

CORAL GABLES RETIREMENT SYSTEM
 Minutes of May 12, 2022
 Community Meeting Room - A
 Public Safety Building – 2151 Salzedo Street
 8:00 a.m.

MEMBERS:	M	J	A	S	O	N	J	F	M	A	M	APPOINTED BY:
	21	21	21	21	21	21	22	22	22	22	22	
Andy Gomez	P	E	P	P	P	P	E	P	E	P	P	Mayor Vince Lago
Alex Mantecon	E	P	E	P	P	P	P	E	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	P	P	P	P	P	E	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	P	P	P	P	P	P	Commissioner Kirk Menendez
Beatriz Vazquez	-	-	-	-	-	-	-	-	-	-	P	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	P	A	P	P	P	E	P	P	Police Representative
Christopher Challenger	P	P	E	P	P	P	P	P	P	P	P	Member at Large
Marangely Vazquez	P	P	E	P	P	P	E	A	P	P	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	E	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
Rene Alvarez	E	P	P	P	E	P	E	P	P	E	E	City Manager Appointee
Andy Mayobre	-	E	E	P	P	P	E	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

GUESTS:

Wendy Henderson, PenChecks

1. Roll call.
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 February 10, 2022.
- 2B. The Administrative Manager recommends approval of the City of Coral Gables invoice #357215 for General Liability Insurance April through June 2022 in the amount of \$1,194.25.
- 2C. The Administrative Manager recommends approval of the purchase of Other Public Employer Service for the following employees:
 - 1. Other Public Employer service time for Firefighter Alexander Aladro requesting to buy back 1,825 days (5 years).
 - 2. Other Public Employer service time for Police Officer Lisdey Hernandez requesting to buy back 994 days (2 years, 8 months and 19 days).
- 2D. The Administrative Manager recommends approval of the following Retirement Benefit Certifications for DROP Benefits: Jonathan Ralph (Firefighter), Hector Diaz, (Police).

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

- 3. Comments from Retirement Board Chairperson.

Chairperson Gold comments jokingly that he tried to table the investment presentation for the meeting. His firm has made the recommendation not to open their statements this month but these times are inevitable and frustrating.

- 4. Items from the Board Attorney.

Mr. Garcia-Linares reports that the information for Box 5 for 2019 and 2020 has been reviewed and the 2019 and 2020 1099r forms have been corrected and are being mailed out to the retirees. Chairperson Gold asks for the timeline to be explained regarding the updated 1099r forms. Mr. Garcia-Linares informs that the 1099r 2021 forms were corrected immediately and they went back and corrected 2019 and 2020. They did not go back to 2018 because they did not have the time to do that correction before the tax year closed on April 15th of this year.

He understands that Mr. Woodside may be participating in the meeting via Zoom today. GRS looked at all of the accusations and statements that Mr. Woodside made and they determined that over almost 100% of everything that was stated in Mr. Woodside's letters to the Board as false. There is information that he has pulled from websites which is incorrect and therefore it is the recommendation that we just forward and listen to what PenChecks has to say. They will move forward and let this process continue.

There is one other issue when folks got paid the last month. The PenChecks system does not allow them to pay the Friday before if the first falls on a Saturday or Sunday. The

system just does not do it. They are trying to look into it and trying to see if they can correct it. The next time that this will happen is October of this year. Between now and then they will figure out if they cannot then the administrator will have to report that to the retirees that instead of getting the deposit of Friday, they will get it on Monday.

5. Attendance of Wendy Henderson from PenChecks to explain the May 1, 2022 monthly pension payments to retirees (*Agenda Item 6*).

Wendy Henderson thanks the Board for providing her the opportunity to address them and for their support and continued business with PenChecks. They appreciate the opportunity to service the retirees. Regarding the May 2nd payment run without getting too much into the weeds and the very high level of the process, they get a file from the PensionSoft system delivered to their system. They upload that file into their processing system. There are a couple of anomalies in the file formats that they have to fix each month. That file is then reviewed by a secondary individual and submitted for processing. That is the high-level overview of the beginning process for their monthly payments. For May the file went through that entire process and was submitted for processing but their system detected some type of an unspecified error underneath in the database section of the system that prevented it from moving into a pending to a submitted file. Their development team has done some testing in our sandbox environment and as of yet have not been able to reproduce that particular error or situation. They are continuing to research to see if they can determine what the root cause of that error. In the meantime, they have instituted an additional check to make sure that their system fully and properly accepts each file so that it may continue for processing. This particular payment run they became aware of the issue early on Monday morning May 2nd, and they were able to get their teams on board immediately to get the file push through. All of the payments were processed on Monday May 2nd and the direct deposit payments were posted but not until much later in the day than expected. That is an overview of what happened with this particular file. They do not intend or anticipate that it will happen again.

Ms. Henderson discusses the effective payment date. With their recurring clients they select either a first of the month or a last of the month target payment date regardless of whether that date happens to fall on a holiday or a weekend. At this moment they do not have the ability to toggle back and forth between those part of it as related to 1099 reporting. Their system looks at the effective payment date to determine the correct 1099 reporting period. They have submitted a discovery and research ticket with our development team to see if this is something they can modify. The only issue may be the January payment. They are looking at the ability to toggle and make the payment early. If the first of the month falls on a business are a holiday with the exception of the January payment. October is the next date where they have this particular situation again. They are hoping to have some discovery and research completed long before October and hopefully have a solution in place.

Bill Barrow understands that there was an issue between PensionSoft and the data coming over to PenChecks. Ms. Henderson there are a handful of files in the PensionSoft file they are aware of that have a small anomaly between the PensionSoft file and their

file format but those errors had been corrected. This particular issue took place after that part of the process. Mr. Garcia-Linares asks if Ms. Henderson can clarify if there was an issue with the data that was received whose data was received. Ms. Henderson responds that in the PensionSoft file there are two line items. One item is missing one data point and the other item is a foreign address that there is a difference between the PensionSoft formatting and the PenChecks formatting. Both of those are their issues that that their team is aware of and they are able to make those corrections manually before submitting the file. Although those are differences in the file formatting that is not what was the root cause of the made human issue. Mr. Barrow asks if that is something that is unique to Coral Gables. Ms. Henderson replies that is what their development team is trying to research and determine because they have not been able to replicate the exact scenario in their sandbox environment. They are still researching and trying to determine if that was the case. In her personal opinion she does not believe it was a data issue with the file format. Mr. Garcia-Linares states that one of their retirees lives in Panama so that is the foreign address issue. The issue with the payment coming on one day at the end of the month, is this an issue unique to Coral Gables. Ms. Henderson responds that is not a unique issue to Coral Gables. That is a systematic programming decision that was made. Any of the retiree and ongoing recurring clients face that same issue and that same challenge. The payments are made either on the first business day of the month or the last business day of the month. They are not able to toggle between the two.

Mr. Garcia-Linares thinks the question is if Coral Gables is the only client that pays retirees the day before the first if it falls on a Saturday or Sunday versus paying it on Monday. Ms. Henderson informs that they have had that question come up in the past. As they have had people that have transitioned or migrated to end check services and the other clients that we have encountered this with have essentially informed their retirees that there is a change of processer and a change in the standard payment date.

Ms. Gomez comments that the date of the check is supposed to be the first of the month. As a courtesy of the City, the pension system was paid early when it happened fall on a weekend. Now that it is being outsourced, they are following the proper rules to issue the payment. If it falls on a weekend then it is issued the next business day. It is a change they need to communicate to the retirees. Mr. Nunez states that it has come up before in other companies and they have explained their transition. He thinks it would have been common courtesy identifying the in May that this was going to happen. They have had it happen before or it was explained ahead of time to anticipate so they can get the retirees a heads up.

Mr. Barrow finds it surprising they have multiple clients that are municipalities and they never had these issues with somebody living out of the country or something like that. They knew they had this issue and the Retirement System was not aware of it. He sees these bugs coming out that he questions if a company has been doing something for period of time that these types of issues would continue to happen. Ms. Gomez informs that she is only speaking as to the date of the check. She thinks they knew that PenChecks would have to be paid on the next business day and she does not think they communicated that properly to the retirees. Mr. Nunez states that they can take some

blame as to not communicating this but PenChecks has encountered this before. They are the company they are paying to do this job. They could have at least warned them that these are the issues they have seen a happened before. Mr. Pickering comments that most of the feedback he received from the police retirees on their email network was that they when they were working for the City, they always received their direct deposit the business day before the weekend or holiday and it continued when they retired until they transitioned to PenChecks. The retirees have their utility bills, car loan payments and everything else that are due the first of the month and they do not get paid until the second of the month. There are a lot of retirees out there living paycheck to paycheck and it caused an extreme amount of stress. They want to be paid on the first of the month and if it is on the weekend or holiday to be paid the business day before. Ms. Gomez explains that their system does not accommodate that. She thinks they should review what is the legal way for them to do that. Mr. Garcia-Linares comments that they are being told that the system does not allow them to pay the day before and they have got to live with the system that they have gone with.

Dr. Gomez suggests that they take a step further because he can appreciate the frustration. Would it be too much to ask PenChecks to inform the retirees of the dates the retirement will be paid by direct deposit for the remainder of the year. Ms. Henderson informs that she can provide a calendar of the expected payment dates throughout the rest of the year and into 2023.

Tommy Fortner informs that he has been retired for 16 years. Every time he called PenChecks they throw the City under the bus. Every time they say it is the City. He worked with the City for a long time and he knows but they keep throwing the City under the bus. Why is that? Mr. Barrow thinks it goes back to the point is the short period of time they have been with this company is that is has been error after error. The commonality of the outside looking in is they are on the other end of the phone. They are not doing a very good job. He does not know how much they are getting paid and in his opinion, it is too much. He does not know if vetting was done or what other agencies, cities or municipalities they work for. He is a computer moron and he could probably generate the portal website on Wiki. This transition has been less than stellar from the outside looking in.

Mr. Garcia-Linares asks Ms. Henderson if she could address the issue that the retirees are calling PenChecks and the Board is being told that PenChecks is throwing the City under the bus. Ms. Henderson states that they do not have access to full pension data. So PenChecks is able to answer certain questions and handle certain situations. Things along the line of a retiree needing to check on the status of their check, if they have not received their check, if the check has cleared or not, if they have updated their mailing address or their banking information. All of those are things that the City needs to be aware also. There are instances where they have taken some information but that information also needs to be passed onto the City. She would be happy to investigate any specific situations if someone can provide her with the client service representative that they spoke with and address those types of issues individually with that department and those individuals.

Anton Jackson informs he retired 3 years ago. Basically what Mr. Fortner was saying what happened, he made the phone call and a lot of retirees were told that the City did not deposit the money to the account. Mr. Fortner adds that when he talked to someone on the phone, he was told that the moneys were not sent to the account yet. Ms. Henderson informs that she can check into that. It is the first she is hearing about it. She will take that as an action item for herself. She will follow-up with that immediately following this call. Mr. Garcia-Linares states that Ms. Groome informed him that when she was told by a retiree about PenChecks telling them that the account was not funded she sent an email to Laurie and Ileana at PenChecks informing them of that.

Mr. Challenger comments in regard to where they are saying their system does not allow them to change dates of when the deposits go through. He does not think that is a good excuse because obviously this company is a big enough company. They can have IT professionals' program a "if this then that" code. If the first falls on a weekend or holiday then it pays the day before. It is a simple thing. He does not think it is that difficult computer wise to change that. If they cannot do that it might be an issue if they cannot just change it certain deposit. If you can deposit on a later day then you can deposit on a day before. It is a simple fix. When they say it is a system thing, systems can be changed. It is quite simply whether they want to do it or not.

Chairperson Gold states that this is something that should not take a long time to figure out before the next Board meeting. They should have an answer by then. Ms. Henderson informs that they have submitted it to their development team as a discovery and research request. She agrees that it should not be something that is extremely difficult. January would be the only instance where it would create a tax reporting issue. Their development team is working on many improvements to their system. This is one of many that they will be researching and going through that discovery process on. She expects they would have some type of estimate from their development team and some kind of opinion on the issue within the next month or so.

Mr. Nunez asks how big the development team is. Ms. Henderson responds that they have about a dozen employees in that department. Javier Bruzos, FOP, states that when the whole issue of PenChecks first came up he remembers the Retirement Board had a meeting at the old Police Station and Mr. Pickering was there and they spoke against going this route. They thought that it was not a good idea at the time and he thinks it is true. There is a lot of frustration from a lot of the retirees. He has been a Police Officer for 28 years and the first thing they teach you in Police work is to follow the evidence. That is how you get your answer. They follow the evidence and see that they have a lot more questions than answers. The only thing he is hearing is that the issue will be looked into but there are no answers. He suggests re-evaluating PenChecks and everything they thought it was and whether they can give them the level of service the retirees demand.

Mr. Garcia-Linares states that the service is being provided by PenChecks and so they are clear, the Board is retaining GRS as the third-party administrator. They use the PensionSoft software to do part of their job. GRS and PensionSoft to do not have the

function of sending out checks. For that function they have retained PenChecks. The only two options that were provided to the Board were PenChecks and Northern Trust. There was no other option presented to the Board back in 2020. Both of them were analyzed and PenChecks could do more than what Northern Trust was able to do. Therefore, the recommendation from Mr. Strong on behalf of GRS and from Ms. Menegazzo who was the Board's consultant was to go with PenChecks but PenChecks is just one piece of the equation.

Chairperson Gold wants to be clear on a few things. They are not in public comment now so this really is for direct questions to PenChecks and at the end of the meeting is a more appropriate time to make general comments. Making this transfer has been planned for years. They are going from a decades-old system into a new system and there were bound to be some growing pains. He does not think that many of these issues will be repeated. That may be optimistic and what we talked about at the last Board was re-looking at this after 6 months after engagement. Some of this has been growing pains. Systems that have not been integrated before that are disparate outside of the City and the City's stated goal was really to outsource this plan as well. They are following the lead of the City and this was their aim from years ago to create a system like this outside.

Mr. Garcia-Linares thinks a lot of this goes back again to a lack of communication. Retiree Martin Barros provided Dr. Gomez with a copy of a letter that was sent with the paydays in 2021 and there were two days in 2021 that people were not paid on the first they were paid on the second and no one complained. Mr. Barros informs he is a retiree with the City. Back in December 2020 he believes all retirees received a letter and in it stated the exact dates when the checks were to be deposited. In May it was deposited on the third and in August it was deposited on the second. He believes the issue they encounter was that the check was not deposited on that date that they were ready to use it. He does not know the retiree who lives in Panama but he knows of a retiree who lives in Costa Rica and he has never complained about not getting his deposit. This happened before but there were no consequences because the checks were deposited.

Mr. Barrow asks what the services were that Northern Trust could not provide. Ms. Gomez responds that Northern Trust could not pay the vendors. They could only process the retiree checks. The pension system pays vendors as well and Northern Trust could not do that. That was her recollection.

Mr. Easley states that some of the problem is communication between the retirees and PenChecks. He would like to suggest that PenChecks have a dedicated representative to speak to anybody that calls in from Coral Gables. He thinks they are large enough and they should have a certain level of service in just like we have people on the Board here that they refer that represent their company. They should have a dedicated person from PenChecks that can speak to them. A dedicated person that can handle all retiree questions from one source.

Ms. Henderson informs that they do have a dedicated team for Coral Gables. They do not work the front-line phones but she can work with her client services team to see if there is

a way to route those calls immediately to that team rather than have their client services individuals fielding those calls. That does vary from their standard client service and call link process but she can investigate to see if it is something that is an option. Ms. Gomez asks how much customer service PenChecks should be providing retirees directly. They are just issuing checks. They are not a real party administrator. They should not be calling PenChecks at all. She does not want to put something on them that they have no answers for. Mr. Mantecon states that if they do not have the answers, they should not be saying that Coral Gables did not fund the monthly benefit. Mr. Garcia-Linares comments that until GRS takes over, Ms. Groome is the call center. Ms. Gomez asks if Ms. Groome is referring the retirees to PenChecks. Ms. Groome answers negatively. Mr. Garcia-Linares states that people are taking it upon themselves to make the call directly. Mr. Easley thinks that PenChecks should have a dedicated person to answer their questions if they call. Ms. Gomez disagrees. If that is not their function, why are they putting it on them. Their function is to cut the checks it is not customer service, they are supposed to direct that back to the retirement office.

Ron Crumbley informs he has been retired from the City since 2018. He understands what Ms. Gomez is saying but when a lot of people depend solely on their retirement check they are going to want answers. They are in the public service industry and they all know what it's like to service people in the Gables who have lots of funds. When they rely on a paycheck every month, they are going to look for every source of answers that you can. It is easy to look up PenChecks. Just go online and Google their number and find out. Ms. Groome has been doing a great job and he wants the Board to understand that from his perspective and from a lot of other retirees. She does a great job. She does not gaslight or points fingers. She helps the retirees. He was one of the ones that reached out to PenChecks. Ms. Groome did not throw them off on PenChecks. It is a basic human reaction when your deposit is not in your account. You want to know where it is and what is going on. In an industry where you are stonewalled in a lot of areas, you are going to find a way to find the answers that you need. That is what they did as retirees. They reached out to PenChecks to find out what is going on and then they get one set of information and then talk to Ms. Groome and she tells them they sent the money already. So now in their minds there is something wrong. Anybody who has got their funds waiting someplace and nobody knows where it is you ask the person that issued the check. Naturally they are here to find out what is going on.

Mr. Barrow asks how many municipalities PenChecks serves and how many are similar in size to Coral Gables. Ms. Henderson responds that she would have to look at their records but off the top of her head they serve probably around 20 to 25 municipalities. They have maybe three or four that are of or near the same size as Coral Gables and then they have several others that that are smaller. They have one that is larger.

Dr. Gomez states that they have been saying this for the last couple of months that mistakes happen. He thinks the common denominator here is the issue of communications. There is no one to blame. All of them are to blame. Not one single individual. He thinks there has got to be communication particularly to the retirees and done soon in cooperation with all the people that have been hired informing the retirees if

there is a concern here is how it should be handled so that anxiety level is reduced. He thinks that improving their communication technique and doing it as soon as possible. The bottom line is if the administrator is responsible for handling these issues and she has been doing it for many. She knows the system. There has got to be clear communication from Ms. Groome to the retirees moving forward once they get all these mistakes taken care of. Mr. Garcia-Linares recommends that Mr. Strong put together a letter to the retirees and explain where they are going and who is doing what making it clear that all communication should come to Ms. Groome and Ms. Groome will get the answers for them. He would like it investigated today, what they heard from two individuals here, why would PenChecks tell a retiree that the City did not deposit the funds when that was not true. He needs to know what it is they are going to do to make sure that does not happen again. They need to figure out who in PenChecks call centers were making those kinds of statements because that is a very big problem. Dr. Gomez thinks that Ms. Groome should communicate to the Chair when there are issues.

Mr. Strong asks how many total clients does PenChecks have. Ms. Henderson responds that for the recurring payment services they have about 300 plans.

David Perez, President for the Firefighters, asks when a retiree calls in and asks for their check or has a problem with the check, he imagines they take their information. What happens after that process? Why would someone from PenChecks say that the City did not deposit the funds for the month? Do they have access to that information? Can they go to their computer screen and see if the City deposited the money? He is trying to figure why someone on the other end would say something like that. Ms. Henderson replies that their client services team has access to the system. She has put a message out already to Laurie and Ileana who were mentioned earlier as the team that handles the process for Coral Gables to find out what they were able to determine. Their system is a two-prong system as far as deposits. The money comes in and is identified as being funding for a specific plan. The second step is for that funding to actually be associated to the individual payments. Without doing any research her first initial thought is that the person who may have made that comment did not do their full due diligence to see that the money was received and made that comment based on the fact that the money that they have for Coral Gables had not yet been associated to the individual payments. That is her suspicion as to what happened and what caused that comment to be made. That funding cannot be associated to the individual payments until the order is fully submitted which she explained earlier was the problem with the file to begin with.

Mr. Nunez informs that some retirees incurred fees from the deposit being late and one specific retiree, Mr. Adderley, there was an issue on the spreadsheet regarding his direct deposit. Will PenChecks cover the banking fees? The Retirement System has covered those fees in the past. Ms. Henderson informs that they will cover the fees.

6. Presentation of the 10/1/2021 draft Actuarial Valuation report by Gabriel Roeder Smith.

Pete Strong reports on the October 2021 actuarial report. The contribution for fiscal year 2023 which the city makes on October 1st comes down by \$497,000.00. After replacing,

all of these are the two impact statements that were drafted for fiscal year 2022 which brought the contributions of \$22,895,325.00 that was deposited in October 2021. The contribution payable in October 2022 is \$22,397,975.00. The actual City contributions made for fiscal year 2021 were \$30,558,549. The required amount was a total of \$23,936,560 and an additional extra contribution was made by the City of \$6,758,821 in October of 2021. This was applied directly to reduce the unfunded liability and the City chose to apply that to the actuarial experience gained that was established January 1, 2004 which had over \$13 million dollars left on it and it basically cut it in half. He thinks the City plans to pay the rest of that off with next year's extra payment.

For the last 10 years or so there has been a decreasing trend in the required contribution. The plan had some changes made last year. One was in July for changes for the Police Officers benefits and one was in October for the General employees' benefits. The main changes for police were to increase the benefit cap of 2% and it caused a reduction in cost because it was done two years ahead of time. It is effective 10/1/2022. For valuation purposes they are assuming a 2.15% inflation assumption increase each year. Because it was increased one time by 2% it caused a slight decrease because it delays that inflation assumption. The DROP period was also extended for Police to 8 years for everyone currently in the DROP and for all future entries into the DROP. There was a change in the General/non-excluded employees contribution cap. It was going to revert back to 15% of the contribution cap and it was brought down to 13.5% through 2022 and then 13% for 2022 through 2024.

They had one assumption change during the year. It was to reduce the assumed return assumption on assets from 7.4% to 7.25%. That change increased the City's contribution by about \$751,000.00 and increased the unfunded liability by about \$8.2 million. They recommend continued reductions over time in the rate of return assumption. The city has been targeting five to ten basis points a year and they did 15 basis points this year because of the extraordinary year in investment returns. They believe it is a prudent thing to do until they get down to what they believe is target range of 6.5% to 7%. There was a large experience gain of \$19,283,793 since the last actuarial valuation primarily from higher investment return than expected.

The overall salary increases were a little bit less than the assumed 3.3%, it was 4.9% on average expected. Given the size of the plan with over \$600 million in liabilities all the other things were minor. You are going to have experienced deviations from year to year.

Each year they track to see the defined contribution plan election for General employees. All new General employees are given a choice between the defined benefit plan or the defined contribution plan. This last year 42% of newly hired General employees chose the defined contribution plan and over time it is 58% of the General employees choosing the defined benefit plan. It is a slightly reduction in the cost but it does not have a significant impact because the contribution by the General employees is pretty high. Overall, it does not have a significant impact on the defined benefit plan. At the last meeting, he reported that around 20% entered the defined contribution and he wanted to explain why that was reported. They looked at how many people were new entrants into

the system and how many people went into the defined contribution plan. In reality it is only General employees that are given the choice to join the defined benefit so they cut that out the police and fire to determine how many actual General employees entered the defined contribution plan.

The funded ratio as of October 1, 2021 was 73.4%. They are looking at a much stronger funded ratio for the plan than they were five or ten years ago. They were at 52% percent funded on October 1, 2012. That is a 21% increase in funded status in just nine years which is a testament to positive investment results and the extra payments the City has made over the last five or six years.

The market value of assets exceeds the actuarial value of assets as of the valuation date, by over \$55 million. That is a large cushion given that the assets are roughly in the \$500 million range. That is an 11% cushion meaning that if they have a bad year this year and if the return on assets this year is negative it will close the gap between the market value and actuarial value because they have this cushion there from last year. If the market value had been used the funded ratio would have been 82.3%. That is the strongest position the funds been in over 20 years on a market value basis. The actuarial value is going up but not nearly as much as the market value.

They recommend continuing to reduce the investment return assumption in incremental shifts. The forward-looking expectation is that the 50th percentile in expected returns is going 6.1% right now and it is 6.8% on an arithmetic basis. The probability that they earn 7.25% long term for more than 20 years is 36%. It is better than it was last year. He thinks they were saying the expectations were 33% or 34%. One thing of note is that system assets exceed the liabilities for all retirees for the first time in several years. Last year there was a \$60 million shortfall of what the market value of assets was versus what the liabilities for inactives or retirees. Lots of steps have been taken to come from 52% of 73% funded.

The amortization schedule assumes that you earn the assumed rate of return on the actuarial value of assets and not the market value of assets. It does not include market gains and it does not include the extra payments by the City. The actuarial value alone without the extra payments shows that they are expected to pay off the total unfunded liability by 2036. Factoring in the extra payment by the City the time of paying off the unfunded liability goes down 8 to 9 years assuming they earn 7.25% every year on actuarial value of assets. The unfunded liability of a \$163.7 million is the lowest it has been since 10/1/2007 when it was \$144 million. It is more evidence that the fund has really improved over the last 10 years.

The total market return during 2021 was \$95,413,125.00. If the fund earned the expected return of 7.4% it was assumed the fund would earn \$31,589,475.00. The excess return is subject to being recognized over time. The difference between those two numbers is \$63,823,650.00 and 20% of that is \$12.7 million. That amount is what they are recognizing immediately this year and they will have \$12.7 million in each of the next four years through 2025. They also have gains from three of the previous four years.

There is a cushion of \$55,157,791.00 and the ratio of actuarial value of assets to market value is 89.1%. That means there 11% of market value cushion as of 10/1/2021. They are expecting 7.25% and they can break even on actuarial versus market value with a negative 4% return. They have room to maintain a funded ratio in the mid-seventies if they have a disappointing year this year.

Mr. Challenger asks what is considered a satisfactory funded percent that is typically seen for pension plans. Mr. Strong responds that there has been a lot of talk over the last decade or so that 80% was a good funded ratio. That is kind of a myth. They really want to be at 100%. If they are at 100% funded ratio they are paying the normal call and it is a much more sustainable pension system. This plan is on a healthy trend.

Mr. Pickering comments that under the Retirement Ordinance, the retirees are not guaranteed a COLA investment that is 100% funded. If they are 99.9% funded they do not get a COLA unless the Commission votes in the majority to award a COLA. The goal was that they were supposed to be fully funded by the year 2030. Ms. Gomez informs that it is the cumulative actuarial gain that has to be in a positive position for a COLA. Mr. Pickering asks if they will ever get to a point where the retirees get a COLA. They have not been awarded a COLA since the year 2007 or 2008. Mr. Strong states that it is based on achieving over 10% market value return during the year and then it goes to the Commission either to be approved or not approved. He thinks it has happened four times and it was declined because of the cumulative experience loss position. It would take a lot to get out of the \$174 million hole in terms of experience. Ms. Gomez points out that the City has a Resolution that says the City will continue to pay in extra payment until the plan is fully funded. The amount is escalating each year by 1.25% and they also try to fully pay separately and apart from that any minor assumption changes that can be afforded in the budget. The City is really doing everything it can and it is a full commitment of the City. Chairperson Gold adds that almost 15% of the City's budget is paying for the pension. Ms. Gomez states that the goal of the City is to pay off the unfunded liability in eight or nine years. That assumes that they make the assumed rate of return every year. The full commitment of the Commission to continue that policy until the plan is fully funded. Mr. Challenger asks if the Commission granted a 2% COLA for the retirees, how negatively would it affect the plan. Mr. Strong replies that the estimated amount would be roughly \$9 million or 1.5% of the total liability.

A motion was made by Ms. Gomez and seconded by Ms. Vazquez to approve the 10/1/2022 Actuarial Valuation. Motion unanimously approved (10-0).

Mr. Gueits arrives to the meeting at this time.

7. Investment Issues

Dave West reports on the monthly performance. The S&P 500 was down 8.7% for the month and year to date it was down 12.9%. The growth style Russell index was really annihilated during this period of time. He thinks the most outstanding event that occurred was the sell-off of fixed income. For the month, bonds sold off and was down 3.79% for

the month and year to date down 8.51%. Interest rates have increased materially. The 10-year treasury was flirting with the 3% level which is almost twice the level that they were looking at previously. Corporate bonds were down more and drove most of the decline here. Corporate bonds on a year to date are down 12.73%. The U.S. Dollar is extremely strong right now. It is \$1.05 to the Euro as of April 30th and as of this morning if anyone who plans on traveling abroad now it is a great time to do it. The US economy is very, very strong and their European counterparts are having a hard time coming out of the pandemic. All of this action is arguably a result in part of the Federal Reserve as far as the U.S. is concerned. This is how the market reacts. Interest rates go up when the FED starts to get more restrictive. They had a more than usual violent reaction as far as bond terms go during April. They have been talking about the perfect storm for inflation. Unexpectedly strong recovery in the United States. There are unfilled jobs now in the U.S. They had supply constraints in China as they shut their economy down again. They have the Ukrainian Saga that continues and they have a very strong dollar. This puts enormous pressure on inflation and unfortunately most of it is being felt over in Europe. During the month of April, the market started to look forward as it always does and they started entering in potentially changing the macro story here. Forward-looking markets are now concerned about the continued growth conundrum and what point does inflation and higher interest rates start to trip up the economy and the tightening financial conditions. People are starting to look ahead and move forward but there are too many uncertainties out there. The best bottom line is April is risk off and out of bonds and especially out of lower quality fixed income security. This system and every other system across the Country that employs active managers was dramatically affected by the very concentrated returns in the equity markets. As fiduciaries they employ active managers that are diversified and deliver good returns over a reasonable measurement period. During this period of time everything was negative except for energy stocks. That led to horrible performance from their active managers. They had significant under performance of the total plan relative to the policy benchmark and all that under performance actually occurred during March for these reasons. That is why they are tracking below the policy benchmark in April. They should expect going forward that this abnormal condition is not going to continue.

Looking at the asset allocation, as a result of the extreme movement and assets primarily in fixed income and in equity they have moved a little bit below the target index in the total core fixed income. They are taking some profits out of equities and also taking some money out of fixed income to raise cash for operations and for TerraCap capital call. As a result of the market changes, they are little underweight in domestic equity. He wants to make the point that the administrator, the Board and investment consultant, they work very carefully and project several months ahead of what the cash flow needs are going to be. They try to prepare the portfolio and in the least constructive manner to investments as possible to prepare those monies so that they are there and the transfers are made in the and deposits are made. This is part of that regular monthly exercise. They received an earlier than expected distribution from the PIMCO Disco fund of \$11.7 million. That left them with \$28,065,891 in operating funds. The June distributions are expected to be \$4 million. The July distributions are expected to be \$5 million. The August distributions have an unusually large distribution amount at \$7.5 million.

Collectively that is about \$16.5 million going out in benefit payments over the next three months. Immediately going out, they have a full call going to TerraCap which is \$10.574 million. That leaves them with roughly an extra balance of \$1.5 million. Given the uncertainty in the marketplace, he is recommending they buy \$4.5 million in the Northern Trust S&P 500 Index Fund. He suggests they continue to reduce the fixed income allocation and sell an additional \$3 million from the Fidelity Inflation Protection Tips fund. This fund is down minimally compared to the 10% decline in general fixed-income fund. This asset has performed remarkably. The intent of this investment in was to be long-term. He suggests they use this as a means of funding rebalancing back into equities and then address at a later date to get the TIPS allocation back up to the longer-term policy targets. It is important they keep the equity allocation fully funded as efficiently as possible. His recommendation is to sell \$3 million of the Fidelity Treasury Inflation-Protected Securities index fund and use the remaining operating cash to buy the \$4.5 million in the Northern Trust S&P 500 fund.

A motion was made by Mr. Easley and seconded by Mr. Challenger to approve the recommendation to sell \$3 million of the Fidelity Treasury Inflation-Protected Securities index fund and buy \$4.5 million of the Northern Trust S&P 500 fund. Motion unanimously approved (11-0).

The total fund was down 5.85% and fiscal year to date they are down 8.06%. The total equity allocation was down 13.46% fiscal year to date. The S&P 500 and the S&P 400 index funds captured the market returns but the offset was the active management. On the fixed income side, the total bond allocation held up well and was down 5.9% fiscal year to date. The real estate managers fiscal year to date was a positive 16.06%. They will be adding another 2% of total assets to the TerraCap team and they will be fully invested next month. Short of equity they had a lot of positive things going on in the portfolio. They are able to reinvest all of the semi-annual coupon paid out from the bond from one at much higher interest rate to all the bonds that is insured in that fund they are going to be a reinvested at a much higher rate than what they were paying two quarters ago. He guesses that projected returns going forward for the capital asset pricing models that they will probably see people increased perspective returns going forward for fixed income. These things take time to work through but given a reasonable investment scenario he thinks they are in a good and solid position. It is good to be predominantly invested in the USA and they are very fortunate because their economy is very strong and they are not subject to a lot of the negative inflationary elements that Europe and their global trading counterparts are experiencing right now

The fixed income managers wanted to make some minor amendments to their policy statements and he recommends approval of those changes.

A motion was made by Mr. Mantecon and seconded by Mr. Easley to approve the amendments of the fixed income managers' policy statements. Motion unanimously approved (11-0).

8. Old Business.

There was no old business.

9. New Business.

There was no new business.

10. Public Comment.

Woody Woodside, retiree, states that he did a public service records request and Mr. Strong's statements, as a salesman for GRS, is provable. It is out of his own presentation proposal. As he has said to this Board before, the problem is everyone seems to be unhappy about the performance of PenChecks but the responsibility is GRS. GRS advertises they have a call center and they have not proven that. The performance is lacking. He thinks the problem is GRS primarily. Mr. Strong states that for the record GRS is not in contract with PenChecks. PenChecks has their own contract with the Board. They made their own presentation to the Board and they were vetted by the Board and by Yolanda Menegazzo. GRS had nothing to do with the hiring of PenChecks. Is not a subcontractor of GRS. Their contract is with PensionSoft and PensionSoft brought in PenChecks as an alternative for the Board to consider. Mr. Woodside asks what the other alternative was. His understanding was the Board had no alternative other than PensionSoft and PenChecks. Chairperson Gold adds that Northern Trust was an alternative. They spoke about Northern Trust earlier and referenced their inability to process vendor checks. They would have had to find a third vendor in addition to PenChecks to process third-party checks. Mr. Woodside states that the problem is they are still not performing satisfactorily. There must be other vendors that they can approach.

Sharon Watson states that her husband was a 27-year Police Officer with the City. He is deceased and she remains on his pension. She does not understand the IRS problem that they have been hit with regarding Box 5. Her taxes are simple but now it seems she has a problem and it is going to cost her a lot of money to go back. She has not filed 2021 yet, she just did an extension so she could try to have time to figure it out. Now, she understands that there are previous year 1099s being prepared to come to the retirees and they are going to owe a lot of money. How did they get in this position? How is she supposed to handle this? Chairperson Gold responds that if she files her own taxes, she needs to restate the past two years as well as file 2021 correctly. You just need to hand the restated 1099 to your CPA and they will handle it for you. Ms. Watson asks if she is going to be hit with penalties and interest. This was not her fault. Is the City going to do anything? Do they have any responsibility? Chairperson Gold explains that if her taxes were filed appropriately over the past few years there should be no issue. Her individual tax situation is really not the purview of the Board today. He does not know if we can help an individual situation side. Ms. Watson informs that she will have to hire a CPA. Chairperson Gold states that if she has been using a CPA to file her tax returns it should not be an issue. The issue comes if you are not amortizing appropriately.

Mr. Pickering comments that two retirees contacted him owing the IRS because of this issue. They feel they were put in this a situation because of the City many years ago by not reflecting the proper amount in box number 5 of the 1099 forms. Ms. Watson is not the only one. There are numerous retirees in the same situation. He understands that the IRS can only audit person returns going back three years. They have their corrected 2021 forms so when will the other forms be sent out. Ms. Groome informs that the 2019 and 2020 forms are being sent out by the Retirement Office this week. Mr. Garcia-Linares states that if somebody substantially under reported their income the IRS can go after them for other years. He does not know what each person's situation is and what their 1099 showed. That is between them and the IRS. They only went back and did what they needed to do within the tax period that is open. To clarify, there may have been a mistake but people knew how much they contributed. If they received a letter from the City saying to amortize their contributions over this period of time, the City put people on notice when they retired.

Mr. Pickering states that his only other comment is directly to Ms. Anderson's new representative. Retiree Martin Barros was communicating with Commissioner Anderson about the possibility of a COLA increase. When the Commission voted against the COLA increase in December 2021, Ms. Anderson brought up on the floor, the possibility of pre-funding the COLA of some other benefit for retirees during the budget process. Mr. Barros was communicating with Commissioner Anderson and the communication stopped. He tried contacting her assistant and the communication stopped. He would appreciate that when Mr. Barros contacts Commissioner Anderson that she responds to him. Ms. Vazquez informs that she will let her know.

Mr. Barrow comments that he asked a few questions of Ms. Henderson and he did not get any answers. He thinks that the Board has quite a few unanswered questions from her as well. They have used PenChecks since 2021 and these problems should have been worked out by now. He requests that the Board take a serious look at this organization. Chairperson Gold states that some of them are just coming to light. There are some things that he thinks need to be worked out but some of them are probably making mountains out of molehills. It is frustrating because there have been other things that have happen and they have piled on. Mr. Barrow agrees. It seems like there is lot of little things happening and they are not being resolved. Ms. Gomez disagrees with that. The 1099 issue has been resolved and they understand what it is and going forward it will never happen again. The issue with the dates, PenChecks is going to come back to them and see what they can offer. The Board will make a decision as to whether or not they will pay early or not. Mr. Barrow understands but there are a lot of unanswered questions on his behalf. He requests that the Board, at some point, cut their losses. He also thinks that the portal is a rip off. Mr. Strong points out that there is a lot of complexity behind the scenes for that and it took a long time to get it set up properly because of the complexity of the Coral Gables fund. It has been fully vetted. There were about 400 hours of input into that system. Mr. Barrow informs that the only information he is getting off of that is what he was getting off in the City's website before and nothing more. Mr. Strong informs that there is more for the active members like benefit projections. Chairperson Gold states that his comments are valuable because they do not have pensioners on the Board.

11. Adjournment.

Meeting adjourned at 10:29 a.m.

APPROVED

MICHAEL GOLD
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER