1. Roll call.
Chairperson Gomez calls the meeting to order at 8:03 a.m. All members are in attendance except for Ms. Gomez, Ms. Raquel Elejabarrieta, Mr. James Gueits, and Mr. Garcia-Linares. Mr. Hoff and Mr. Gueits are 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 March 5, 2018.

A motion was made to approve the March 5, 2018 meeting minutes by Mr. Banos and seconded by Mr. Easley. Motion unanimously approved (10-0).

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

2C. The Administrative Manager recommends approval of the following invoices:
   a. Gabriel, Roeder, Smith & Company invoice #436888 dated March 13, 2018 for actuarial services for the months of January and February 2018 in the amount of $10,622.00.
   b. Gabriel, Roeder, Smith & Company invoice #437774 dated April 4, 2018 for actuarial services for the month of March 2018 in the amount of $11,872.00.
   c. BDO invoice #000933788 dated March 14, 2018 for audit of financial statements year ending September 30, 2017 in the amount of $5,111.00.
   d. AndCo Consulting invoice #24498 dated March 30, 2018 for consulting services and performance evaluation for January to March 2018 in the amount of $36,250.00.
   e. The City of Coral Gables invoice for period from October 1, 2017 to December 31, 2017 in the amount of $72,260.32 for expenses of the retirement system paid out of the general ledger account of the City.

Chairperson Gomez wants to discuss Item 2C before continuing to approve the Consent Agenda. He was extremely disappointed in BDO and how long it took for them to produce the final audit. BDO was a month or more late.

Ms. Elejabarrieta arrives to the meeting at this time.

Chairperson Gomez continues. Both Ms. Groome and Ms. Coffy hounded BDO for the delivery of the report. What upset him the most was the type of information that was being requested at the very end of the audit that should have been requested at the very beginning of the audit. He spoke with Mr. Greenfield and asked him to review the contract with BDO to determine if their inability to provide the audit on time is a breach of contract and whether the bill should be paid. Ms. Gomez explains that the City was able to issue on time but by one day. Chairperson Gomez advises Ms. Groome to notify BDO if they call for payment. Ms. Gomez states that BDO is still working on the State Annual Report so she is a bit worried about notifying BDO about no payment of the bill. Ms. Groome adds that the auditors are the persons who answer questions about the Annual Report from the State. Chairperson Gomez asks Mr. Greenfield if BDO could be in breach of contract. Mr. Greenfield advises that he would have to review the contract and get back to the Board to give legal advice although he does believe that their actions are in breach of contract. City Attorney, Miriam Ramos, agrees with Ms. Gomez. She thinks the Board should wait until BDO has turned in everything. Mr. Banos recommends that both Items C and E should be pulled from the agenda and tabled until the next meeting. Chairperson Gomez explains that items will be discussed later into the meeting.
A motion was made to approve the Consent Agenda minus Items C and E by Mr. Banos and seconded by Mr. Alvarez. The motion was unanimously approved (11-0).

3. Comments from Retirement Board Chairperson.

Chairperson Gomez informs that he will be skipping around the Agenda to provide the City Attorney the ability to discuss the agenda items that require her counsel. Ms. Ramos informs that the City Commission passed on second reading at their April 10th Commission meeting the amendment to the pension ordinance that was required pursuant to the COLA settlement agreement. The Board is free to vote on the 2018 COLA determination in any way the Board deems appropriate.

4. Discussion of the 2018 COLA determination letter submitted by Gabriel Roeder Smith. The net rate of investment return on the market value of assets during the year ending September 30, 2017 was calculated to be 14.5%. Therefore, the cost of living increase is eligible to be granted on January 1, 2018 in the amount of 2.25% (Tabled from December 13, 2017 Retirement Board meeting). (Agenda Item 7)

Ms. Gomez believes there needs to be a discussion from the Board’s perspective about the COLA determination letter. Chairperson Gomez asks Ms. Groome to begin the discussion. Ms. Groome informs that the GRS COLA determination letter regarding the cost of living increase for 2018 was triggered by the investment rate of return being over 10%. It was tabled at the December meeting. The COLA settlement was approved on February 26th and there is language in the Ordinance that states that the Board has to vote on granting the COLA if it is triggered and from there it would go to the Commission for their determination on whether or not the City agrees to grant the COLA for 2018.

