

**CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

920TH BOARD OF TRUSTEES MEETING

February 20, 2020

***COPIES OF MINUTES ARE BEING
PROVIDED WITHOUT ATTACHMENTS.***

***ALL ATTACHMENTS ARE AVAILABLE
FOR REVIEW AT THE FIRE & POLICE
PENSION OFFICE.***

**920TH MEETING OF THE BOARD OF TRUSTEES
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

February 20, 2020

CALL TO ORDER

Meeting was called to order at 8:33 AM by Chairman Frazier.

Board members present were as follows:

FIRE DEPARTMENT

David J. Frazier, Jr.
Dwight M. Nicholas

POLICE DEPARTMENT

Eric M. Garcia
James D. Nolan
Elise Spina Taylor

ADMINISTRATION

Hernan D. Cardeno
Eric T. Carpenter
Tameka Otto Stewart

Absent was:

Paul D. Johnson - Fire Department

Present were:

Blanca T. Greenwood, Esq. - Attorney, Klausner, Kaufman, Jensen & Levinson (KKJL)
Donna Brito - Executive Director
Myriame Jean-Baptiste - Pension Administrator
Clara La Rosa - Office Manager

Also present were:

Michael Bray - Vice President, Inverness Counsel, LLC
Sean Conroy - Managing Director, GCM Grosvenor
Mark Guariglia - Managing Director, Business Development, EnTrust Global
Kate Hurley - Client Advisor, J.P. Morgan Asset Management
Brad Lucas - Real Estate Investment Specialist, J.P. Morgan Asset Management
John McCann - Senior Consultant, AndCo Consulting
Sophia Mullen - Senior Managing Director, Investment Research, EnTrust Global
David Richter - Managing Director, Investment Committee Chair, GCM Grosvenor
Adrian Sancho - Vice President, Equity Analyst, Inverness Counsel, LLC
Craig Theirl - Portfolio Manager, Special Situation Property Fund, J.P. Morgan Asset Management

MINUTES

Regular Meeting of the Board of Trustees – January 16, 2020

Minutes from the regular board meeting were distributed as part of the agenda packet. Trustee Carpenter made a motion to approve the minutes. The motion was seconded by Trustee Nolan and unanimously carried.

RETROACTIVE PENSION CHANGES

Director Brito advised that the Police Department contract added several new hour types that were retroactively paid to the July 22, 2019, pay period. These new hour types affected the calculation of the overtime limit. The following Police Department member's February 2020 pensions have been recalculated to reflect this change. In addition, a retroactive adjustment will be processed in February 2020:

CLASSIFICATION	NAME OF MEMBER	DATE OF ENTRY INTO DROP	MONTHLY INCREASE OR DECREASE IN PENSION	RETROACTIVE ADJUSTMENT AMOUNT
Lieutenant of Police	Shannon D. Madison	8/1/2019	-77.02	-462.12
Police Officer	Edward W. Holbrook	10/1/2019	21.93	87.72
Sergeant of Police	Sheryl A. Kumm	10/1/2019	46.92	187.68
Police Officer	Eric Dominguez	11/1/2019	39.15	117.45
Police Officer	Kathleen M. Prieto	11/1/2019	22.83	68.49
Police Officer	Elio E. Sanchez	11/1/2019	16.14	48.42

Trustee Nolan made a motion to approve the revised pensions and retroactive adjustments for Lieutenant Madison, Officer Holbrook, Sergeant Kumm, Officer Dominguez, Officer Prieto and Officer Sanchez. The motion was seconded by Secretary Garcia and unanimously carried. (Attachment #1-1 Schedule A)

DEFERRED RETIREMENT OPTION PLAN (DROP) – APPROVAL OF ENTRY

Firefighter David J. Frazier, Jr. retired under the DROP program effective February 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Firefighter Frazier had 20 years and 7 months of pension service time and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Firefighter Frazier purchased the 6% multiplier.

Trustee Nicholas made a motion to approve the pension service retirement for Firefighter Frazier and grant entry into the Deferred Retirement Option Plan (DROP). For the record, it is noted that Chairman Frazier abstained from the vote in compliance with Section 112.3143, Florida Statutes. Chairman Frazier has filed "Form 8B Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers". The motion was seconded by Trustee Otto Stewart and unanimously carried. (Attachment #1-1 Schedule A)

Sergeant of Police Francisco J. Del Castillo retired under the DROP program effective February 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Sergeant Del Castillo had 22 years of pension service time and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Sergeant Del Castillo purchased the 6% multiplier.

