

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

**922<sup>ND</sup> BOARD OF TRUSTEES MEETING**

**May 21, 2020**

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

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

**922<sup>ND</sup> MEETING OF THE BOARD OF TRUSTEES  
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
IN THE CITY OF MIAMI BEACH**

**May 21, 2020**

**CALL TO ORDER**

Meeting was called to order at 8:47 AM by Chairman Frazier.

Board members present via video conference, as permitted by Governor DeSantis' Executive Order 20-69, were as follows:

**FIRE DEPARTMENT**

David J. Frazier, Jr.  
Paul D. Johnson  
Dwight M. Nicholas

**POLICE DEPARTMENT**

Eric M. Garcia  
James D. Nolan  
Elise Spina Taylor

**ADMINISTRATION**

Hernan D. Cardeno  
Eric T. Carpenter  
Tameka Otto Stewart

**Present were:**

Stuart A. Kaufman, Esq.	- Attorney, Klausner, Kaufman, Jensen & Levinson (KKJL)
Donna Brito	- Executive Director
Myriame Jean-Baptiste	- Pension Administrator
Clara La Rosa	- Office Manager
Eileen Nelson	- Part-Time Assistant

**Also present were:**

Michael Bray	- Vice President, Inverness Counsel, LLC
Oliver G. Hanna	- Fire Lieutenant, City of Miami Beach
Shelly Jones	- Consultant and Actuary, Gabriel Roeder Smith & Company
Nicolas Lahaye	- Consultant and Actuary, Gabriel Roeder Smith & Company
John McCann	- Senior Consultant, AndCo Consulting
Robert K. Maddock	- Senior Vice President, Inverness Counsel LLC
Kevin J. Millan	- President, Fraternal Order of Police, City of Miami Beach
Adrian Sancho	- Vice President, Equity Analyst, Inverness Counsel, LLC

**MINUTES**

**Regular Meeting of the Board of Trustees – April 16, 2020**

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

**DEFERRED RETIREMENT OPTION PLAN (DROP) – APPROVAL OF ENTRY**

Police Officer Julio C. Blanco retired under the DROP program effective May 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Blanco had 20 years and 5 months of pension service time and met the eligibility for retirement by Tier 1, Rule of 70 and attainment of at least age 47. In addition, Officer Blanco purchased the 6% multiplier and 2 years of pre-employment public safety service time.

*Police Officer Rabih J. El-Jourdi retired under the DROP program effective May 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer El-Jourdi had 20 years and 5 months of pension service time and met the eligibility for retirement by Tier 1, Rule of 70 and attainment of at least age 47. In addition, Officer El-Jourdi purchased the 6% multiplier.*

*Police Officer Daniel R. Erben retired under the DROP program effective May 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Erben had 20 years and 3 months of pension service time and met the eligibility for retirement by Tier 1, Rule of 70 and attainment of at least age 47. In addition, Officer Erben purchased the 3% multiplier and 3 years of pre-employment military time.*

*Police Officer Arthur W. Martineau retired under the DROP program effective May 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Martineau had 23 years and 1 month of pension service time and met the eligibility for retirement by Tier 1, Rule of 70 and attainment of at least age 47. In addition, Officer Martineau purchased the 6% multiplier and 3 months of pre-employment military time.*

*Police Officer Deborah A. Martineau retired under the DROP program effective May 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Martineau had 17 years and 11 months of pension service time and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Officer Martineau purchased 1 year of pre-employment public safety service time.*

*Secretary Garcia made a motion to approve the pension service retirement for Officer Blanco, Officer El-Jourdi, Officer Erben, Officer Arthur Martineau and Officer Deborah Martineau, and grant entry into the Deferred Retirement Option Plan (DROP). The motion was seconded by Trustee Nolan and unanimously carried. (Attachment #1-1 Schedule A)*

#### **DEFERRED VESTED SERVICE RETIREMENT – PAYABLE AT AGE 50**

*Sergeant of Police Erica Marshall resigned with vested rights on October 16, 2019. Sergeant Marshall had 18 years and 1 month of pension service time. Sergeant Marshall will be eligible for pension benefits at age 50 on June 26, 2026.*

#### **FINANCIAL REPORT FOR MAY 2020**

*The Financial Warrants were emailed to the Board for their review prior to the video conference.*

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

#### **BUYBACK COVERING THE PERIOD OF APRIL 17, 2020, THROUGH MAY 21, 2020**

*The following buyback schedule included in the agenda packet was processed from April 17, 2020, through May 21, 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 Secretary Garcia and unanimously carried. (Attachment #2)*

## **COUNSEL**

### **Executive Order 20-69: Administrative Policy Governing the Use of Audio-Video Conferencing or Teleconferencing to Conduct Virtual Public Board of Trustee Meetings**

Attorney Kaufman informed during last month's meeting that the Governor of Florida issued Executive Order 20-69 suspending any Florida Statute requiring a physical quorum be present for a local government body to meet at a specific public place and allowing for public meetings to be conducted via video or teleconferencing. The Executive Order was originally due to expire on May 8, 2020, but after a few updates the Executive Order has been extended until July 7, 2020.

### **Engagement Letter from KSDT**

Attorney Kaufman explained that the engagement letter received from KSDT deviates substantially from last year's engagement letter. KSDT has hired an attorney to make suggested revisions to their engagement letter. Attorney Kaufman continues to negotiate with KSDT some of the items related to indemnification and arbitration and expects the engagement letter to be finalized shortly.

### **Potential Forfeiture Proceedings**

During the November 2019 board meeting, Attorney Kaufman advised that there might be a potential forfeiture case coming up regarding a former Police Officer. KKJL received the complete internal affairs report last week and are currently reviewing the file. All recommendations for potential forfeiture proceedings against the former Police Officer will be presented at the June meeting.

**GABRIEL ROEDER SMITH & COMPANY**  
**SHELLY JONES, ASA, EA, FCA, MAAA – CONSULTANT AND ACTUARY**  
**NICOLAS LAHAYE, FSA, EA, MAAA, FCA – CONSULTANT AND ACTUARY**

### **Phase Two of the Investment Return / Capital Market Assumption Study: Discussion and possible action**

At the July 18, 2019, board meeting, the Board agreed that they have to continue along the path of reducing the investment return assumption to get to a reasonable rate that will consistently be met. GRS was asked to illustrate the financial impact of the following deterministic scenarios:

1. Lower the assumption by 10 basis points a year over the next 2 years and 5 basis points a year over the third year to achieve a 7.5% assumed rate of return.
2. Lower the assumption by 10 basis points a year over the next 5 years to achieve a 7.25% assumed rate of return.
3. Lower the assumption by 7.5 basis points a year over the next 5 years to achieve a 7.375% assumed rate of return.
4. For each of the above three scenarios, determine what the effect would be if the Fund returned 1% below the assumption.

Ms. Shelly Jones discussed the results of phase two of the Investment Return / Capital Market Assumption Study in detail. Ms. Jones advised that the baseline results as of October 1, 2019, incorporate the changes adopted in the October 2018 to September 2021 FOP and IAFF collective bargaining agreements and the new mortality assumption adopted at the April 16, 2020, board meeting.

Trustee Otto Stewart asked Ms. Jones if she had a recommendation. Ms. Jones replied that the current 7.75% investment return assumption is overly optimistic so any of the above scenarios are acceptable to lower the assumption. The average investment return assumption among GRS' clients is approximately 7.3%. Attorney Kaufman added that the Florida Retirement System (FRS) recently lowered their investment return assumption to 7.2%. The FRS assumption is considered to be the standard that every plan targets so that the State cannot have an argument that a plan's assumption is not low enough.

After various discussions regarding the advantages and disadvantages of each scenario, Trustee Carpenter made a motion to lower the investment return assumption by 10 basis points a year for the October 1, 2019, and the October 1, 2020, actuarial valuation and 5 basis points a year for the October 1, 2021, actuarial valuation to achieve a long-term expected annual rate of return of 7.5%. The Board will re-evaluate the assumption as needed. The motion was seconded by Trustee Nolan and unanimously carried. (Attachment #3)

**Update of the definition of actuarial equivalence (interest rate and mortality table) for the calculation of optional forms of benefits: Discussion and possible action**

Ms. Jones recommended replacing the current actuarial equivalence mortality tables for both optional forms of payment and life expectancies with the new mortality tables that are consistent with what will be used to fund the Plan. The recommended tables are listed below. Ms. Jones also recommended a long-term interest rate of 7.50% for all purposes of actuarial equivalence. She further explained that keeping the definition of actuarial equivalence up to date assures that the optional forms of payment are priced fairly for both the members and the Plan and life expectancies are properly determined. An actuarial impact statement would be issued showing no cost on funding for these changes.

- Mortality, for healthy participants, based upon the PUB-2010 Headcount Weighted Safety Mortality Tables with fixed blend of 85% Below Median Healthy Retiree Male Mortality Table and 15% Healthy Retiree Female Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.
- For Disabled Participants, mortality based upon the 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, with a fixed blend of 85% male and 15% female mortality rates, without projected mortality improvements.

Director Brito explained that actuarial equivalence in this plan is used in two different circumstances:

1. To determine life expectancies if the surviving spouse was married to the deceased member for less than 10 years, or the domestic partnership was registered for less than 10 years, then the benefits are payable for a period no longer than the normal life expectancy of the deceased member at time of death.
2. To convert one form of benefit payment to another form of benefit payment. For example, to convert the 10 year certain and life benefit to a life of member only or joint and survivor benefit.

Trustee Spina-Taylor made a motion to change the plan's definition of actuarial equivalence by adopting the recommended mortality tables and long-term interest rate. The change is effective immediately and shall be applied when a beneficiary benefit is limited to a period no longer than the normal life expectancy of a deceased member at the time of death and optional forms of benefit payments. The motion was seconded by Trustee Nicholas and unanimously carried. (Attachment #4)

**INVERNESS COUNSEL, LLC**  
**MICHAEL BRAY – VICE PRESIDENT**  
**ROBERT K. MADDOCK – SENIOR VICE PRESIDENT**  
**ADRIAN SANCHO – VICE PRESIDENT, EQUITY ANALYST**

**Portfolio Review**

Robert Maddock, Adrian Sancho and Michael Bray reviewed in detail the Investment Commentary of the Fire and Police large cap and fixed income portfolio as of March 31, 2020.

**ANDCO CONSULTING**  
**JOHN MCCANN - SENIOR CONSULTANT**

**Investment Performance Review**

John McCann provided the Investment Performance Review for the period ending March 31, 2020. In summary, the Fund's total fiscal year to date net return is -8.05% (October 1, 2019, through March 31, 2020).

Inverness Counsel

During the period beginning 01/01/00 and ending 03/31/20, the equity portion of the fund had an annualized return from inception of 6.03% compared to the S&P 500 Index of 4.85%. During the period beginning 10/01/90 and ending 03/31/20, the fixed income portion of the fund had an annualized return from inception of 5.15% compared to the ½ BCGC and ½ BCGCI Index of 4.90%. As of 03/31/20, the ending value of the Inverness portfolio was \$170,452,681 in equities, \$230,432,976 in fixed income and \$55,722,674 in cash equivalent.

Wellington Mgmt. Company Small Cap – Period beginning 07/01/99 and ending 03/31/20

Wellington equity had an annualized return from inception of 9.48% compared to the Russell 2000 Index of 5.96%. As of 03/31/20, the ending value of the Wellington portfolio was \$60,646,241.

Logan Capital Management Large Cap Growth – Period beginning 04/01/07 and ending 03/31/20

Logan equity had an annualized return from inception of 8.34% compared to the Russell 1000 Growth Index of 9.63%. As of 03/31/20, the ending value of the Logan portfolio including \$981,270 in cash equivalent was \$49,737,702.

RhumbLine Advisers Large Cap Value – Period beginning 01/01/17 and ending 03/31/20

RhumbLine equity index fund had an annualized return from inception of -1.05% compared to the Russell 1000 Value Index of -1.04%. As of 03/31/20, the ending value of the RhumbLine portfolio was \$44,519,234.

RhumbLine Advisers Mid Cap – Period beginning 07/01/97 and ending 03/31/20

RhumbLine equity index fund had an annualized return from inception of 8.87% compared to the S&P Midcap 400 Index of 8.86%. As of 03/31/20, the ending value of the RhumbLine portfolio including \$234,353 in cash equivalent was \$55,491,447.

RhumbLine Advisers International Equity - Period beginning 01/01/16 and ending 03/31/20

RhumbLine international equity index fund had an annualized return from inception of 0.77% compared to the MSCI EAFE Index of 1.09%. As of 03/31/20, the ending value of the RhumbLine portfolio was \$41,606,169.

JP Morgan Asset Management Real Estate - Period beginning 10/01/2007 and ending 03/31/20

JP Morgan real estate had an annualized return from inception of 5.47% compared to the NCREIF Index-Open End Diversified Core of 5.27%. As of 03/31/20, the ending value of JP Morgan portfolio was \$46,229,514.

Intercontinental Real Estate - Period beginning 04/01/2018 and ending 03/31/20

Intercontinental real estate had an annualized return from inception of 7.31% compared to the NCREIF Fund Index-Open End Diversified Core of 6.50%. As of 03/31/20, the ending value of the Intercontinental portfolio was \$46,061,416.

Wells Capital Management International Bonds – Period beginning 10/01/11 and ending 03/31/20

Wells international bonds had an annualized return from inception of 0.41% compared to the FTSE Non-U.S. World Government Bond Index of 0.12%. As of 03/31/20, the ending value of Wells portfolio was \$50,268,937.

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

As of 03/31/20, the ending value of the Fund was \$851,168,991. Of the \$851,168,991, the Cash Equivalent portion of the Fund was 6.69% or \$56,938,297. The results for the 12 month period ending 03/31/20, show that the Fund's return of -3.87%, after investment expenses, outperformed the benchmark indices of -4.69%. During this 12 month period, Inverness equity significantly outperformed the S&P 500 Index, Wellington outperformed the Russell 2000 Index, Logan significantly underperformed the Russell 1000 Growth Index, RhumbLine slightly outperformed the S&P Midcap 400 Index, RhumbLine slightly outperformed the Russell 1000 Value Index, RhumbLine underperformed the MSCI EAFE Index, JP Morgan underperformed the NCREIF Index-Open End Diversified Core, Intercontinental 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 underperformed the Index composed of ½ BCGC and ½ BCGI.

Trustee Nolan inquired if it was time to make a change in the fixed income category since Inverness is performing poorly, and whether money should be given to a different fixed income manager. Mr. McCann replied that prior to this quarter, Inverness' fixed income was performing well. Because of the current market conditions and the general poor performance by most managers, he does not recommend a change at this time. He agreed to again monitor and report the quarterly results from the other three managers who previously presented.

**Quarterly DROP Review**

Mr. McCann provided a review of the Voya and Nationwide DROP investment options for the period ending March 31, 2020. He does not recommend any changes at this time.

**922<sup>nd</sup> Meeting of the Board of Trustees  
May 21, 2020**

**Email dated May 12, 2020, from John McCann regarding scheduling of the formal hedge fund manager search**

Mr. McCann recommended delaying the hedge fund manager search until a time when the four managers can present to the Board in person. The Board agreed. (Attachment #5)

## **PERFORMANCE REVIEW AND CONSIDERATION OF CHANGE**

**Clara La Rosa - Effective Date: June 1, 2020 (2 year anniversary)**

Director Brito indicated that Clara La Rosa has been working for the Fire and Police Pension Office for two years. She is trustworthy, reliable and extremely pleasant to work with. She has continued training and has taken on responsibilities that have previously been outsourced to a third party provider. The Director respectfully requested an annual base salary merit increase of 3% as of June 1, 2020.

Trustee Nolan made a motion to approve the requested 3% annual base salary merit increase for Clara La Rosa effective June 1, 2020, as presented by the Director. The motion was seconded by Secretary Garcia and unanimously carried.

Secretary Garcia and Trustee Nicholas thanked Clara for her work as part of the team.

## **DIRECTOR'S REPORT**

**Cypen & Cypen Newsletter – signup for free subscription**

Director Brito recommended that instead of providing paper copies of the weekly Cypen & Cypen Newsletter in the agenda packet, that all Trustees sign up to receive the free e-newsletter automatically. The Board agreed. (Attachment #6)

**Correspondence dated April 21, 2020, from the State relating to additional information required for the review of the 2019 Annual Report, and response to requested additional information**

Director Brito advised that the 2019 Annual State Report was received, and a preliminary review has been completed. The two items deemed in need of clarification have been submitted to the State. (Attachment #7)

**Medical Board Review – Appointment of Dr. Isidro Pujol, D.O., as permanent Medical Board physician**

The Director advised that due to the retirement of Dr. Frank Fuentes, a physician on the Medical Board since 2006, Dr. Lupu has recommended Dr. Isidro Pujol, D.O., as a permanent member of the Medical Board.

Trustee Johnson made a motion to approve the appointment of Dr. Isidro Pujol, D.O., as the new Medical Board physician. The motion was seconded by Trustee Nicholas and unanimously carried. (Attachment #8)

Director Brito informed the Board about plans to purchase laptops and hotspots for all staff at the pension office within the next six months. The Coronavirus quarantine required staff to work from home making it clear that in order to ensure the continuity of services during an emergency, these items are a necessity for the team.



922<sup>nd</sup> Meeting of the Board of Trustees  
May 21, 2020

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

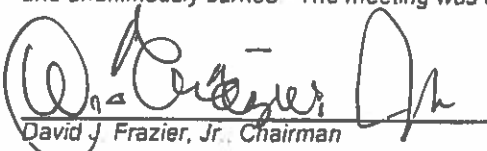
- A FPPTA Virtual Learning Series
- B Administrative Budget

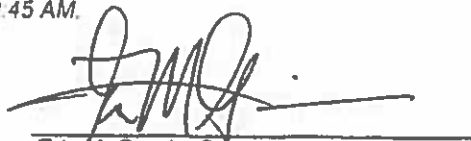
**OTHER BUSINESS**

Chairman Frazier thanked the pension office staff and the Board for adapting well to a tough situation.

**ADJOURNMENT**

Trustee Nicholas made a motion to adjourn the meeting. The motion was seconded by Trustee Cardeno and unanimously carried. The meeting was adjourned at 10:45 AM.

  
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David J. Frazier, Jr., Chairman

  
\_\_\_\_\_  
Eric M. Garcia, Secretary