Ms. Gomez thinks that the vote should be separated into two different groups. There are those who are a part of the Class Action and those who are not a part of the Class Action. Those retirees who are not a part of the Class Action are not eligible for any increase because there is a cumulative actuarial experience lost. Those retirees who are in the Class Action are possibly eligible for a COLA based on the old rules. Ms. Ramos adds that the Board can vote in favor of the COLA but the Commission has veto power. The Commission can reduce the percentage or remove it all together. Chairperson Gomez asks how many are in the Class Action. Ms. Groome responds that there are roughly 800 persons in the Class. Mr. Banos comments that from his perspective he would like to vote against granting the COLA although he believes the Board does not have a choice. Ms. Ramos comments that the Board does have a choice. The Board is not obligated to vote in favor of the COLA. Mr. Banos replies that if the Board votes not to grant the COLA then that would mean that the Board is essentially ignoring some of the language that is in the ordinance. He will still not vote in favor of the 2018 COLA. Mr. Greenfield states that the Board does have the choice to grant or not grant the COLA. Mr. Banos’ point is that the ordinance clearly states that if there is an actuarial loss there is no COLA and so they would be going against the ordinance if there was a COLA given. Ms. Groome understands that that the people who are part of the Class Action are grandfathered into the old rule and all those not in the Class Action have to be governed by the new rules. Ms. Gomez points out that the State Statute always takes precedence over any city or local statute.
There was a position as part of this lawsuit that the Class took and because the case wasn’t
taken to court it was settled and no one knows what the court would have determined.

A motion was made by Ms. Gomez and seconded by Mr. Banos to deny the 2018 COLA.

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<td>Mr. Alvarez</td>
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<td>Mr. Easley</td>
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<td>Mr. Garcia Linares</td>
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<td>Mr. Gold</td>
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<td>Dr. Gomez</td>
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<td>Ms. Elejabarrieta</td>
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<td>Mr. Fleites</td>
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<td>Ms. Gomez</td>
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<td>Mr. Banos</td>
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Motion passed (8-3).

Chairperson Gomez asks for the ball park figure of the liability of the COLA. Mr. Strong
responds that $14.5 million is the total liability impact. Ms. Gomez adds that the lump sum
payments are $5.4 million. She asks how much will the annual contribution increase be. Mr.
Strong replies that it is $1.9 million.

5. Discussion of a letter from the City Attorney regarding the application of the Retirement Plan.
   (Agenda Item 8)

Ms. Ramos explains that it was brought to her attention by Jim Linn that the Board has been
administering the Normal Retirement form of benefit incorrectly. She informs that there was an
amendment to the Retirement Ordinance in February of 2000 which made the correct
application for the life annuity and the Retirement System has been administering it as it was
prior to the change with a five year certain. The five year certain is more expensive for many
reasons. The bottom line is the City is requesting that the Retirement Board to do a number of
things which are explained in her letter of March 26, 2018. Those requests are:

- Direct the plan administrator and plan actuary to apply a life annuity as the normal form
  of benefit in all future estimates and calculations
- Direct the plan actuary to reflect and apply the life annuity as the normal form of benefit
  in future actuarial valuations, and identify the impact of the change on plan liabilities
  and contributions.
- The plan actuary should also be directed to review the plan document (section46-19
  through 46-273, Coral Gables City Code, available at the City website and at
  Municode.com), and confirm in writing that all provisions of the plan are being
correctly applied in actuarial valuations and reports.
- Revise the summary plan description to reflect a life annuity as the normal form of
  benefit
- Revise all forms and other documents as necessary to reflect a life annuity as the normal
  form of benefit.

Ms. Ramos reiterates from the City position it is up to the Retirement Board what actions are
taken in terms of those persons who have already received this benefit. The City believes it was
a mistake they made and it would not be the most appropriate thing to take away from the
people who have already received this benefit. They have no objection to leaving those who
have already received it and correct going forward which is the City’s request. Mr. Gold asks if that means there are different categories. Ms. Ramos answers affirmatively. There are those who have already collected, there are those who are retired or in the DROP and then those going forward.

Mr. Banos asks Mr. Greenfield if he agrees with the City Attorney’s letter. Mr. Greenfield replies he read the letter and understands the letter but he is not certain that he agrees with City Attorney. The Plan Administrator has been practicing procedures that go back as far as 1992. He would like to do further research to assure that the extended practice does not supersede the ordinance. Ms. Ramos explains that the minute it was noticed and she was made aware of it that is when she brought it to everyone’s attention. Mr. Greenfield responds that although this was just made aware to Ms. Ramos that does not mean it was not known of before. The previous Finance Director was aware of it.

Ms. Groome explains that she went through each of the past ordinances and found that there was no language in the ordinance regarding the five year certain. It was at that time that she found out it became the language in the Actuarial Report for the normal form of retirement. She then contacted several previous Board members about this issue and they all understood that the language was in the ordinance. She also contacted Donald Nelson, the previous Finance Director and Trustee to the System, and Mr. Nelson explained that the language was never in the ordinance. He stated that by putting the language in the ordinance it would have had to be done by collective bargaining but it was never brought forth for collective bargaining. Mr. Nelson explained that since the five year certain language is in the ordinance for a survivor of a participant who has passed away he believed that the actuary needed an interpretation for the normal form of retirement for retirees and that is why the five year certain was used for Normal Retirement.

Chairperson Gomez asks Mr. Strong to explain his response to the City Attorney’s letter. Mr. Strong states that his firm spent well over 100 hours going through the ordinance to make sure everything was coded correctly. There was a discrepancy between the beneficiary normal form of benefit and a participant normal form of payment. Because of the discrepancy, his firm consulted with Ms. Groome. She provided Summary Plan Descriptions, copies of all past benefit calculations which all documented supporting that the five year certain life has always been administered as the Normal Form of payment. They have factor tables provided by actuaries over the last two decades that Ms. Groome uses to convert all payment forms from a normal form to other forms of payment. These were official factor tables prepared and had been used for probably for 200 to 300 calculations prior to GRS taking over the plan. As the actuary, it is there job to value the plan as the plan is administered and so if there is a policy in place they must value it.

Mr. Banos asks Ms. Ramos if she believes there could be a discrepancy on how two levels are being valued. Ms. Ramos answers that Jim Lynn was the one to make the discovery. She can have him make a presentation at the next meeting but it is her understanding that the ordinance is clear and what has been happening is the plan has been administered incorrectly. Mr. Banos requests for the item to be tabled until the City Attorney is able to attend the next Board meeting to bring a legal determination that will allow the plan to move forward amending the way the procedure is done for the administration that is allowed according to the ordinance.
Ms. Gomez comments that the ordinance is the law and it must be followed. Mr. Banos agrees. The ordinance is the guiding principal and the Board cannot just ignore what it says. Mr. Garcia-Linares asks Ms. Groome if she has gone back to review both the minutes from the Investment Committee meetings and the Retirement Board meeting minutes. Ms. Groome responds that she has reviewed the Retirement Board meeting minutes and found nothing discussing the matter. She did not review the Investment Committee meeting minutes. Mr. Garcia-Linares suggests that Mr. Greenfield meet with the City Attorney and then give his opinion at the next meeting as to what the Board should do. Ms. Elejabarrieta agrees with Ms. Gomez and the City Attorney but thinks it would be interesting to find out when the change was made and to also review the CBA to verify if there was a change. A lot of research should be done before the Board makes a determination. It would be interesting to know what triggered the change from a five year certain to a life annuity back in 2000. Ms. Gomez thinks that the City Commission minutes should be pulled because there had to be some presentation or discussion in order for the change to be made. Mr. Strong adds that there would have had to be an Impact Statement as well.

Ms. Ramos informs that she will ask Mr. Linn to go back and get a timeline and do all the research so that they can be ready for next meeting.

A motion to table the discussion of a letter from the City Attorney regarding the application of the Retirement Plan was made by Mr. Banos and seconded by Mr. Easley. Motion unanimously approved (11-0).

6. Items from the Board Attorney. (Agenda Item 3)

Mr. Greenfield informs that there have been the usual monthly problems. He was asked at the last meeting to get with Ms. Groome on a detail of the service that the City has been providing to the Board. Chairperson Gomez points out that Mr. Banos began the conversation with questions of creating a budget. Mr. Banos explains that his whole idea was to obtain a letter of understanding or a contract of what is the relationship between the City and The Retirement System. The City is in fact the Administrator to the Plan and the Retirement System is essentially reimbursing the City for the services. The reason he pulled out Item E in the Consent Agenda is because he does not agree with how the Plan has been run. He comments that Ms. Gomez had a different perspective. Ms. Gomez states that her perspective is simply that the City is not in the business of outsourcing or giving and providing services to others. She does not know if the City wants to enter into an agreement and take on liability and have to supervise. Mr. Banos states that it is being done already. Ms. Gomez replies the Board supervises the Administration and as Trustee she signs off on checks and things like that but she does not supervise. Ms. Ramos states that the best way for the administration of the plan may not be this way and it happened over time. There is an argument that a third-party private administrator is a better model. She is not advocating for either. In her view it is either status quo or a third party administrator not some in the middle contact where the City is providing services. Mr. Banos explains that his problem was that there is no budget for it. Ms. Groome informs that there is a budget. Mr. Banos understands. Ms. Gomez points out that there is a budget in the budget book it is what is expected to be spent for insurance and salaries which are fixed costs they know about. The City’s budget includes it and then it gets reimbursed by the Retirement System. Chairperson Gomez states that the concern he has is that he would like a
better understanding as Board members in terms of who is responsible for what which he has pushed to improve the relationship with the Board and the City and vice-versa. At times he finds it a little bit ambiguous when he has conversations with elected members of the City Commission, the Mayor and the City Manager. He is not sure that they need a contract in terms of who is responsible and for what but he thinks as Board members they want to make sure everyone is on the same page on who is responsible and for what. Maybe a full memo of understanding would be that simple and flexible enough in moving forward. Mr. Garcia-Linares asks that the Board be presented with a line-item of the City’s budget then the Board can approve it the same way they approve the contracts with their vendors and then they can be done. It was an issue of budget that this issue came up. Chairperson Gomez states that they can approve the process. Ms. Elejabarrieta suggests that the Administrative Manager draft up a line-item process of how the Retirement System reimburses the City so the Board will be aware of what they are responsible for and how things are done. Ms. Gomez suggests that the Board receive an all-inclusive budget for the Retirement System.

A motion was made by Mr. Garcia-Linares and seconded by Mr. Alvarez to approve Consent Agenda Item 2C(e) – City of Coral Gables invoice for expenses of retirement system. Motion approved (10-1) with Mr. Banos dissenting.

7. Final review of Vendor Policy. (Agenda Item 5)

Mr. Greenfield reports that three Board members contacted him regarding the Vendor Policy informing that it was okay. He asks for a motion to approve or deny the policy.

A motion was made by Mr. Banos and seconded by Mr. Easley to approve the Vendor Policy. Motion unanimously approved (11-0).

8. Attendance of Ari Sass from MD Sass addressing the fund’s performance and process. (Agenda Item 6)

Dave West, AndCo Consulting, introduces Ari Sass from MD Sass to address the fund’s performance and process. Mr. Sass informs that the firm has been around for about 42 years. They are an independent money management firm which is all they have done. He is a portfolio manager in the strategy. His father started the firm 42 years ago and he is still CEO and Chief Investment Officer. He has been with the firm for 15 years. They manage about $6 billion in assets and $1 billion within equities. Philosophically they believe in investing in a concentrated portfolio of stocks between 25 and 35 stocks. The rationale for that is they want to know their investments inside and out better than most on Wall Street. That way they have the conviction in their idea to add on weakness or sell when they think it is fairly valued. They don’t think their job is to be overly diversified they try and focus on the best stocks they can, know them as well as they can and utilize their own research process in-house. They don’t rely on other research or other third-party research. They are a six person team and have worked with each other on average about twelve years. Their team is long tenured. He highlights environments they do well in and environments they do not do well in. Environments that are more driven by the macro are environments they do not do well in. People’s opinions of interest rates can drive performance in certain sectors. They pay attention to the macro a lot but they think their strength is more in the bottoms up or looking at individual companies and what
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drives their individual earnings as opposed to taking a strong view on what gold is going to do, interest rates or the dollar. That is not their strength. They are value investors so they pay a lot of attention to cash flow and valuations. They don’t invest in companies that may have tremendous revenue growth but no free cash flow. We don’t own companies like Netflix or Tesla. As part of their process they pay a lot of attention to how fairly valued something is to the free cash flow they generate. That has been another headwind for them because growth stocks have had an unbelievable run compared to value stocks. This is cyclical. They have lived through this many times. Especially since they are concentrated and they stick to a very disciplined process for the types of companies they like you can see their performance deviate substantially from the index. Over the long term they significantly outperformed the S&P 500 and the Russell indices. They have a long history of doing this and a long history of cycles. They have been in a rough patch the last three years. The first five years with this plan they had an incredible run and were significantly outperforming. They have underperformed the last three years. It is important to understand the environment they are operating in. During the tech bubble years they significantly lagged the market because they didn’t chase the flavor of the day. After the tech bubble they had significant out performance. They are not in a tech bubble but they are in a period of underperformance and where they shine is simply not in favor currently. The market is being led by the very large cap technology companies. The top five contributors to the S&P 500 are Apple, Microsoft, Amazon, Facebook and Google. These kinds of companies are classic growth stocks. They tend to not invest often in mega cap companies because it is harder to get access to management and harder to get an edge. They have made mistakes and most of them occurred in the 4th quarter of 2017. On a sector basis health care was a big drag for them. They made some mistakes there. They have a different view with situations versus consensus. They like to find situations in companies where people are concerned or worried. It does not mean it is not valid they are just trying to understand why and is it right and what is priced into the stock so if they are wrong they have significance of downside protection. They are in the second longest recovery on record now. Everything goes in cycles so correction will be coming in the future. They don’t see things today that suggest it is on the horizon. He doesn’t see anything in the short term other than the unexpected happening like a trade war or other geo-political risks. The international risk factor is heightened right now. What would worry him shorter term is the geo-political risks and if interest rates will really rise fast. That would concern him because equities will go lower if rates climb quickly. To sum up his presentation, he is disappointed with their numbers over the last couple of years. The general market has not been conducive with their style and they have made their own mistakes. He thinks they have a good long term record and nothing has changed in their process and their team has not changed. There is nothing to him that suggests they won’t get back and outperform again like they did the first six years of when they started managing money for the plan. He thinks value sector will have its day and that will be a positive tailwind for them.

9. Investment Issues. (Agenda Item 10)

Dave West reports on the investment performance for the month of March 2018. For the quarter they ended up with a positive return. They preserved their position on a fiscal year to date basis. Every single active manager has moved ahead of the benchmark with the exception of MD Sass and he thinks Mr. Sass made a reasonable explanation as to their performance. The growth managers, especially Wells Capital, are performing exceptionally well. The whole
universe of active growth managers is migrating above the benchmark constructively. Mr. Gold asks if Wells Capital was the last manager to come to the Board to speak about their performance. Mr. West answers affirmatively. It is a matter of understanding legitimately the headwinds and tailwinds and there will be periods of headwinds and tailwinds in the market. If a manager continues their process and do not change it the performance will turn. The S&P 500 and S&P 400 took hits during the month. The NT Aggregate bond was down for the quarter. The hedge fund is starting to emerge and provide some value to the portfolio. They opened fiscal year to date at $373,274,198. Contributions were at $26,518,305. Distributions for benefit payments were at $17,800,000. Investment management fees paid for and invoiced by the custody bank were at $1,055,344. Other expenses were $71,939. They have earned an income of $1,907,580 and earned an appreciation of $17,146,908 to close at $399,919,707. They have no recommendation on rebalancing the investments. They will be having an Investment Committee meeting regarding infrastructure.

Mr. Easley would like to see if they could look at lowering the investment policy minimums for the bond investments. Mr. Chircut states that the equity market is doing great but the down market the only value you get is through bonds. Mr. Easley understands. He wants to look into moving the minimum bar down a little bit with fixed income. Mr. West thinks they are at the limit now where they need to keep a certain amount of allocation to bonds to provide that long term forecast. They have been minimizing the fixed income allocation looking for other ways in the market cycle. To make the plan’s rate of return assumption with the least amount of suspense, they need to keep a certain allocation to bonds. They are at the threshold. Their motivation for the asset allocation is to make the rate of return assumption rate and minimize the volatility impact on the City Contribution. He thinks they are in a good position now to make the number while minimizing the suspense.

10. Request from Debbie Jenkins and Tequila Gamble, pre-retirement survivors of Lavern Gamble of Public Service Department who passed away on February 3, 2018, for approval from the Board to allow them to receive a lump sum benefit instead of the normal form of payment of 5 years certain. This request is in accordance with the Retirement Ordinance Section 46-255 (a) (5) and indicated in the actuary’s certification letter. The Administrative Manager recommends approval of this request. (Agenda Item 9).

Ms. Groome informs that one of the participants passed away and designated two beneficiaries to receive his pre-survivor retirement benefit. Instead of receiving a monthly benefit for their lifetime, they have chosen to receive the lump sum benefit instead and it needs to be approved by the Board. Mr. Banos asks what is cheaper. Mr. Strong responds that it is an actuarial equivalent. The monthly benefit was converted to a lump sum and it will be the same impact.

A motion was made by Mr. Banos and seconded by Mr. Easley to approve the lump sum benefit for Debbie Jenkins and Tequila Gamble. Motion unanimously approved (11-0).

11. Old Business.
There was no old business.
   Mr. Easley thinks that when they have outside people coming in to speak with the Board that they should go first. He thinks it would be courteous to let them go first and then the Board can have discussions on the other business regarding the plan.

13. Public Comment.
    There was no public comment.


The next scheduled Retirement Board meeting is set for Thursday, May 17, 2018 at 8:00 a.m. in the Police Community Meeting Room, 2801 Salzedo Street, Police Station Basement, Coral Gables, FL.

Meeting adjourned at 10:00 a.m.

APPROVED

DR. ANDY GOMEZ
CHAIRPERSON

ATTEST:

KIMBERLY V. GROOME
ADMINISTRATIVE MANAGER