Firefighter Brian J. Galletta retired under the DROP program effective February 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Firefighter Galletta had 17 years 2 months of pension service time and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Firefighter Galletta purchased the 6% multiplier.

Trustee Nolan made a motion to approve the pension service retirement for Sergeant Del Castillo and Firefighter Galletta and grant entry into the Deferred Retirement Option Plan (DROP). The motion was seconded by Trustee Cardeno and unanimously carried. (Attachment #1-1 Schedule A)

Trustee Spina Taylor arrived at 8:39 AM.

COMMENCEMENT OF PENSION

Firefighter Enrique Roque, retired under the DROP program, resigned from City employment effective January 31, 2020, and is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Firefighter George L. Barreiro, retired under the DROP program, resigned from City employment effective January 31, 2020, and is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Trustee Cardeno made a motion to approve the commencement of pension for Firefighter Roque and Firefighter Barreiro. The motion was seconded by Trustee Nicholas and unanimously carried. (Attachment #1-1 Schedule A)

DECEASED

Retired Sergeant of Police Christi D. Tanner passed away on January 16, 2020. Her pension will be discontinued as there are no beneficiaries under the Plan.

Trustee Nolan made a motion to stop the monthly pension for Christi D. Tanner. The motion was seconded by Trustee Carpenter and unanimously carried. (Attachment #1-1 Schedule A)

Retired Firefighter David A. Hudson passed away on January 23, 2020. Widow Susan Hudson will receive a benefit under the Code of the City of Miami Beach, Section 69(b)(1)(A). She will be entitled to 100% of his monthly pension benefit for one year and thereafter 50% of the benefit until remarriage or death. She will also be entitled to a 2½ % cost of living increase each October.

Secretary Garcia made a motion to approve the commencement of pension for Susan Hudson. The motion was seconded by Trustee Spina Taylor and unanimously carried. (Attachment #1-1 Schedule A)

FINANCIAL REPORT FOR FEBRUARY 2020

The Financial Warrants were distributed by Director Brito.

Trustee Nolan made a motion to accept the Financial Warrants as presented. The motion was seconded by Trustee Carpenter and unanimously carried. (Attachment #1)

A note was shared from Eileen Nelson thanking the Board and the Office Staff for their thoughts and prayers relating to the passing of her husband.

BUYBACKS COVERING THE PERIOD OF DECEMBER 20, 2019, THROUGH FEBRUARY 20, 2020

Director Brito presented the following buyback schedule that was processed from December 20, 2019, through February 20, 2020.

- *Buyback of probationary service time with interest at 3% - Police Department*

Trustee Nolan made a motion to approve the buyback shown on the schedule. The motion was seconded by Trustee Spina Taylor and unanimously carried. (Attachment #2)

COUNSEL

Memoranda from Klausner, Kaufman, Jensen & Levinson dated January 2020:

HB 1113/SB 1270 – Fiduciary Standards for Local Officers and Appointed Public Officials

Attorney Blanca Greenwood provided a legislative update regarding the bill being discussed in the Florida legislature. The bill would propose a fiduciary standard of care for appointed public officials and executive officers acting on behalf of a governmental entity. KKJL will keep the Board informed of any developments. (Attachment #3)

Changes to Florida's Notary Public Law to Permit Remote Online Notarizations

For the Board's information, Attorney Greenwood advised that as of January 1, 2020, House Bill 409 permits a Florida Notary Public to perform remote online notarizations. Specific to pension plans, remote online notarizations cannot be used to create or change a beneficiary designation or to waive a beneficiary's right to a joint and survivor annuity, including any survivor benefits when the witness is not in the physical presence of the principal at the time of notarization. (Attachment #4)

Cypen & Cypen Newsletters

1. January 9, 2020
2. January 16, 2020
3. January 23, 2020
4. January 30, 2020
5. February 6, 2020

EDUCATIONAL PRESENTATIONS ON ALTERNATIVE INVESTMENT OPTIONS – POSSIBLE ACTION BY BOARD

John McCann announced that as of Tuesday, February 18, 2020, the Fund has reached a market value of \$1,006,839,000.

At the November 2019 meeting, the Board agreed to invite two hedge fund managers for an educational presentation. In addition, since the Board is considering expanding the real estate allocation, it was agreed to consider J.P. Morgan's value add real estate funds. With this understanding, the following companies presented to the Board:

EnTrust Global – Fund of Funds - Represented by Mark Guariglia, Managing Director, Business Development; and Sophia Mullen, Senior Managing Director, Investment Research.

GCM Grosvenor – Fund of Funds - Represented by Sean Conroy, Managing Director; and David Richter, Managing Director, Investment Committee Chair

J.P. Morgan Asset Management – Real Estate – Represented by Kate Hurley, Client Advisor; Brad Lucas, Real Estate Investment Specialist; and Craig Theirl, Portfolio Manager, Special Situation Property Fund

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INVERNESS COUNSEL, LLC
MICHAEL BRAY – VICE PRESIDENT
ADRIAN SANCHO – VICE PRESIDENT, EQUITY ANALYST

Portfolio Review

Adrian Sancho and Michael Bray reviewed in detail the Investment Commentary of the Fire and Police Pension large cap core and fixed income portfolio as of December 31, 2019.

ANDCO CONSULTING
JOHN MCCANN - SENIOR CONSULTANT

Investment Performance Review

John McCann provided the Investment Performance Review for the period ending December 31, 2019. In summary, the Fund's total fiscal year to date net return is 5.01% (October 1, 2019, through December 31, 2019).

Inverness Counsel

During the period beginning 01/01/00 and ending 12/31/19, the equity portion of the fund had an annualized return from inception of 7.00% compared to the S&P 500 Index of 6.06%. During the period beginning 10/01/90 and ending 12/31/19, the fixed income portion of the fund had an annualized return from inception of 6.12% compared to the ½ BCGC and ½ BCGCI Index of 5.70%. As of 12/31/19, the ending value of the Inverness portfolio was \$208,170,727 in equities, \$237,649,595 in fixed income and \$55,017,174 in cash equivalent.

Wellington Mgmt. Company Small Cap – Period beginning 07/01/99 and ending 12/31/19

Wellington equity had an annualized return from inception of 11.64% compared to the Russell 2000 Index of 7.94%. As of 12/31/19, the ending value of the Wellington portfolio was \$106,642,829.

Logan Capital Management Large Cap Growth – Period beginning 04/01/07 and ending 12/31/19

Logan equity had an annualized return from inception of 10.23% compared to the Russell 1000 Growth Index of 11.15%. As of 12/31/19, the ending value of the Logan portfolio including \$875,767 in cash equivalent was \$60,671,630.

RhumbLine Advisers Large Cap Value – Period beginning 01/01/17 and ending 12/31/19

RhumbLine equity index fund had an annualized return from inception of 9.62% compared to the Russell 1000 Value Index of 9.68%. As of 12/31/19, the ending value of the RhumbLine portfolio was \$60,688,114.

RhumbLine Advisers Mid Cap – Period beginning 07/01/97 and ending 12/31/19

RhumbLine equity index fund had an annualized return from inception of 10.69% compared to the S&P Midcap 400 Index of 10.68%. As of 12/31/19, the ending value of the RhumbLine portfolio including \$449,870 in cash equivalent was \$78,880,663.

RhumbLine Advisers International Equity - Period beginning 01/01/16 and ending 12/31/19

RhumbLine international equity index fund had an annualized return from inception of 7.53% compared to the MSCI EAFE Index of 7.89%. As of 12/31/19, the ending value of the RhumbLine portfolio was \$53,818,159.

JP Morgan Asset Management Real Estate - Period beginning 10/01/2007 and ending 12/31/19

JP Morgan real estate had an annualized return from inception of 5.47% compared to the NCREIF Index-Open End Diversified Core of 5.30%. As of 12/31/19, the ending value of JP Morgan portfolio was \$45,965,657.

Intercontinental Real Estate - Period beginning 04/01/2018 and ending 12/31/19

Intercontinental real estate had an annualized return from inception of 8.37% compared to the NCREIF Fund Index-Open End Diversified Core of 6.90%. As of 12/31/19, the ending value of the Intercontinental portfolio was \$46,043,027.

Wells Capital Management International Bonds – Period beginning 10/01/11 and ending 12/31/19

Wells international bonds had an annualized return from inception of 0.74% compared to the FTSE Non-U.S. World Government Bond Index of 0.35%. As of 12/31/19, the ending value of Wells portfolio was \$35,478,792.

TOTAL FUND – Inverness / Wellington / Logan / RhumbLine / JP Morgan / Wells / Intercontinental

As of 12/31/19, the ending value of the Fund was \$989,026,367. Of the \$989,026,367, the Cash Equivalent portion of the Fund was 5.70% or \$56,342,811. The results for the 12 month period ending 12/31/19, show that the Fund's return of 20.65%, after investment expenses, outperformed the benchmark indices of 18.84%. During this 12 month period, Inverness equity significantly outperformed the S&P 500 Index, Wellington significantly outperformed the Russell 2000 Index, Logan significantly outperformed the Russell 1000 Growth Index, RhumbLine slightly underperformed the S&P Midcap 400 Index, RhumbLine slightly underperformed the Russell 1000 Value Index, RhumbLine slightly underperformed the MSCI EAFE Index, JP Morgan significantly underperformed the NCREIF Index-Open End Diversified Core, Intercontinental significantly outperformed the NCREIF Index-Open End Diversified Core. On the fixed income side, Wells significantly outperformed the FTSE Non-U.S. World Government Bond Index, and Inverness significantly outperformed the Index composed of ½ BCGC and ½ BCGCI.

Quarterly DROP Review

Mr. McCann provided a review of the Voya and Nationwide DROP investment options for the period ending December 31, 2019, and indicated that most investment options are doing well. He recommended no changes at this time.

Discussion on rebalancing options and possible action by Board

- i. **Inverness Counsel, LLC Cash Flow**
- ii. **J.P. Morgan Asset Management Quarterly Distribution**

Investment Fee Reductions

- i. **RhumbLine Advisers Domestic Equity**
- ii. **Wells Fargo Asset Management International Bonds**

Mr. McCann advised that because domestic equity has done so well recently a few asset classes have fallen below their target allocation. Since the first quarter of a new fiscal year has just finished, the time is

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right to rebalance the asset classes to their target allocation. In addition, rebalancing will enable the Fund to take advantage of fee incentives being offered by a few money managers. Mr. McCann made the following recommendation:

- > Wells international fixed income has \$35,478,792 which is 3.6% of the Fund as of December 31, 2019. According to the investment guidelines, their target allocation is 5% of the Fund which would be \$50,000,000. Wells Fargo has advised that they will lower their fee from 36 basis points to 32 basis points if the investment reaches \$50,000,000. Mr. McCann recommends rebalancing \$15,000,000 to Wells international fixed income.*
- > J.P. Morgan real estate has \$45,965,657 which is 4.6% of the Fund. Intercontinental Real Estate has \$46,043,027 which is 4.7% of the Fund. According to the investment guidelines, both have a target allocation of 5% of the Fund which would be \$50,000,000 each. J.P. Morgan's fee structure does not change until the investment reaches \$100,000,000. However, Intercontinental's fee structure reduces from 100 basis points to 85 basis points at \$50,000,000. Mr. McCann recommends rebalancing \$4,000,000 to J.P. Morgan real estate and \$4,000,000 to Intercontinental real estate.*

There were various discussions about which managers the rebalanced funds would come from. Mr. McCann suggested tabling the discussion for later since there were additional issues to discuss.

Mr. McCann asked the Board what their opinion was about the hedge fund presentations. This prompted various discussions and questions such as:

- EnTrust Global is an activist type of fund and very aggressive.*
- GCM Grosvenor seems to be a more traditional investment style hedge fund and more conservative.*
- From an investment strategy, are alternative investments needed in the portfolio in order to protect and move the Fund forward into the future?*
- If so, how much risk is the Board willing to take for a potentially higher reward, and alternatively what could go wrong?*
- How much investment is required to be effective?*
- How would adding between 2% to 5% in hedge funds affect the portfolio's overall risk?*

The consensus of the Board was that additional information is needed about specific investments the Board could invest in. A thorough review of a variety of funds is necessary in order for the Board to consider a new asset class.

Trustee Carpenter made a motion to invite GCM Grosvenor and two additional managers with the same approach to hedge fund management for discussion purposes to the April 2020 board meeting. The motion was seconded by Secretary Garcia. Trustee Nolan expressed his interest in inviting additional EnTrust Global style managers as well.

Trustee Otto Stewart amended the motion to invite GCM Grosvenor and one additional manager with a similar style and EnTrust Global plus one additional manager with a similar style for the April 16, 2020, board meeting. The motion unanimously carried.

Mr. McCann advised that this would be considered a formal manager search from the AndCo Consulting approved manager list and the cost would be \$5,000. The board agreed. In addition, Mr. McCann advised that he will supply an asset allocation showing what happens if the Board invests 3% in alternative investments and reduces equities by 3%.

At the November 2019 meeting, Mr. McCann presented an asset allocation in order to evaluate if there was a benefit to the Fund by increasing the real estate allocation and reducing the fixed income allocation. At that time, Inverness Counsel expressed their concern about how this would impact cash flow. Mr. McCann agreed to work with Inverness to identify the best process to manage cash flow so that there is enough cash in the account to pay the expenses and benefits every month. As a result, Mr. McCann recommended changing the investment policy effective July 2020 to increase cash from 5% to 6% of the Fund and reduce fixed income by 1% of the Fund.

Trustee Nolan made a motion to change the Inverness cash allocation from 5% to 6% of the Fund and reduce the Inverness fixed income allocation from 25% to 24% of the Fund effective July 1, 2020. Motion was seconded by Trustee Spina Taylor and unanimously carried.

Trustee Nolan left the meeting at 11:40 AM.

Mr. McCann asked what the Board thought about increasing the real estate allocation by 5%. This prompted general discussions about J.P. Morgan's presentation of the Special Situation Property Fund. The Board took no action pending further review of how the Fund would be affected by adding alternative investments, increasing real estate or doing nothing.

Trustee Carpenter returned the discussion back to rebalancing the asset classes in order to capitalize on the reduction of investment fees. Trustee Carpenter made a motion to rebalance the Fund by:

- liquidating \$15,000,000 from Wellington's small cap portfolio and transferring the cash to Wells' international equity portfolio*
- liquidating \$4,000,000 from RhumbLine's large cap value portfolio and transferring the cash to J.P. Morgan's real estate portfolio*
- liquidating \$4,000,000 from Logan's large cap growth portfolio and transferring the cash to Intercontinental's real estate portfolio*

The motion was seconded by Trustee Spina Taylor and unanimously carried.

Mr. McCann stated that J.P. Morgan currently provides the Fund with income every quarter to help pay for expenses. Now that Inverness' cash allocation has been increased, he recommends asking J.P. Morgan to reinvest the income back into their Strategic Property Fund.

Trustee Otto Stewart made a motion to reinvest J.P. Morgan's quarterly income distribution back into their Strategic Property Fund. Motion was seconded by Trustee Cardeno and unanimously carried.

RhumbLine Advisers names Denise D'Entremont President

Mr. McCann was pleased to announce the promotion of Denise A. D'Entremont to President of RhumbLine Advisers, effective immediately. (Attachment #5)

In addition, RhumbLine Advisers has agreed to reduce their domestic mid cap and large cap index fund fees from 5 basis points to 4 basis points. The global equity index fund fee will remain at 5 basis points. (Attachment #6)

Prior to Mr. McCann leaving, Trustee Carpenter shared his preference to have all of Mr. McCann's professional opinions clearly stated and supported in advance of board meetings. That way he can have sufficient time to properly evaluate the information for a more productive discussion during the board meeting. Mr. McCann acknowledged Trustee Carpenter's comments.

DIRECTOR'S REPORT

2019 Affidavits

Retiree Kevin D'Avignon's 2019 affidavit was not received prior to stopping his January 2020 pension benefit. Director Brito acknowledged the effort Myriame Jean-Baptiste extended to Mr. D'Avignon by going above and beyond reasonable expectations to help Mr. D'Avignon successfully submit his 2019 affidavit.

The Director noted that the affidavit for retiree John Geary was received prior to stopping his January 2020 pension benefit.

2019 Form 1099-R

Director Brito indicated that the Form 1099-Rs were mailed to all retirees and beneficiaries and that the following information was provided to the retirees to whom it applied:

- \$3,000 exclusion of insurance premiums for retired public safety officers
- Information relating to after tax employee contributions

NCPERS 2020 Annual Conference and Exhibition, May 9 – 13, 2020, Las Vegas, NV

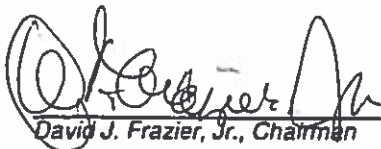
Trustee Cardeno made a motion to allow any trustee to attend the NCPERS 2020 Annual Conference and Exhibition, scheduled to take place in Las Vegas, NV, from May 9 – 13, 2020. The motion was seconded by Trustee Spina Taylor and unanimously carried.

For the Board's information, the following items were distributed as either part of the agenda or meeting packet:

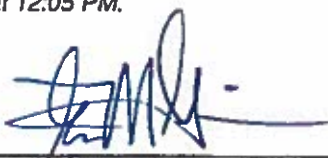
- A. Financial Statements Year Ended September 30, 2019
- B. Administrative Budget

ADJOURNMENT

Trustee Otto Stewart made a motion to adjourn the meeting. The motion was seconded by Trustee Cardeno and unanimously carried. The meeting was adjourned at 12:05 PM.



David J. Frazier, Jr., Chairman



Eric M. Garcia, Secretary