

CORAL GABLES RETIREMENT SYSTEM
 Minutes of September 28, 2017
 University of Miami Newman Alumni Center
 6200 San Amaro Drive
 4th Floor Conference Room
 8:00 a.m.

MEMBERS:	S	O	N	J	F	M	A	M	J	A	S	APPOINTED BY:
	16	16	16	17	17	17	17	17	17	17	17	
Andy Gomez	E	P	P	P	P	P	P	P	P	P	P	Mayor Raul Valdes-Fauli
James Gueits	P	P	P	E	P	E	P	P	P	P	P	Vice Mayor C. Quesada
Javier Baños	-	-	-	-	-	-	-	-	-	P	P	Commissioner Michael Mena
Michael Gold	P	P	P	P	P	E	P	E	P	E	P	Commissioner Patricia Keon
Rene Alvarez	P	E	P	E	P	P	P	P	P	P	E	Commissioner Vince Lago
Joshua Nunez	P	P	P	E	E	E	E	P	E	P	P	Police Representative
Tom Zelenak	-	-	-	-	-	-	-	-	-	P	P	Member at Large
Carlos Fleites	-	-	-	P	P	P	E	P	P	P	P	General Employees
Troy Easley	E	P	P	E	P	P	E	P	P	P	P	Fire Representative
Diana Gomez	P	P	P	P	P	E	P	P	P	E	P	Finance Director
Raquel Elejabarrieta	-	-	-	-	-	P	P	P	P	P	P	Labor Relations and Risk Management
Manuel A. Garcia-Linares	E	P	P	P	P	P	E	P	E	P	E	City Manager Appointee
Pete Chircut	-	P	E	P	P	P	P	P	P	P	P	City Manager Appointee

STAFF:

Kimberly Groome, Administrative Manager
 Ornelisa Coffy, Retirement System Assistant
 Alan Greenfield, Board Attorney
 Dave West, AndCo Consulting
 Pete Strong, Gabriel Roeder Smith

P = Present
 E = Excused
 A = Absent

GUEST:

Craig Leen, City Attorney
 Raoul Cantero, White & Case LLP (Counsel for the City)
 Ron Cohen, Rice Pugatch Robinson & Schiller (Counsel for Class Action)
 Claudiu Bejoga, The Northern Trust
 Jivko Chiderov, The Northern Trust
 Jesus Cordero, Teamster
 David Vargas, IAFF Local

1. Roll call.

Chairperson Gomez calls the meeting to order at 8:02 am. All Board members were in attendance except Mr. Garcia-Linares and Mr. Alvarez who were excused. There was a quorum.

Chairperson Gomez apologizes for any confusion on the meeting location. He acknowledges that the meeting was to be held at the Institute of Cuban and Cuban-American Studies building but there was a case of termites and the building had to be fumigated. It was decided to move the meeting back to the University of Miami Newman Alumni center. On behalf of the Board, he gives condolences to Carlos Fleites for the death of his father.

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 10, 2017

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 \$2,900,000.00 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 2017 benefit payments.

2. For the Board's information:

- Mary Anne McDonell of the Finance Department passed away on August 6, 2017. She retired on January 1, 1998 with Option 1 – 10 years certain. Her benefits have ceased.
- Bertha Tillman, Post Survivor retiree, passed away August 2017. She began receiving post survivor retirement benefits on January 1, 1988. Her benefits have ceased.
- Dorothy Hagan, Post Survivor retiree, has completed the five year certain period for receiving post survivor benefits. Therefore the benefits have ceased.
- Lizbeth Rivera, Parking Attendant, entered the DROP on September 1, 2012 and left the DROP on August 31, 2017. She received her first retirement monthly benefit on September 1, 2017 and was not affected by the IRS 415(b) limits for the 2017 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 August 6, 2017 in the amount of \$176,127.40 was

- submitted for deposit on August 16, 2017.
 - Payroll ending date August 20, 2017 in the amount of \$174,854.04 was submitted for deposit on August 24, 2017.
4. A copy of the detailed expense spreadsheet for the month of August 2017 is attached for the Board's information.
- 2C. The Administrative Manager recommends approval of the following Retirement Benefit Certifications:
- a. DROP Benefits: Robert Boberman (General/Excluded), John Kevin Ray (General/Teamster), Thaddeus Ovcarich (Firefighter), Thomas Groome (General/Teamster), Victor Alpizar (Firefighter), Terence Bowman (General/Teamster), Beth Ann Donovan Schultz (Police Officer), Rober Wheeler (Police Officer) and James Banks, Jr. (Police Officer).
 - b. Vested Rights Benefits: Scot Bolyard (General/Excluded).
- 2D. The Administrative Manager recommends approval for the following invoice:
- a. AndCo Consulting invoice #23167 for investment consulting services for quarter ending September 30, 2017 in the amount of \$36,250.00.
- 2E. The Administrative Manager recommends approval of the following applications for purchase of other public employer service:
- b. Daniel Sotolongo of the Police Department requesting to buy back 616 days (1 year, 8 months, 8 days) of Other Public Employer Service time.
 - c. Carlo Milito of the Police Department requesting to buy back 649 days (1 year, 9 months and 8 days) of Other Public Employer Service time.
 - d. Ramon Trias of the Development Services - Planning and Zoning Division requesting to buy back 1,615 days (4 years, 5 months) of Other Public Employer Service time.
- 2F. The Administrative Manager recommends approval of the Independent Medical Exam of disability retiree Eugenio Arencibia (Police Officer). It is the opinion of Dr. Grossman that that Mr. Arencibia continues to be unable to perform his duties as a Police Officer and should continue disability status.

A motion was made by Mr. Baños and seconded by Mr. Easley to approve the Consent Agenda.

Discussion:

Chairperson Gomez asks Ms. Groome about the disability medical exam. How often do disability retirees need an exam? Ms. Groome explains that the Board decided the exam should be done every three years. Mr. Greenfield adds that it is the Board who

decided the procedure. Ms. Groome states that disability retirees still have to come before the Board for a review every year and then every three years for an Independent Medical Evaluation. Chairperson Gomez asks Mr. Greenfield how different is the Retirements Board procedures from any other institution. Mr. Greenfield replies that an IME is not done every year in Aventura. Chairperson Gomez thinks that a lot can change in three years. Mr. Greenfield advises that the time frame is solely up to the Board. They used to have hearings and it then the Board changed to the current procedure. The issue can be revisited. Chairperson Gomez informs that he would like to revisit the issue because there are different types of disability and there needs to be a procedure on how to handle both. Ms. Groome adds that the disabled retirees do have to submit to the Retirement System a review made by their doctor every year. Chairperson Gomez acknowledges her comment and moves on. He asks if there are any further questions. There are none.

Motion unanimously approved (11-0).

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

a. Update on COLA Settlement

Chairperson Gomez turns attention over to City Attorney, Craig Leen, to give an update on the COLA settlement. Mr. Leen thanks the chair introduces Former Florida Supreme Court Justice Raoul Cantero of White & Case LLP, who represents the City in the COLA case. He also recognizes Ron Cohen who is the leading attorney representing the retirees in the COLA case. Mr. Leen informs that he heard at the last meeting that there was concern on the fact that the settlement has been taking too long to finalize, that some retirees had passed away and the delay may be causing a hardship for many retirees. He explains that this made him go to the attorneys and they were able to come to an agreement. The agreement basically has two parts. The first part is backward looking to the 2013 and 2014 COLAs. There was basically a 50/50 split regarding the percentage of the COLAs. The City was relying on State law and the retirees' defense was relying on the City Code. George Knox, who is probably one of the leading mediators in the State, came and worked with both parties to assist in coming to a conclusion. Mr. Knox felt that from a moral standpoint splitting the difference of the percentage of the COLA to 50/50 would be the best way to proceed. There is also a forward looking component because COLAs will continue to come up from time to time. A dispute resolution mechanism has been setup for this issue. It is to be used to resolve any future disputes and will hopefully be able to avoid any future litigation. The board will continue to have COLAs come to them and they will have to exercise their judgement on whether or not the COLAs should be paid or not based upon the City Code. At that point it will go to the City Commission who by a 4/5 vote can modify the decision of the Board. The Commission can then allow the COLA to stand or modify the COLA. There is hope that this will resolve all the COLA matters going forward.

Craig Leen introduces former State Supreme Court Justice Raoul Cantero and asks him if he has any further comments. Mr. Cantero greets the Board and informs that he is a former Board member of the City's Planning and Zoning Board. He addresses the

length of negotiations informing that he and Mr. Cohen have worked very hard and cooperatively even when they were litigating against each other. They recognized the strength and weaknesses of each other's case and understood that this was an important issue for the City of Coral Gables and the retirees and they worked towards the best interest of each. He informs that the settlement took so long because there were a lot of issues to work through and some unique aspects to the settlement. The 4/5 vote option given to the City Commission is unique and has never been done before. This was done to avoid litigation in the future.

Mr. Baños asks if there has to be an assessment for the liability of the plan, when the funds will be paid and will there be provisions now for the payment so that the plan is in a position to not lose any of its investment funds. His concern is the unfunded liability and he does not want to exacerbate the problem. He wants to know what the City's plan on assisting the Retirement Board with this problem. Mr. Leen explains that the COLAs that have already been provided will need to be funded and for future COLAs, the settlement does not require prefunding because of the 4/5 vote and the dispute resolution mechanism which has been decided to be added into the Code. A few years ago there was a City Commission vote which he believes was three to two recommending the COLA. There was a letter sent to the Division of Retirement regarding the COLA and then the City Commission voted 5-0 not provide the COLA. Mr. Baños thinks that Mr. Leen is only answering part of his question. He wants to know when the COLA settlement will happen and how much it will cost. Mr. Leen explains that the agreement after the Commission vote will need to go to a Judge after the settlement. The City does commit to paying the future COLAs over 20 years of payment and so there is commitment to pay it through the pension if a COLA is awarded in the future.

Mr. Baños asks Mr. Strong what is his thought process is on all of this information. Mr. Strong informs that the Board went through a lengthy Funding Policy deliberation over the last couple of years and established how any change in the actuarial liability or unfunded liability will be funded based on how that change occurred. It was decided that changes would affect only retirees starting 10/1/17 moving forward would be amortized over ten years taking account the average life expectancy of the people affected. He then addresses the issue of prefunding COLAs. He states that at this point that the Board knows his opinion. He believes the prudent thing to do is to have an assumption in place. He agrees that the COLA does not have to be prefunded. Past practice has been to fund them as they occur but he does believe this is one of the reasons why the fund became only 50% funded. Each time a COLA was granted, that was not previously recognized, the unfunded liability immediately increased and decreased the funded ratio that was paid down over a long period of time. The prudent thing to do is to advance recognize but no one knows when a COLA will be granted. He adds that if it becomes routine for counsel to not allow the COLAs then prefunding would not make sense. He concludes that he is okay signing a report that doesn't have the prefunding in it. If they start to see experience studies where the COLAs are granted then he is requesting for this to be revisited to discuss what will be done to ensure the unfunded liability is not impacted. Mr. Baños thinks the Commission should be made aware of the costs and the impact that the COLA will cause to the unfunded liability.

The Commission needs this information so that they are making a fully informed decision.

Mr. Zelenak asks how much will the COLA cost. Ms. Gomez responds that Mr. Strong presented the estimate to the Board a couple of months ago. The retroactive payment is a sum of \$4.1 million. It is a \$13.9 million dollar increase to the unfunded liability and will increase the City Contribution by \$1.2 million a year. Mr. Baños asks when the \$4.1 million payments to be disbursed. Ms. Gomez replies that this will occur once the settlement has been fully settled by a Judge. Mr. Leen explains that the settlement must be settled by the Court because it is a Class Action Settlement. Mr. Cantero informs that the preliminary hearing for the approval is set for October 12, 2017. Once the Court approves the settlement, letters will need to go out to all class action members. A 90 day time frame is set for those who want to opt out. Then the settlement goes back to Court for final approval which totals up to 30 days. After this process, the City will issue payment for the retroactive COLAs. If a person opts out they are not covered by the agreement. If more than 35 opt out of the settlement agreement then the City has the option of terminating the settlement. This is only because the purpose of the class action settlement is to serve the majority in the class and if there is no majority then there is no purpose for the class action. There will be a notice about the settlement that will be given out to the class action and that notice, like the settlement, has been negotiated to agree on language. They are currently still working on that. The notice will summarize the settlement and it will also be on the Retirement System's website. Ms. Gomez asks how long the process will be. Mr. Cantero informs that it may be a six month process.

Mr. Greenfield points out that the Board was not sued by Mr. Cohen and that they did not take an active part in the negotiations. The parties did not see fit to invite the Retirement Board attorney. He adds that both attorneys did keep him updated from time to time. He advises that the Retirement Board would have liked to participate or sat in on the negotiations because there was input that he would have liked to give. In the end the attorneys assured him that the cost of the litigation will not be on the Board and the agreement is that the City will pay all the costs. He thought it was important to inform them that they could not impose upon Ms. Groome, the Retirement Administrator, the responsibility of being the settlement administrator with the handling of all the correspondence and the back pay for the COLA. He asked that those responsibilities be put into the agreement to be a vote of the Retirement Board. Mr. Greenfield then asks to motion for Kimberly Groome to be appointed the Settlement Administrator of the COLA as indicated on page 27 sections 9.1 of the settlement. Chairperson Gomez asks what exactly this entails. Mr. Cantero explains that Ms. Groome is the most familiar with the plan as she does the annuity payments to retirees every month. The tasks will entail Ms. Groome sending out the class notices, determine if someone has opted out of the class action and for the future she will be adding this payment to the payments the retirees receive every month for retirement. Ms. Gomez asks who will provide the notice. Mr. Cantero responds that he will provide the notice. Ms. Gomez asks how the calculations will be done. Ms. Groome responds that the calculations are done manually and then they can be sent over to Mr. Strong for review. Mr. Strong replies that it probably would be best to keep the calculation process in place where Ms. Groome does

them and send them over to GRS for review. Chairperson Gomez asks for Ms. Groome to report back to the Board with a specific process on how this will be implemented.

Ms. Gomez clarifies that the cost of the COLA will be amortized for 25 years. Mr. Cantero agrees. The class is not all retirees of the City but only those who retired by January 1, 2012 for the January 1, 2013 COLA. The Code was amended to read that no COLA would be paid if the parameters were met if there is a negative experience or an accumulative actuarial gain. Chairperson Gomez asks about the retirees who have passed away and how will they be treated. Mr. Cantero responds that it depends on if those retirees who passed away had elected beneficiaries. Mr. Cohen states that if a retiree chooses a 10 year certain and both the retiree and the beneficiary passed away before receiving the 120 payments that were owed then their Estate could put in a claim for the funds. It depends on the option the retiree chose when they retired.

Mr. Baños asks Mr. Strong if there will be additional charges for the extra calculations that will be done because of the COLA. Mr. Strong informs there is a per benefit calculation fee but if the calculations are sent over in bulk the fee won't apply. Mr. Baños asks that since Ms. Groome will need to spend additional time on the settlement, is this considered a part of her daily tasks. Ms. Groome answers that it is considered a part of her daily tasks. Mr. Baños comments that he wants for the payment to be made with it having the least effect to the plan. Ms. Gomez states that the settlement payment will be made from the plan. The City makes additional payments and they are still annualizing what action they will take in paying the COLA. She further explains they could let the payment be made from the plan and the City absorb the extra payment or if the payment will be made by the City. Mr. Leen advises that the Retirement System had initially awarded the COLA and the City then came and blocked it by a vote and so if it is paid from the plan the funds would have initially come from the plan but because of the Commission blocking the vote and the settlement the payment is now less. Ms. Gomez adds that regardless the plan assets will pay it. Whether more funds are added to the plan assets or they reduce basis to reduce annual contributions moving forward. The City has not agreed to pay anything more but rather continue paying the contribution that they already pay. Mr. Fleites asks what happens to the participants who opt out and are not a part of the settlement. Mr. Leen responds that they have the right to sue the City on their own in an individual lawsuit and they will resolve those and litigate those individually. Mr. Cohen adds that as class counsel he has an obligation to the class as a whole and he will be representing to the Court that he truly does whole heartedly will be recommending the settlement to the court.

4. Comments from Retirement Board Chairperson. (*Agenda Item 3*)

Chairperson Gomez announces that he had a meeting with the Mayor to discuss many issues in dealing with the COLA. He has no further comments and moves on to the Board Attorney items.

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

- a. Update on future rental for office space

Mr. Greenfield reports that he is waiting for the City to get back with him on the rental agreement. This morning, he provided Mr. Leen with a copy of the agreement and Mr. Leen will review it and bring back signed if the City agrees to the agreement. He informs that the rental space wants a security deposit and the attorneys of the landlord did not want to do business with the Retirement Board because they took the position that the Retirement Board is not an entity of the City and be able to sue if need be. He provided them with the City Charter and he pointed out that the City guarantees the liability report. The rental attorney agreed to this and asked for the City Attorney to sign the agreement as well. This issue should be resolved today and in the meantime he has asked Ms. Groome if she found a space that is more suited and she has not. A final version of the lease will be brought back to the Board at the next meeting. Chairperson Gomez asks to see the final draft of the lease as soon as it is done. He asks if the issues with the years of the lease that have been rectified. Mr. Greenfield answers affirmatively; however, there are still other issues that need to be discussed.

Mr. Greenfield informs that they have a claim against the Estate of Virginia Paul for \$3,674.80. He has been communicating with the attorney and they are not in the position to write a check yet but they have not denied the claim. He is waiting on their decision.

Mr. Greenfield reports that he has been having communications with Keith Brinkman in Tallahassee and it seems the City was working on a draft ordinance that regarding State Statutes 175 and 185. The draft was for an incoming employee to have the option to go into the retirement plan or another plan. According to the ordinance and the way it is written the employee must come into the Coral Gables Retirement plan. The City prepared the ordinance and did not disclose this information to the Retirement Board. The City sent a copy to Mr. Strong who was unsure if this could be done. Mr. Strong explains that there is compulsory content under 175 and 185. Mr. Greenfield agrees and continues explaining that Mr. Strong gave his opinion that it could not be done. The plan went into effect in 1931 and whenever that was done back then gave the Retirement System autonomy and so their plan supersedes the States Statue. He explains that Tallahassee tried to have that changed and their counsel advised that they cannot. He was surprised when he received the letter from Mr. Brinkman on the matter and he clarifies that Mr. Strong was also unaware that the Retirement Board was not aware of the ordinance. Mr. Greenfield adds that Mr. Leen has said in the future in changing the Retirement ordinance the Retirement Board will be kept in the loop. Everyone apologized and the issue has been handled. Mr. Strong advises that he was not expecting to get this formal letter from Keith Brinkman and that he often calls Doug Beckendorf with the State about many of his clients which does not turn into a written record. However this time it did and so in the future he will make sure that everyone is in full communication. He was asked to do an impact statement and he wanted to make sure there really was not an impact before the statement was done. Mr. Baños tells Mr. Strong that if he is going to do any work for the City typically he should advise the Board. Mr. Strong agrees and advises that he typically does but an impact statement is a Board responsibility. Chairperson Gomez states that this was just a communication

error and that the communication has improved tremendously over the year between the City and the Retirement Board.

Mr. Greenfield congratulates Ms. Groome on getting the 2017 Annual Report approved and apologizes for not having one of the items from the last board meeting which was to send in all evaluations for Ms. Groome. Chairperson Gomez asks for him to please send a reminder and for all Board members to remember to send in their evaluations.

Mr. Baños asks Mr. Greenfield how his health is. Mr. Greenfield responds that he is feeling much better. He has no new tumors and is on lesser medication. He is very positive about it he has gained his weight back. Chairperson Gomez tells Mr. Greenfield that the Board is very happy to have him and is delighted to be working with him.

6. Attendance of Northern Trust Asset Relationship Manager, Claudiu Besoaga and Securities Lending Relationship Manager, Jivko Chiderov, reviewing Northern Trust products provided to the Retirement System. (*Agenda Item 5*)

Claudiu Besoaga, Northern Trust Asset Relationship Manager, introduces himself. He greets the Board and thanks everyone for having him. He explains that Caitlin Wysocki was previously the System's Asset Relationship Manager and she has moved on. Now he is the relationship manager for the System. He was her backup and so it was decided that he should take over all of her accounts. Mr. West points out that it has been a good transition. Mr. Besoaga informs that he serves about eleven clients right now and the smallest client is about \$50 million in market value and the largest client is about \$8 billion. Initially, he started with Northern Trust fifteen years ago. All his years have been in public funds with clients who have similar reporting needs and services. Northern Trust continues to be one of the major players of the custody business. His main role is to be the contact between Ms. Groome and Ms. Gomez to the banks to prepare the financial reporting for the Board. He reviews the market value of the plan. The 2017 numbers only contain 11 months of data. The market value of the fund in 2016 was \$339,166,648.39 and in 2017 is \$370,709,361.78. The size of the plan has steadily increased over time. Class action claims collected fiscal year 2016 was \$24,761.49 and for 2017 it is \$103,887.56. That is about four times more than the prior year.

Mr. Greenfield states that that there have been previous conversations on class actions and the Retirement Board has been contacted by firms who want to provide those services to the Board. He asks if some of Mr. Besoaga clients use firms for those services. Mr. Besoaga answers that they do have clients who hire law firms to collect data from them. They provide monthly fees with the data and they look for class actions to try and be the lead plaintiff. It is debatable if they can add value to the service or not as their main goal is to be the lead plaintiff. Northern Trust has a dedicated team that handles this service. If the Board is approached by a law firm wanting to provide these services it is up to the Board if they would like to take on those services. He does know that they did not miss any class actions last year and the quality of the service they provide is really good. Mr. Greenfield asks if there are any class actions going on globally that Northern Trust would not know about. Mr. Besoaga responds that class actions are going on everywhere in the world but the problem is that Northern Trust cannot represent customers outside of U.S. borders. He does have clients who hire law firms that handle class actions outside the U.S. and Canada. A person from the Class Action Team can be scheduled to

come and speak to the Board further on the issue. Mr. Gold states that if the Board looks at the percentage of investments that are invested internationally versus the percentage of class actions any effort and time and money spent on this would be a waste. Mr. Greenfield advises that the services are free. Mr. West informs that all of their international investments are through the comingled fund. How does that affect the international investment? Mr. Besoaga responds that when investing in a comingled fund only the fund can apply for the class action. He does not believe that there is a need at this time to hire anyone for those accounts. Mr. Besoaga introduces Jivko Chiderov and thanks the Board for the invitation to present to them.

Jivko Chiderov, Securities Lending Relation Manager, begins his presentation to the Board. The securities lending program continues to generate revenue for the plan. He explains that the way the plan is setup is it runs on the background of the typical activities and the investment managers do not interfere. Mr. Chiderov reviews the summary lending program going back to 2010. Since 2010, the plan generated roughly \$76,000 from that time period. The annual run rate is at about 90 to 100,000 in securities lending revenue. There has been an increase in the proportion of the securities lending income coming from cash collateral and cash flow investment activities. The fee split is 70/30 and that means any income from securities 70% goes into the Retirement System fund and 30% goes to Northern Trust for facilitating the transaction. He reviews the accounts that generated the most revenue. The MD Sass account generated net earnings of \$18,063 and Wells Capital generated \$417,780. Citi Group, Merrill Lynch and Wells Fargo are some of the top ten securities and earnings institutions that are borrowing from the funds securities. The Northern Trust borrower selection follows stringent procedures and financial viability standards. Each borrower and parent borrower must provide audited financial statements and be financially sound and in compliance with regulatory capital requirements. Mr. Baños asks if any companies have defaulted on their loans. Mr. Chiderov answers that there have not been any companies that defaulted on their loans since the 2008 financial crisis. Mr. Chiderov concludes his presentation and thanks the Board for the invitation to present to them.

7. Review and discussion of the proposals for death audit service providers Pension Benefit Information Inc. and The Berwyn Group. (*Agenda Item 6*)

Ms. Groome informs that the death audit services that were once being provided by GRS are no longer available as they have stopped providing this service. She explains that the Berwyn group was used before and that she would prefer to use them again.

A motion was made by Mr. Baños and seconded by Mr. Gueits to use The Berwyn Group for the death auditing services. Motion unanimously approved (11-0).

8. The Administrative Manager recommends approval of the BDO audit and engagement letters for the year ending September 30, 2017 audit allowing payment of retainer fee in the amount of \$4,960.00 (20% of \$24,800.00) to be paid prior to commencement of preliminary work.

Ms. Gomez comments that they need to communicate to BDO that what happened last year was unacceptable and cannot happen this year. They were unresponsive to the Finance Department and it took forever for them to give them requested documentation needed for the City to complete their audit. Ms. Groome adds that they were very slow in completing the Annual

Report as well. Chairperson Gomez asks if these issues have been shared with BDO. Ms. Groome responds that she has not done so formally but it will be made clear. Mr. Easley asks if they were late this year. Ms. Gomez explains that BDO was late in providing the results of the audit. The City was not late in submitting their audit. Ms. Groome explains that it may have a lot to do with the company merger. Mr. Easley states that this is something that has happened every year and he is aware that there was a buyout of the company but this was happening prior to the buyout. Ms. Groome explains that there was also a new procedure and system implemented by when the buyout was done and it made the transition a lot more difficult. Mr. Easley expresses that it needs to be made clear that this cannot happen again. Ms. Groome acknowledges Mr. Easley comment. Chairperson Gomez advises Ms. Groome to put in writing the Retirement Board's concerns and to send it to BDO so they are fully aware of the Board's concerns. Ms. Gomez explains that in the agreement with BDO they provide the dates of when they will provide certain reporting and BDO has not kept their own set dates. Mr. Baños comments that there should be an audit review or vendor review committee and a procedure in place. Ms. Groome replies that there has been conversation of a vendor review but those procedures have not been put in place as of yet. Chairperson Gomez asks for the issue of vendor reviews to be placed back on the Board's agenda.

A motion was made by Mr. Easley and seconded by Mr. Gold to approve the BDO audit and engagement letters for the year ending September 30, 2017 audit allowing payment of retainer fee in the amount of \$4,960.00 (20% of \$24,800.00) to be paid in advance. Motion unanimously approved (11-0).

9. Continuation of discussion regarding the cost of living assumption.

Mr. Baños states that he wants a plan regarding the cost of living assumption. There will be an anticipated liability and there should be some accounting done to account for the potential financial obligation that will be on the Retirement Board. He adds that he is curious on how fast the City will reimburse for those funds. The plan should indicate that this issue needs to be revisited so there could be discussion on how the City Commission will be handling COLAs. It is the responsible thing to do given that this is a partial reason as to why the plan was underfunded before. Ms. Gomez informs that the City will not reimburse for the cost of the COLA because it gets taken out of the plan assets. She explains that the calculations just adjust and the City contribution will increase. The plan will never get that money back. Every year this is just another amortization that will take 20 to 25 years to pay down. They City has taken extra measures to pay extra contributions to the plan and it has been successful. Prefunding the COLA is actually a bad idea as it will cause the unfunded liability to increase and the annual contributions for the City will be a lot more. Mr. Baños agrees. He would like a more realistic perspective of where the plan is and what the result is of the COLA that has been granted.

Mr. Strong sees both points and neither are wrong or right. His opinion is that the prudent thing to do is to have some assumption as to what the future may hold. Mr. Baños asks that this discussion be continued so they can have a plan. Chairperson Gomez advises that the Mayor was very taken aback at the state in which the Retirement plan is in and he is very concerned. Ms. Gomez advises that at this time the COLA is not finalized and what needs to be done is the settlement needs to be monitored until we have a final signed decision. Mr. Strong believes

that this year is a good year to start making a change because there will be a good asset gain to help offset it.

10. Investment Issues.

Mr. West informs that he has three things to cover and the first item affects him personally. He has sold his partnership ownership in AndCo Consulting and he assures the Board that he every intent to keep working for AndCo. He wanted to be fully transparent with the Board and all he wants to do is work with the client.

Mr. West reports on the August performance. The total fund for the fiscal year is up to 13.4% which does not include the real estate or the Tortoise funds. The Eagle Capital large cap fund was ahead of the benchmark at 21.60% versus 11.87%. MD Sass large cap fund for the fiscal year to date was at 17.29% versus the benchmark at 11.87%. The S&P 500 index fund was up 16.23%. Winslow Capital fund was up 21.54%. The Wells Capital fund was up 19.30% and the S&P 400 index fund was up 13.14%. Mr. West reviews the international funds. The Norther Trust ACWI was at an incline at 17.73%. RBC was up 20.47% and WCM was at 15.31% versus the benchmark at 17.92%. This was the only exception manager in performance. In the domestic fixed income, the NT Aggregate Bond is up at 0.51%. Richmond Capital and JK Milne are both at or above the benchmark. The domestic income has been a problematic area all year. The PIMCO Disco fund year to date is up 14.98%. The Strategic Property real estate fund is at 6.81% and the Special Situation real estate fund is up 8.25%. The real estate returns are definitely leveling out. The BlackRock fiscal year to date is up 7.25% and the PIMCO Tactical Opportunities fund doubled their bench mark at 11.05%. The Titan hedge fund of funds is at 4.45% and the numbers for the Tortoise fund are not available because those numbers are received on a quarterly basis. Mr. West reviews the cash flow for the month. The fund opened on October 1, 2016 at \$340,507,367. There was \$26,221,142 in contributions. There was a distribution of \$40,450,000 and \$1,848,242 in management Fees. There was \$152,687 in other expenses and \$8,198,580 of income. They had \$39,056,953 in appreciation. The Plan closed on August 31, 2017 at \$371,533,113.

Mr. West informs that on October 1, 2017, the fund will be receiving the City Contribution for the fiscal year 2017/2018. They need to invest those funds into the investments. He recommends that they rebalance to the policy targets.

A motion was made by Mr. Baños and seconded by Mr. Easley to rebalance the fund to policy targets using the City Contribution. Motion unanimously approved (11-0).

11. Old Business.

There was no old business.

12. New Business.

There was no new business.

13. Public Comment.

There was no public comment.

14. Adjournment.

The next scheduled regular Retirement Board meeting is set for Thursday, October 12, 2017 at 8:00 a.m. and will be located in the Youth Center Auditorium, 405 University Drive, Coral Gables, FL.

Meeting adjourned at 10:17 a.m.

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER