

CORAL GABLES RETIREMENT SYSTEM
 Minutes of September 10, 2015
 Youth Center Theater/Auditorium
 405 University Drive
 8:00 a.m.

MEMBERS:	S	O	N	J	F	M	A	M	J	A	S	APPOINTED BY:
	14	14	14	15	15	15	15	15	15	15	15	
Andy Gomez	E	E	P	E	P	P	P	P	P	P	P	Mayor Jim Cason
James Gueits	P	P	P	P	P	P	P	P	P	E	P	Vice Mayor C. Quesada
Charles Rigl	-	-	-	-	-	-	-	-	-	P	P	Commissioner Jeanette Slesnick
Michael Gold	-	-	-	-	-	-	P	P	P	E	P	Commissioner Patricia Keon
Rene Alvarez	-	-	-	P	P	E	P	P	E	P	P	Commissioner Vince Lago
Joshua Nunez	P	E	P	P	P	P	P	P	E	P	P	Police Representative
Randy Hoff	P	P	P	P	P	P	P	P	E	P	P	Member at Large
Donald R. Hill	P	P	P	P	P	P	P	P	P	P	E	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
Elsa	P	P	P	P	P	P	P	P	P	P	P	Human Resources Director
Jaramillo-Velez												
Manuel A. Garcia-Linares	P	E	P	P	P	P	P	P	E	P	P	City Manager Appointee
Jacqueline Menendez	-	-	-	-	-	-	-	-	-	P	P	City Manager Appointee

STAFF:
 Kimberly Groome, Administrative Manager
 Alan E. Greenfield, Board Attorney
 Dave West, The Bogdahn Group
 Pete Strong, Gabriel Roeder Smith

P = Present
 E = Excused
 A = Absent

GUESTS:
 Dan Givens, Miami Fire, NCPERS Executive Board
 Ludwig Janiga, City Employee
 David Perez, IAFF L-1210
 Jim Linn, City's outside counsel

Chairperson Randy Hoff calls the meeting to order at 8:15 a.m.

1. Roll Call

Chairperson Hoff calls the meeting to order. All members are present except Donald Hill who is excused from the meeting. He apologizes for the seating arrangements due to the presentation that will be made later on during the meeting. Ms. Jaramillo-Velez and Mr. Gueits were 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 August 13, 2015.

2B. The Administrative Manager recommends approval of the Report of the Administrative Manager.

1. For the Board's information, there was a transfer in the amount of \$2,500,000.00 from the Northern Trust Cash Account to the City of Coral Gables Retirement Fund for the payment of monthly annuities and expenses at the end of August for the September 2015 benefit payments.

2. For the Board's information:

- Joe Torres, Firefighter, entered the DROP on August 1, 2013 and left the DROP on August 24, 2015. He received his first retirement monthly benefit on September 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.
- Raymond Vorsteg, Administrative Analyst, entered the DROP on September 1, 2010 and left the DROP on August 31, 2015. He received his first retirement monthly benefit on September 1, 2015 and was not affected by the IRS 415(b) limits for the 2015 year.

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

- Payroll ending date July 26, 2015 in the amount of \$177,490.16 was submitted for deposit on August 3, 2015.
- Payroll ending date August 9, 2015 in the amount of \$177,567.91 was submitted for deposit on August 19, 2015.
- Payroll ending date August 23, 2015 in the amount of \$175,998.54 was submitted for deposit on August 28, 2015.

4. Copy of the detailed expense spreadsheet for the month of August 2015 is attached for the Board's information.

5. Attached for the Board's information is a report from the GRS Death Check website showing that no death records were found from the current list of retirees' Social Security numbers as of September 4, 2015.
 6. A copy of a letter dated August 20, 2015 from Clement Johns of Goldstein, Schecter, Koch to Julie Browning of the State of Florida Municipal Police Officers' and Firefighters' Retirement Trust Funds responding to her letter of August 6, 2015 regarding the State Annual Report is attached for the Board's information.
 7. A copy of an email from Northern Trust regarding a program update of the Securities Lending Program is attached for the Board's information.
 8. A copy of the August 2015 FPPTA Newsletter is attached for the Board's information.
- 2C. The Administrative Manager recommends approval of the application of employee Keith Kleiman of the Finance Department requesting to buy back 1,825 days (5 years) of Other Public Employer Service time.

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

Chairperson Hoff presents Mr. Kleiman with a Certificate of Appreciation for serving on the Retirement Board.

Mr. Gueits arrives to the meeting at this time.

3. Presentation by Dan Givens, executive board member of NCPERS and retired Fire Captain of the City of Miami, covering investment firms that are anti-organized and identifying firms that have given to PACs that lobby against organized labor. (*Agenda Item 6*)

Dan Givens informs that the mission is to try and educate all public employee plans to enable them to perform their fiduciary duty to the best of their abilities and to ensure that the preservation of defined benefit plans are in the best interest of the plan participants and the shareholders using assets to further the cause so all stakeholders are fully informed to the true benefits and the cause of not having a defined benefit plan. The ALEC, The Arnold Foundation, Chamber of Commerce, The Manhattan Institute, and other right wing organizations are actively trying to eliminate public employee defined benefit plans. Many of the service providers for public employee defined benefit plans are actively involved with the above listed organizations. Public employee plans have been woefully absent when it comes to engaging these service providers. Public employee plans have also been absent when it comes to being active shareholders who

utilize their proxy votes and shareholders rights to direct good corporate governance from the companies owned. Pension board trustees should be on notice and questions should be added to the RFP process that will help identify these providers. Trustees need to find out who are voting for their pension plan proxies. If you are happy with the managers doing their proxy voting then they need to make sure the managers have a proxy voting policy statement.

Ms. Jaramillo-Velez arrives to the meeting at this time.

Mr. Givens opens the floor for questions. Mr. Gold asks how a Board with 17 managers and those managers on average has 100 holdings and one of those have a proxy each year. That is 1700 proxies. How can you monitor 1700 proxies? Mr. Givens responds that they hired a proxy voting company that sits with the Board and goes through the Board's individual requirements and thoughts regarding the plan. They are not advocating for divesting with managers but that they engage in conversation. Dr. Gomez sees his role on this Board as a fiduciary for the employees of the City and also to the citizens of the City of Coral Gables. Given where this pension plan is and other pension plans across the United States there are issues that he wants to look at to make his final decision regarding the plan. When do they starting asking the questions and when do they draw the line? He thinks they need to be very cautious when they look at these issues not to put themselves in a hole that eventually will come back and bite them. Mr. Givens agrees. That is why the proxy votes should be this Board to decide on.

Meeting adjourns at 8:43 a.m. due to the rearranging of seating and reconvenes at 8:48 a.m.

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

Alan Greenfield reports that it has been an uneventful several weeks since the last meeting. He and Ms. Groome have had the usual conversations on administrative issues that do not need to be brought to the Board's attention. In regards to the two items pending litigation there has been some communication. The Nyhart case is moving at a slow pace. He believes it will begin to move a bit more rapidly as there has been some communications made outside of the courtroom to see if a resolution might be possible. He has not heard any new details in reference to the COLA except that there were briefings for summary judgments. He adds that things were to be placed on hold until the judgments were resolved by the court. His biggest task has been reading through the several pages of the summary pages from the two investment managers the Board chose for the hedge fund-of-funds. He is working with Titan and believes they are close to getting the issue resolved and if not then he will move forward to the second choice.

5. Continuation of the discussion at the August 2015 meeting regarding employee Ludwick Janiga's presentation of his findings regarding current calculations of retirement benefits for employees.

Employee Ludwig Janiga presents an issue he believes that retirement calculations are done incorrectly. He advises that the Summary Plan description does not correspond with the City Code specifically Section 50-25 and 52-30. He continues adding that the retirement calculation has two parts. The first is the 3% of your highest three year average plus the second part which follows section 52-30. Mr. Ludwig is adamant that the calculations are done incorrectly and that the wording in the Summary Plan description is written incorrect as well.

Pete Strong, Gabriel Roeder Smith, informs that he reviewed Mr. Janiga's memo and provided comments. He thinks he understands the main issue Mr. Janiga's has which is he feels that because part of the benefit is only using the three year average as of 9/30/2010 and the other part uses the greater of those two averages and Mr. Janiga thinks that all of it should use the greater average rather than the post 9/30/2010 piece. His interpretation of the section is to use the 3% of the final average earnings as of 9/30/2010 and that is multiplied by the greater of the 3 year average or the 5 year average. The whole intent was to have a freeze restart where everyone will be treated as starting fresh with a new pension as of 9/30/2010. This is how the plan has been actuarially valued. If the greater of for all service was used then the cost of the plan would be higher. This is not the way the plan is being valued as of right now. One of the points Mr. Janiga did make was if a new employee was hired today it would be possible for a new employee to have a higher payout then an employee who has been an employee a lot longer due to partial of the benefit being locked or frozen. That is one of the unfortunate things about the way the plan was designed with the hard freeze as of 9/30/2010. He mentioned in his email to Ms. Groome is that one way to rectify the issue is to establish a minimum benefit could be established of 2.25% of all years of service times final average earnings. He understands that is not up to the Board but up to collective bargaining. That way a new employee would be treated the same way as someone who has been employed for a while. It would cost a little more but it would treat everyone essentially the same.

Jim Linn, City's outside counsel, states that he drafted the 2010 ordinance that implemented these changes. He reviewed the comments by Mr. Strong and Mr. Janiga. He agrees with Mr. Strong and the calculations are being calculated correctly in accordance to the wording of the plan. Mr. Linn adds that he would be happy to sit with Mr. Janiga to further answer any questions.

6. Discussion continuing the March 2015 meeting discussion regarding Board member education and attendance at conferences.

Mr. Hoff asks what the Board was waiting on to come to a decision on this matter. Ms. Groome answers that it was information on the cost of attending the FPPTA functions. She has put together in the Board package a travel expense reimbursement form for the Retirement Board along with the costs of each member who attended the FPPTA functions for the fiscal year. Ms. Gomez adds that one of the issues is that members are charging things differently. As an example for members who pay for the registration and the registration includes breakfast and lunch then they should not get per diem but

persons are charging the per diem because they choose not to eat the food at the conference. The City does not cover this and whether a person chooses to eat the foods or not it is included and so they should not be able to also receive per diem. Mr. Garcia-Linares thinks that the bigger issue is the amount of money it costs for each person to attend the FPPTA meetings three times a year and if it is important for the entire board to go versus putting a budget amount and choosing a select number to attend. Ms. Groome informs that if a member is certified in order to keep certification a member must attend at least one school. Mr. Hoff points out that the FPPTA is an excellent organization and they provide up to date information on pension plans. He goes to the annual conference and also to one of the schools. With it being offered three times a year there is different information presented each time. He would be thrilled if everyone on the Board would attend all the conferences available. He thinks it is a great benefit.

Ms. Jaramillo-Velez thinks it was more of a transparency issue and who approves for Board members to attend. Ms. Gomez states that someone could attend a conference in Hawaii and no one would have to approve it. Ms. Groome disagrees. The resolution in front of the Board for approval does not allow for that to happen. Mr. Greenfield informs that he and Ms. Groome worked on the draft of the resolution before the Board. The issue the Board is talking about is not addressed in the resolution but if the Board would like to address the costs they can put a provision in the resolution in regards to the cost. Ms. Gomez mentioned about going to Hawaii but they specifically precluded that in the last paragraph in the resolution. If it was a sponsored FPPTA conference everyone is encouraged to go but if a member wanted to go to another conference or educational school you would have to get prior permission from the Board. Ms. Gomez thinks there should be guidelines for transparency and public perception. Ms. Groome suggests that the Board can make a motion to approve the resolution and follow the City's travel policy. Chairperson Hoff disagrees. He went to one of the FPPTA functions and submitted his paperwork for travel expenses. One of the receipts for his dinner included a beer and Ms. Gomez saw it and sent it back and he corrected his travel reimbursement form. So to say they are not following the City's policy they are following it. Ms. Gomez thinks that they should follow the City's policy. It is a fair policy. Mr. Garcia-Linares thinks that they should allow the Board members to only attend the conference and one of the schools. Chairperson Hoff disagrees. There are two schools and a conference that the FPPTA puts on. If you are going to limit that is what this resolution says that if you want to do something other than the FPPTA offers then you have to get approval by the Board. Each of the schools and the annual conference provide education with a lot of updates in pensions and pension legislation. He does not think that is excessive. Since Mr. Greenfield is a Trustee for Aventura, does he see a value in going to both schools and the conference from an educational aspect? Mr. Greenfield replies that he does. If you go there and want to learn and take your time and sit through the various classes they have he thinks it is very educational and reinforces things you know. Mr. Nunez states that he tries to go to all of the FPPTA schools and conference because he doesn't have the background that some other Board members have and all this information is new to him. They are dealing with a pension plan that is worth millions of dollars so he feels like he has to go because although he has been on the Board for a few

years now, some of this information is still convalescing. His comparison is that he runs a SWAT team so he needs for them to feel secure when they are doing their job and he feels the same way being on the Board. There are millions of dollars at stake and it is your vote based on your knowledge and understanding. That is how he sees it.

Ms. Groome comments that Mr. Hill has indicated to her that he likes to attend all the FPPTA functions because he is able to bring back the knowledge he has learned and bring it back to the employees who voted for him to be on the Board and he shares that information with them.

Chairperson Hoff directs Mr. Greenfield to add adopting the City's travel policy to the resolution so that the resolution can be approved at the next meeting.

7. Investment Issues.

Dave West reports on the investments. He reviews the August monthly performance. August was a pretty tough investment month. The total fund net of fees declined 3.73% for the month. Fiscal year to date they are at 4.27%. The three year number annualizes at 9.58% and the five year number annualizes at 10.54%. All of the active equity managers were hurt on the month but the fiscal year to date every manager is at or above the benchmark. The international portfolio has added value above the market. The real estate funds have provided very nice stability. There are no individual manager issues.

Mr. Gueits asks where Mr. West sees the fund ending at the end of the fiscal year. Mr. West answers that it is impossible to predict what will transpire from now until the end of the fiscal year. Another 2.5% or 3% needs to be generated in order to pass the threshold. No assets have turned over as of yet. Mr. Gold asks what The Bogdahn's Group perspective is on the global bond fund. If the issues that many people are worried about are global growth issues and the policy states that they can go from 0% to 5% in international bonds is it worth being in a relatively illiquid when it comes to a global scale market to try and get a little extra return in that type of market? Mr. West answers that the Templeton Global bond fund strategy is a very short duration of about one and a half years of interest rate sensitivity using that measure for the portfolio. It should be reasonably insensitive to rate movements. That fund has typically emphasized a higher quality or those countries that are implementing prudent fiscal policies and the balance sheets are in good shape so from a risk standpoint if they end up with the end of the year bond market credit which often happens there is no question there that the fund would be in less liquid markets or areas in the market. He thinks the managers' intent there would be to hold those bonds. It is an extremely low turnover fund and to ride out whatever interim liquidity issues that may come forward. The PIMCO has a longer duration with a lot of lower quality credit. The low quality credit could potentially offer the subject to similar liquidity issues depending on where the money flows. Given their very low asset allocation at 2.5% for each fund they are comfortable in riding that out.

Mr. Gueits was sorry to see some liquidation of the real estate fund. Mr. West informs that no assets have turned over yet. As Mr. Greenfield continues to work through the engagement letter they recommended that they would move the assets all at one time so they will be doing a one-time rebalancing, liquidating the DiSCO II fund and a portion of the real estate to get it back to target because they are over weighted in their target.

Mr. West addresses the cash flow. They opened up the month with \$352,790,504. Contributions for the month were \$6,141. Distributions for the month were \$2,500,000. Investment Management fees were \$255,727. Other expenses for the administration of the plan were \$2,815. The investment earnings as income were \$473,512. The mark to market net depreciation for the period was \$13,349,807. That gave them a snap shot ending August 13st of \$337,161,808.

On a fiscal year to date basis the fund has earned \$9,809,654 in income and \$7,794,428 in appreciation bringing net numbers in assets to satisfy liability. They are in a very reasonable position and it is still possible to make their assumption rate.

Mr. West informs that the asset allocation is below target and they are recommending rebalancing the portfolio moving 3% of the total plan assets from the core bond investment grade managers back to the equity market. They are recommending splitting that to the S&P 500 and S&P 400 index funds.

A motion was made by Mr. Gueits and seconded by Mr. Gold to rebalance the portfolio back to policy targets moving 3% total assets from investment grade fixed income between the two managers and moving the assets into the two domestic equity index funds. Motion is unanimously approved (-0)

8. Old Business.

Chairperson Hoff talks about the workshop dates. He would like to get it done quickly. He asks for the workshop to be on October 15, 2015 or October 22, 2015.

He asks for Mr. West and Mr. Greenfield to get together regarding the proxy voting that was discussed at the meeting this morning.

9. New Business.

Mr. Strong points out that the actuarial investment assumption rate for this plan is on the high end compared to their other clients. There has been a trend over the last couple of years to reduce investment assumption rates. They have done several studies on investment assumption rates and as a result they have recommended changing the investment rate assumption. As of 10/1/2013 they have had a number of clients who reduced their investment assumption rates. The average investment return rates were just under 7.4%. The Florida Retirement System lowered their investment return rate from 7.75% to 7.65% last year. He is just giving them something to think about for the future.

10. Public Comment.

There was no public comment.

11. Adjournment.

The next scheduled Retirement Board meeting is set for October 8, 2015 at 8:00 a.m. in the Youth Center Auditorium.

Meeting adjourned at 9:57 a.m.

APPROVED

RANDY HOFF
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER