

CORAL GABLES RETIREMENT SYSTEM
RETIREMENT BOARD JOINT WORKSHOP WITH
THE MAYOR, CITY COMMISSIONERS AND CITY ADMINISTRATION
MEETING MINUTES
THURSDAY, MAY 28, 2026
9:00 A.M.
COMMUNITY MEETING ROOM A
PUBLIC SAFETY BUILDING
2151 SALZEDO STREET
CORAL GABLES, FL 33134

RETIREMENT BOARD

Sean McGrover, appointed by Mayor Lago
Alex Mantecon, appointed by Commissioner Castro
Juan Lucas Alvarez appointed by Commissioner Fernandez
Derrek Space appointed by Commissioner Lara
Manny Carreno appointed by Commissioner Anderson
Joshua Nunez, Police Representative
Sureya Serret, General Employees Representative
Troy Easley, Firefighter Representative
Diana Gomez, Finance Director
Rene Alvarez, appointed by City Manager
Clifford Friedman, Human Resources and Risk Management Director

CITY COMMISSION

Mayor Vince Lago
Vice Mayor Rhonda Anderson
Commissioner Melissa Castro
Commissioner Richard Lara

Chairperson Diana Gomez called the meeting to order at 9:14 am and welcomed all participants and noted that this was a Joint Workshop between the Pension Board the City Commission to provide a semi-annual update on the status of the pension system, including its actuarial condition, funding progress, and investment performance. The City Manager, Peter Iglesias, City Clerk, Billy Urquia and City Attorney, Cristina M. Suarez were also in attendance.

Presentations were delivered by Actuary Mr. Pete Strong of Gabriel Roeder Smith (GRS) and Investment consultants Mr. Dave West and Ms. Kerry Richardville of Mariner.

Actuarial and Funding Update

Mr. Pete Strong reported that the Retirement System continues to make substantial progress toward long-term financial stability. The October 1, 2025 actuarial valuation showed:

- Total pension liabilities of approximately \$691 million.
- Market value assets of approximately \$553.4 million.

- An unfunded actuarial liability of approximately \$164.7 million.
- A funded ratio of 80.1% on a market value basis and 76.2% on an actuarial basis.
- A required annual contribution of approximately \$24.9 million, slightly lower than the prior year.

Mr. Pete Strong emphasized the dramatic improvement achieved over the last thirteen years. In 2012, the plan was only 52.1% funded. Since then, the City has reduced the unfunded liability by nearly half through a combination of pension reforms, conservative assumption changes, favorable investment performance and a commitment to making additional contributions above the actuarially required amount.

Historical funding data showed that over the past 27 years:

- Approximately 48% of all pension funding has come from City contributions.
- Approximately 45% has come from investment earnings.
- Approximately 7% has come from employee contributions.

Mr. Pete Strong noted that while investment returns and City contributions have generated similar overall funding amounts, investment earnings are inherently volatile while City contributions provide a stable and predictable funding source.

Impact of Pension Reforms and Additional Contributions

Mr. Pete Strong reviewed pension reforms adopted between 2010 and 2013, which significantly reduced future benefit accrual costs. As a result, the annual normal cost of the plan declined substantially, helping improve long-term sustainability. Particular emphasis was placed on the City's policy of making additional unfunded liability payments beginning in 2015. Since that time:

- The City has contributed approximately \$63 million in extra payments beyond required contributions.
- Those additional payments, together with investment earnings, have reduced the unfunded liability by approximately \$87.9 million.
- Without those additional contributions, the funded ratio would be approximately 63.5% today instead of 76.2%.

Both the actuary, Mr. Pete Strong and Investment consultant, Mr. Dave West stressed that these additional contributions have been one of the most important factors in improving the plan's financial position.

Assumption Changes and Mortality Updates

The Board recently adopted updated actuarial assumptions, including:

- Reducing the investment return assumption from 7.00% to 6.95%.
- Adopting updated Florida Retirement System mortality tables.

The mortality updates increased liabilities by approximately \$14.1 million and increased the annual contribution requirement by approximately \$1.4 million. The lower investment return assumption increased liabilities by approximately \$3.2 million and increased annual contributions by approximately \$300,000.

Mr. Strong explained that while these changes increase costs in the short term, they strengthen the actuarial assumptions and reduce the likelihood of future funding losses.

Future Funding Projections

Mr. Pete Strong presented several funding projections illustrating the importance of continuing the City's additional contributions. Assuming:

- Additional City contributions continue,
- The plan earns its assumed return of 6.95%,

The Retirement System is projected to reach approximately 98% funded by October 2031 and become fully funded around October 2032. Even if future investment returns fall below assumptions, the plan would still reach full funding, although on a delayed schedule. Conversely, if the City stops making the additional contributions and only contributes the actuarially required minimum:

- Full funding would be delayed approximately six years, to around 2038.
- Total City contributions over that period would actually be approximately \$20 million higher due to the extended amortization of the unfunded liability.

Mr. Pete Strong concluded that continuing the extra contributions is the most cost-effective strategy and accelerates the path to full funding.

Investment Performance and Portfolio Management

Mr. Dave West of Mariner reviewed the investment program and market conditions. He emphasized that the Board's primary investment objective remains balancing reasonable returns with prudent risk management. He noted that the plan's current assumptions are far more realistic than the 9% return assumption used decades ago, which required substantially higher investment risk.

Mr. Dave West discussed the maturity of the pension plan and noted that:

- The plan pays approximately \$15–17 million annually in benefits.
- Approximately \$4 million per month flows out of the system to retirees.
- Liquidity management is therefore critical.

To address this, the investment program maintains sufficient liquid assets to cover roughly six months of benefit payments, helping avoid the need to sell investments during market downturns.

He also highlighted the effectiveness of the plan's DROP structure, which requires participants to withdraw DROP balances upon retirement, reducing liquidity risks commonly seen in other pension systems.

Market Conditions and Investment Strategy

Mr. Dave West reviewed recent market volatility driven by tariffs, inflation concerns, interest-rate changes, and continued enthusiasm surrounding artificial intelligence-related investments.

Despite market fluctuations, the Board's disciplined rebalancing policy allowed the fund to:

- Capture gains during market highs.
- Reinvest during market declines.
- Add value through disciplined asset allocation rather than market timing.

He also discussed a strategic decision to overweight cash and short-term investments during a period when short-term interest rates exceeded longer-term bond yields. This approach generated strong returns while minimizing risk and provided substantial value to the portfolio. As interest rates normalized, the portfolio gradually transitioned back to a more traditional allocation structure.

Portfolio Structure

Mr. Dave West reviewed the current portfolio allocation, which includes:

- Domestic and international equities.
- High-quality fixed income investments.
- Alternative investments and hedge funds.
- Real estate holdings.

He noted that the fixed-income portfolio is intentionally structured with higher-quality, intermediate-duration securities to reduce volatility. The portfolio contains no private debt investments, reflecting a conservative risk posture. Several alternative investment strategies have provided strong diversification benefits and helped offset volatility in other asset classes.

Long-Term Investment Results

Investment performance has generally met or exceeded actuarial assumptions over rolling five-year periods, except during major market disruptions such as the financial crisis. Mr. Dave West highlighted that:

- The plan's assets have grown significantly despite substantial annual benefit payments.
- Investment gains have been the primary driver of asset growth.
- Active management and asset allocation decisions have generated more than \$81 million in value above benchmark returns.

The portfolio's five-year peer rankings remain strong, generally placing the fund within the top tier of comparable public pension plans.

Commission Discussion

Commission members commended the Board, actuary, investment consultant, and City staff for their stewardship of the pension system.

A significant portion of the discussion focused on the importance of maintaining fiscal discipline and continuing the City's additional pension contributions.

Commissioners acknowledged that the decision made in 2015 to begin making extra contributions was difficult but has produced substantial long-term benefits. Several speakers emphasized that without those contributions, the plan would not be approaching full funding today.

Discussion also addressed:

- The risks of future economic downturns.
- Potential impacts of property tax reform and homestead exemption changes.
- The importance of maintaining conservative pension policies.
- Concerns regarding future cost-of-living adjustments (COLAs).
- The need to preserve funding progress before considering benefit enhancements.

The Commission also discussed how achieving full funding could eventually free approximately \$25 million annually that is currently being directed toward pension obligations, creating opportunities for future infrastructure, services, tax relief, or employee benefit improvements.

Conclusion

The workshop concluded with recognition of the substantial progress achieved over the last decade. Mr. Pete Strong and Mr. Dave West emphasized that the combination of conservative assumptions, disciplined investment management, pension reforms, and the City's commitment to additional contributions has placed the Retirement System on a strong path toward full funding. If current funding and investment strategies continue, the plan is projected to achieve full funding within approximately six years, representing a significant milestone in the City's long-term financial planning efforts.

There being no further business, the meeting was adjourned at 10:30 am.

APPROVED ON: _____