investment, Serenitas, the hedge fund is positive 1.52% in December. Their entire year to date was positive 7.35%. The prospects for that fund continues to be very good. Their gains in December were from their mortgage credit holdings and the outlook for that fund is that they are trying to not to be interest rate sensitive and it is more of an income-driven fund.

Mr. West reviews the investments for December. As far as asset allocation, they are in compliance with the Investment Policy. They continue to maintain modest overweight in domestic equity. They may possibly move international equities back to target. They have been underweight in international equities. As markets evolve, he thinks international equities are once again going to become an attractive area. They will continue to watch with a potential recommendation down the road and maybe move that back to neutrality. The opportunities in fixed income are unusually extraordinary. That is the only area of the portfolio, besides real estate, that you can argue that you can reasonably pull cash returns. They do not know what is going to transpire in equities but they do know in fixed income is the coupon. The yield is probably what they are going to earn going forward. They should maintain neutrality with the core fixed income. He thinks they have made the right moves in non-core and opportunistic fixed income. The real estate remains over allocated. Over the course of the year and in the intermediate term, he thinks the managers they have in place is a good place to be.

Chairperson Gold asks if they can buy 6-month T-Bills for the cash. If they know what their obligations are six months out an extra 30 basis points would make a difference. Mr. West replies that the way this program is structured, AndCo is in a non-discretionary advisory capacity. They are not an authorized or allowed to transact. They Board cannot direct them to make a purchase of a 6-month Treasury Bill. They would have to do introduce an investment option. Chairperson Gold asks if they can direct Northern Trust to do this. Mr. West thinks there are two options. They can direct Northern Trust. They would need to look at the contractable provision they have with Northern Trust to make sure that they can do that. The second option would be for him to bring some mutual funds or ETF options at the next meeting. They can formulate a letter of direction to Northern Trust to purchase X dollars of a 6-month US Treasury.

A motion was made by Mr. Gueits and seconded by Mr. Mayobre to direct Northern Trust to purchase a 6-month Treasury bill in the amount of excess the dollars required for operating funds for six months. Motion unanimously approved (9-0).

Mr. Challenger arrives to the meeting at this time.

Mr. West reviews the investment performance. The income generated fiscal year to date was \$2,195,347. The appreciation was \$19.9 million. They generated roughly \$22 million from investment. That left them with a market value of \$433,155,408. The fund net fiscal year to date

was 5.14%. The combined performance of the equity managers was at 9.73% fiscal year to date. That is where the bulk of returns came from. Real Estate was down 5.20% fiscal year to date. They are in great shape.

Mr. West informs that his next item is a consulting fee proposal. They have been together for a long time, and he thinks they have accomplished enormous amounts. AndCo is exceptional in their approach to billing clients. They bill hard dollar fees. The custodian, investment managers and other consultants in the industry they compete with are on a percentage basis. They charge basis points on percent of assets. AndCo charges a hard dollar fee. They are proposing two fee structures. He proposes they stay at the basis point equivalent. They are charging a hard dollar. To compare apples to apples to everybody else, he has to convert it to basis points. The last contract when it was reviewed several years ago, they were at a little over 4 basis points, which at time was also very competitive. He proposes that they stay at the 4 basis points but they need to reflect on time and the increase in market value. His first fee proposal is essentially a hard dollar catch up to get caught up to where the market is and an inflation adjustment to CPI capped at 2% minimum and a 5% maximum. The second proposal flat fee would be an annual retainer fee at 4.7 basis points and they would extend their proposed fee guarantee out additional years and in that case they are taking the inflation risk and they will assume a 3.5% inflation rate. That is the proposal. He loves doing this and working with this Board over the years. Ms. Gomez asks what AndCo would prefer of the two proposals. Mr. West responds that it would be the flat fee dollar and they accept the risk of inflation going forward. The proposal is for four years.

A motion was made by Mr. Mantecon and seconded by Ms. Gomez to approval the flat fee retainer at 4.7 basis points for four years. Motion unanimously approved (10-0).

8. Update on administrative hybrid arrangement.

Edemir Estrada of GRS provides an update of the hybrid arrangement. A few things have happened since the last time they met in November but overall, there are no issues or problems currently. Everything is on track and she believes they are in a better position than they were two months ago. They are getting the payroll reports and files for the active members from Ms. Groome. She has been very helpful. She is very diligent and has been answering questions that they have or any information that they need to do their job. They are in the middle of coordinating their next visit sometime this month.

Peter Tramont states that they on track to begin the transition formally to full administration from the hybrid arrangement effective April 1st. At that point they will start doing all the responsibilities with Ms. Groome's assistance; basically, mirroring what she does, attending all Board meetings, preparing minutes of the meetings afterwards and things like that.

9. Election of Chairperson for the Retirement Board [Retirement Ordinance Section 46-92(a)].

A motion was made by Dr. Gomez and seconded by Mr. Easley nominating Mr. Mantecon as Chairperson. Motion unanimously approved (10-0).

10. Election of Vice-Chairperson for the Retirement Board [Retirement Ordinance Section 46-92(b)].

A motion was made by Dr. Gomez and seconded by Mr. Mayobre nominating Mr. Gueits as Vice Chairperson. Motion unanimously approved (10-0).

11. Election of Investment Committee members [Retirement Ordinance Section 46-129]. The members of the Investment Committee shall be the Trustee, a Commission-appointment Retirement Board member, two participant Retirement Board members and three other Retirement Board members selected by the Retirement Board. The chairperson of the investment committee shall be elected by a majority of the investment committee members. The 2022 Investment Committee members are Joshua Nunez, James Gueits, Troy Easley, Michael Gold, Alex Mantecon and Andy Mayobre.

A motion was made by Ms. Gomez and seconded by Dr. Gomez nominating the 2022 Committee members to the 2023 Investment Committee. Motion unanimously approved (10-0).

12. Old Business.

There was no old business.

13. New Business.

There was no new business.

14. Public Comment.

There was no public comment.

15. Adjournment.

Meeting adjourned at 9:10 a.m.

APPROVED

MICHAEL GOLD
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER