

CORAL GABLES RETIREMENT SYSTEM
Minutes of September 9, 2021
Community Meeting Room - A
Public Safety Building – 2151 Salzedo Street
8:00 a.m.

MEMBERS:	S	O	N	J	F	M	A	M	J	A	S	APPOINTED BY:
	20	20	20	21	21	21	21	21	21	21	21	
Andy Gomez	E	P	P	P	P	P	P	P	E	P	P	Mayor Vince Lago
Alex Mantecon	P	A	P	P	P	P	P	E	P	P	P	Commissioner Jorge L. Fors, Jr.
James Gueits	P	P	P	P	P	P	E	P	P	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	E	P	P	P	P	P	Commissioner Kirk Menendez
Katherine Newman	-	-	-	-	-	-	-	-	P	P	A	Commissioner Rhonda Anderson
Joshua Nunez	P	P	P	P	P	P	E	P	P	P	P	Police Representative
Christopher Challenger	P	P	P	P	P	P	P	P	P	E	P	Member at Large
Marangely Vazquez	P	P	P	P	P	P	P	P	P	E	P	General Employees
Troy Easley	P	P	P	P	P	P	P	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	P	P	E	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	P	P	P	P	E	E	P	P	P	P	E	City Manager Appointee
Andy Mayobre	-	-	-	-	-	-	-	P	E	E	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
Manuel Garcia-Linares, Day Pitney LLC
Dave West, AndCo Consulting

P = Present
E = Excused
A = Absent

GUESTS:

Yolanda Menegazzo, LagomHR
Pete Strong, Gabriel Roeder Smith
David Vargas, IAFF

1. Roll call.

Chairperson Gold calls the meeting to order at 8:05 a.m. There was a quorum. Mr. Alvarez was excused.

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 12, 2021.
- 2B. The Administrative Manager recommends approval of the Gabriel Roeder Smith & Company invoice #464103 in the amount of \$14,062.39 for July 2021 Actuarial Services.

A motion to approve the Consent Agenda was made by Mr. Mantecon and seconded by Dr. Gomez. Motion unanimously approved (11-0).

- 3. Comments from Retirement Board Chairperson.

Chairperson Gold comments that he is excited to see a short agenda today and he hopes they can go through it as quickly as possible.

- 4. Investment Issues. (*Agenda Item 6*).

Mr. West reports on the investment performance. Since the last meeting they have had a continuation of a slowing of the economic recovery. The Delta variant is directly impacting global supply chains, it is directly impacting consumer spending and now it has had a direct impact on some of the economic data that has been released in the U.S. The Feds show slowing of U.S. economic activity over the last two months. Last week the payroll numbers were very disappointing. During the month of August investors shifted their thematic investment to more of higher quality. They had gone to a position of neutrality with their equity program. Their growth and value allocations are approximately equal. During the quarter, investors went back into growth and the high-quality growth stocks were the primary drivers of return. There are cautionary actions being taken out there. The markets are still holding up quite nicely and August was a very good and productive month for investments.

They have rebalanced close to policy neutrality. Domestic equity is marginally overweight and he suggests they continue to maintain that marginal overweight of domestic equity. International equity is right on policy targets. They are a little underweight in the domestic fixed income allocation and their total opportunistic fixed income is at policy weight. They are marginally underweight with the real estate and the redemptions are coming in as they put in previously. The other asset investments are also a little bit underweight. As far as the macro allocation goes, he thinks they are right on target where they should be as they previously discussed coming into the home stretch and hopefully, they are in a good position at the close of September 30th. They are balanced across capitalization and across style. The Eagle Capital and Brandywine value side funds are approximately equal with allocation to the growth side with Winslow and the Heritage All Cap Growth. They remain with a growth bias in the international equity allocation and will continue to monitor that. He thinks they are nicely positioned going into the end of the quarter. The only area where they are light is the allocation to the S&P 500 Index Fund. As far as the allocation goes, the only other change that is not

reflected is the additional monies that were allocated to Ironwood. They allocated an additional \$15 million to Ironwood on September 2nd.

For the month of August, they picked up 1.86%. The fiscal year-to-date number was 25.69%. They are ahead of their total fund policy which is at 22.25%. That is a substantial pick up in return. That has been due to the strategic shifting in the asset allocation, the overweight to equities relative to policy, and the very good performance coming out of the active managers especially in the equity area. The one-year return now stands at 23.3%, the three-year annualizing at 13.2% and the five-year analyzing at 13%. He has no manager issues. Chairperson Gold comments that if it were him, he would point out that the performance cash number is probably \$14.5 million above what their benchmark provides.

Mr. West reviews the dollar contributions from investments to date. They had an income of \$7,969,006.00 and an appreciation of \$103,780,971.00. That is right around a \$110 million earned net from investments. That gave them a market value ending August 31st of \$508,681,732.00.

Mr. West informs that his second item is the recommendation of the investment of the City's yearly contribution. They are suggesting allocating additional monies to the NT S&P 500 Index fund. Regarding the fixed income area, a Board member requested a deeper look at the bonds and he thinks it is a timely request. He thinks they need to look outside the box and see what has changed in the current environment. Observationally, interest rates have come back down to pandemic crisis levels or close to those levels. They are in a very low absolute level of rates. They are not getting a whole lot of income or yield out of the bond portfolio. They invest in bonds for diversification and for income and total return. That has diminished dramatically. He thinks the allocation is a detractor from the total return effort. Also, you might invest in bonds because they want a dollar match asset to liabilities, but they are not doing that. They do not have that type of structure here. The sole purpose for the bond mandate is for diversification. How can they maximize the most diversity getting the most diversification out of the bond portfolio? He proposes introducing and going back to a two-part investment structure. They will be discussing this at the Investment Committee meeting in October. The idea is they go back to the intermediate bond index structure they had previously a couple of years ago. That would make the bond mandate for Garcia Hamilton and Richmond Capital a one to ten year intermediate rather than the all-inclusive maturity. By eliminating the longer-dated maturities, they are taking out all that price volatility and removing the price volatility that is out there for all those long-dated corporate bonds.

Their job as the asset allocator is to come up with a structure that is on absolute returns and returns that will achieve the benchmark. The manager is motivated. They need to consider that motivation and how to play that best in the allocation. As asset allocators their job is absolute return. He is suggesting they discuss at the Investment Committee meeting moving to an intermediate less price sensitive bond benchmark. He would also like to recommend that they add a treasury inflation protected securities portfolio. The bottom line is not necessarily to own bond investments that tend to perform well if they enter a period of inflation, but the main reason is to have high quality U.S. Treasuries with material price fluctuations that will perform very well for them to maximize their diversification when the equities roll over and they get into a bear market for equities. U.S. Treasuries were always the go-to asset class. They can

potentially get positive high double-digit returns with a long duration U.S. Treasury. The problem if they went straight into U.S. Treasuries is that the price fluctuation is very dramatic. By using the treasury inflation protection securities U.S. Treasury form of investment, those price changes are modified especially on the downside if interest rates go up because of inflation concerns and because these bonds adjust commensurately with inflation. That is the kind of a two-part recommendation he would like to discuss at the Investment Committee meeting. He suggests they start to commit monies to this new investment. With the treasury inflation protection index fund you can get huge, diversification benefits especially when it is a risk off at a very low index fund fee. The impact is huge from an asset allocator standpoint. The other item is real estate. It has already been a discussion item. His team is putting together finalists for consideration. At the October meeting they will be reviewing two delivery forms: open-end funds and close end private equity funds.

Mr. West reviews the recommendation of investment of the City's annual contribution. The required contribution coming from the City is \$22.7 million and additional contribution in the amount of \$6.9 million. Looking at the cash flow, they are going to need \$13 million for benefits and expenses to get them through October through December. The recommendation is to reload the allocation of \$10,801,333.00 to the S&P 500 Index Fund. The second component is to allocate \$10 million to the Fidelity Inflation-Protected Securities index fund. He also recommends that they liquidate all shares of the Northern Trust Aggregate Bond index fund, which is just under \$5 million dollars, and invest those proceeds into the inflation protected securities fund. That is the summary recommendation. He thinks it is consistent with the strategy and the underlying sector strategies that they are trying to push forward as they go into fiscal year 2022.

Mr. Mantecon asks if securities prices are based on expectations of inflation. Mr. West responds that the mechanics of the investment are designed to adjust with TIP and the reality is they are priced based on investor expectations. Mr. Mantecon asks what is the expectation that these are being priced right now at 3% or 4%. Mr. West needs to update the exact inflation being discounted. Given the slowdown and the perception that the economy is slowing TIPs have underperformed regular treasuries because expectations for inflation have come down a little bit. This is an opportunistic time because they were pricing in a higher level of inflation a few months ago. He thinks the rate is between 3% and 4% but a higher rate of inflation. He would have to come back with that exact number being discounted. As far as the expectations go, the valuation has lagged relative to other more generic treasury bonds because concerns over inflation have tempered a little bit. That is reflected in the price. They are looking at this as a long-term investment. They are not going to suggest they can call inflation or interest rates. It provides a solid diversifier for the portfolio as far as our risk management program for the volatility.

A motion to approve Mr. West's recommendation was made by Mr. Mantecon and seconded by Mr. Mayobre. Motion unanimously approved (11-0).

5. Items from the Board Attorney. (*Agenda Item 4*)

Mr. Garcia-Linares informs that he spoke with the City Attorney and they will be meeting in October to look at the ordinance with regards to issues that have come up in the past. He points

out that they received a letter from the State approving the State Report. The letter said that the State recommends the plan go from 7.4% down to somewhere between 5.75% to 6.75%.

6. Update of Pension Administration System implementation.

Ms. Groome informs that Ms. Menegazzo was not able to attend the meeting but she did submit a report to the Board. The data file from IT was delivered Wednesday and was reviewed by Ms. Groome briefly. PensionSoft and GRS will review it this week and early next week to assess if the data is good. The deadline for the project, included Ms. Menegazzo's services, to be concluded with the Board on October 31st. She also coordinated the second meeting with the Finance Department, GRS and PensionSoft to review the accounting and reporting procedures with them to establish responsibilities for each party. Ms. Groome informs that when they had their weekly meeting yesterday, Ms. Menegazzo had informed that the Board was thinking of September 30th being the last day of services and for everything to be concluded. Steven from PensionSoft was not comfortable with September 30th being the final date. He was more comfortable with October 31st. She suggested that she would appeal to the Board to have October 31st as the final date and they were comfortable with that. By that time, there should be no problems with the data and it will give them an extra month. Dr. Gomez understands they are still lacking behind their target for the number of people that have signed on to the portal. Ms. Groome points out that is the retirees and not the active employees that are signing on the portal currently. There are some retirees uncomfortable registering and do not want to register or use the portal. There are some retirees who do want to register onto the portal and she has been helping them register and sign on to the portal. Chairperson Gold thinks that Ms. Menegazzo's job is to carry them across the finish line and get them into the 21st Century and she needs to do whatever she needs to communicate between Ms. Groome, GRS, PensionSoft and the City to get this done in six weeks.

Mr. Garcia-Linares states that it sounds like IT was able to figure out how to get the data transfer. Ms. Groome agrees. She informs that she went through the data to make sure everything in the data was correct and then sent it to GRS to review the data. Once they review the data and are comfortable with it, the data will be sent to PensionSoft to upload into their system. Mr. Garcia-Linares clarifies that they did not end up having to go out to get extra help for IT. Ms. Groome agrees. Chairperson Gold states that from Ms. Menegazzo's perspective that IT is confident they can handle it. He thinks it is the communications between all parties that he holds Ms. Menegazzo responsible for where she can help get everyone together and make sure the right data is going into the system.

Mr. Garcia-Linares asks if there is a way that maybe the Unions can reach out to these folks and encourage them to register so they can get a bigger participation. Ms. Groome thinks they will get a bigger participation with the active employees. She does not think they are going to get a big participation with the retirees. Mr. Garcia-Linares thinks they need to try to push people to do this because Ms. Groome is not going to be here forever and the retirees are comfortable with her. Once she retires and the Board goes to a third-party administrator, they need to get the people ready for that. They have a window while Ms. Groome is still here to try and work with the Unions and try to encourage people to do this.

Ms. Gomez wonders if they should start forcing some communication between the retirees and GRS. When Ms. Groome is gone the idea was, they were going to go third-party administrator and the third-party administrator will have to communicate with the retirees. How do they start diverting some of the calls and some of the things gradually to GRS directly to see what kind of customer service they are going to provide? Ms. Groome responds that she understood they were going to have a transition plan for approximately one or one and a half years but not for three years. Ms. Gomez states that the bottom line is Ms. Groome can walk out tomorrow and say she is done because she is in the DROP. Ms. Groome responds that she will not do that. Ms. Gomez states that if the retirees are going to be so hesitant, do they bring on the third-party administrator six months before or do they start with the younger retirees being transferred to GRS for their retirement questions so GRS can start trying to handle things when they are ready. Ms. Groome comments that then the Board will be paying her as the Administrator and GRS as the Administrator. Ms. Gomez believes they are paying them already. Ms. Elejabarrieta does not think that is part of the GRS contract. Chairperson Gold does not think now is the right time to do that. Mr. Garcia-Linares states that they need to come up with a transition plan. He suggests they invite the Unions to the next meeting to encourage them to reach out to people to sign on to the pension portal.

7. A new Investment Committee member is needed to replace Pete Chircut who has retired from the City: 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 current Investment Committee members are Joshua Nunez, James Gueits, Troy Easley, Michael Gold and Alex Mantecon.

Chairperson Gold asks for any volunteers to be on the Investment Committee. Mr. Mayobre volunteers to be on the Committee. Ms. Groome asks Mr. West if the meeting will be before the October Board meeting. Mr. West states that he would like to schedule the meeting the day before the Board meeting which is October 13th.

8. Old Business.

There was no old business.

9. New Business.

Dr. Gomez comments that some of the conversation they just had makes him think of where they are today and how much they have accomplished yet at the same time, he has learned by serving a number of organizations and again on higher education, you can become complacent when you do something. He thinks one of the challenges they face in today is the possible fear of falling into that complacency. He thinks they need to continue to think outside the box even though they are somewhat limited to what they can and cannot do. At the same time, he thinks that when they started this conversation years ago about moving into the 21st century how smooth it has gone. He thinks they need to continue to look outside the box like looking at the ordinances. They have not looked at the Funding Policy recently that they developed a few years ago as a strategic point of view. Maybe they ought to bring that back and look at it and

update it if it needs to be updated with everyone's input. One last suggestion is for the Board members who are appointed by City officials and elected officials, they should be reporting to them on a regular basis so they are also aware of what is going on. He knows that the City employees are very good job in telling the administration but the appointed members need to keep them up to date. He thinks it is very important. They are doing good but his question is always can they even be doing better. That is what they need to keep in the back of their minds.

10. Public Comment.

David Vargas, Firefighter, informs that Tom Zelenak, the President of the local IAFF and former Retirement Board member, is going to be retiring at the end of the month and he will be signing onto the portal. Once he goes through signing onto the portal himself, he will be able to reach out to the other retirees regarding signing onto the portal. The Fire Union will be working with the members and the retirees to help get that System going and three years is plenty of time to do it. He thanks the Board for everything they do and they are appreciated.

11. Adjournment.

Meeting adjourned at 8:48 a.m.

APPROVED

MICHAEL GOLD
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER