

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

923RD BOARD OF TRUSTEES MEETING

June 18, 2020

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

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

**923RD MEETING OF THE BOARD OF TRUSTEES
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

June 18, 2020

CALL TO ORDER

Meeting was called to order at 8:33 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:

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

Also present were:

<i>David DiSilva</i>	- <i>Investment Specialist, Wellington Management</i>
<i>Ricardo Fernandez</i>	- <i>Firefighter, City of Miami Beach</i>
<i>Oliver G. Hanna</i>	- <i>Fire Lieutenant, City of Miami Beach</i>
<i>Shelly Jones</i>	- <i>Consultant and Actuary, Gabriel Roeder Smith & Company</i>
<i>Nicolas Lahaye</i>	- <i>Consultant and Actuary, Gabriel Roeder Smith & Company</i>
<i>John McCann</i>	- <i>Senior Consultant, AndCo Consulting</i>
<i>Kenneth C. Solano, Jr.</i>	- <i>Vice President, Client Service Manager, Wellington Management</i>

MINUTES

Regular Meeting of the Board of Trustees – May 21, 2020

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

Committee Meeting – June 3, 2020

Minutes from the annual performance and salary review for the Executive Director committee meeting were distributed as part of the agenda packet. Trustee Cardeno made a motion to approve the minutes. The motion was seconded by Trustee Nolan and unanimously carried.

DEFERRED RETIREMENT OPTION PLAN (DROP) – APPROVAL OF ENTRY

Police Officer Reginald B. Horton retired under the DROP program effective June 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Horton had 13 years and 3 months of pension service time and met the eligibility for retirement by Tier 1 and attainment of age 50.

Sergeant of Police Alejandro R. Llaneras retired under the DROP program effective June 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Sergeant Llaneras had 21 years and 7 months of pension service time and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Sergeant Llaneras purchased the 3% multiplier, 1 year of pre-employment military time and 2 years of pre-employment public safety service.

Police Officer Pedro A. Socarras retired under the DROP program effective June 1, 2020, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Socarras had 25 years and 4 months of pension service time and met the eligibility for retirement by Tier 1, and attainment of 85% maximum pension benefit.

Secretary Garcia made a motion to approve the pension service retirement for Officer Horton, Sergeant Llaneras and Officer Socarras, 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)

COMMENCEMENT OF PENSION

Police Officer Mario A. Victores retired under the DROP program, resigned from City employment effective May 18, 2020, and is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

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

PENSION BENEFITS TERMINATED – JUNE 1, 2020

Beneficiary Morgan R. Kokaram, daughter of deceased Firefighter Daniel C. Kokaram, reached the end of the 10 year certain benefit. Morgan R. Kokaram's monthly benefit was terminated effective June 1, 2020.

Trustee Nicholas made a motion to stop the monthly pension for Morgan R. Kokaram. The motion was seconded by Trustee Johnson and unanimously carried. (Attachment #1-1 Schedule A)

FINANCIAL REPORT FOR JUNE 2020

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

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

BUYBACK COVERING THE PERIOD OF MAY 22, 2020, THROUGH JUNE 18, 2020

The following buyback schedule included in the agenda packet was processed from May 22, 2020, through June 18, 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

Engagement Letter from KSDT

Attorney Kaufman successfully resolved the issues he had with the engagement letter regarding the general indemnification provision and the arbitration provision for dispute resolution. He is now legally comfortable with his review of the engagement letter. The Director confirmed the \$25,000 fee for auditing services is in accordance with the contract.

Trustee Johnson made a motion to approve and direct the Chairman to execute the KSDT letter dated May 7, 2020, for engagement of their services for the Financial Statements for the year ended September 30, 2020. The motion was seconded by Secretary Garcia and unanimously carried. (Attachment #3)

Potential Forfeiture of Pension Benefit – Former Police Officer George R. Navarro, Jr.

Attorney Kaufman advised that the Board's forfeiture policy is governed by Chapter 112.3173 Florida Statutes. The statute basically says that if any public officer is convicted of certain "Specified offenses" then the Board has an obligation to institute forfeiture proceedings to determine whether the public officer would or would not be entitled to his or her pension benefit.

Former Police Officer George R. Navarro, Jr., had an Internal Affairs case instituted against him based on thirty-three charges of improper and potential criminal actions. Mr. Navarro did not give a statement to Internal Affairs and was suspended without pay for approximately five years and then terminated thereafter.

Mr. Navarro was charged with ten counts in a criminal information filed against him. The sole count he pleaded guilty to was the unlawful subleasing of vehicles that did not have anything to do with his employment as a public officer. All the other charges did not materialize. He was sentenced to two years of probation, fifty community service hours, and he had to relinquish his FDLE certification as a police officer and agree that he could no longer seek employment with any other public safety agency.

When evaluating whether or not to recommend forfeiture proceedings, Attorney Kaufman considered the catch all provision of the forfeiture statute, which provides:

§112.3173(2)(e) - "Specified offense" means:

6. The committing of any felony by a public officer or employee who, willfully and with intent to defraud the public or the public agency for which the public officer or employee acts or in which he or she is employed of the right to receive the faithful performance of his or her duty as a public officer or employee, realizes or obtains, or attempts to realize or obtain, a profit, gain, or advantage for himself or herself or for some other person through the use or attempted use of the power, rights, privileges, duties, or position of his or her public office or employment position.

Attorney Kaufman remarked that Mr. Navarro certainly defrauded the public or the public agency of the faithful performance of his duty as a police officer with regard to most of the charges against him. However, what he pleaded guilty to, the unlawful subleasing of vehicles, did not involve anything to do with his position as a police officer. In order to have a forfeiture, you either need to have a criminal conviction or the public officer has to confess to the commission of the crime in a statement.

Mr. Navarro is vested in the pension system with 6 years and 4 months of pension service. He will be eligible for pension benefits at age 50 on October 6, 2035, or the return of his employee contributions plus interest. If his pension is forfeited, he will be entitled to only the return of his employee contributions without interest. Interest to date is approximately \$14,000.

Attorney Kaufman explained that if the Board was to commence forfeiture proceedings and the case had to go to court, then economically, the case would be cost prohibitive in attorney fees alone. The case does not clearly fit within the forfeiture statute. There are defenses that Mr. Navarro could raise in the forfeiture proceedings with regard to whether or not he used his law enforcement position to carry out the crime to which he pleaded.

Attorney Kaufman's recommendation is not to proceed with forfeiture proceedings at this time. If something should come up in the future that may change the Board's opinion, then the Board can always institute forfeiture proceedings at that point in time. There is no statute of limitations for forfeiture.

There were various discussions concerning whether Mr. Navarro would be compelled to testify or if his attorney would allow him to testify at a forfeiture proceeding, that the burden of proof falls on the Board to prove forfeiture of pension benefits, and that Mr. Navarro's plea agreement with the State did not fit squarely within the forfeiture statute.

Chairman Frazier summarized that it was Attorney Kaufman's opinion that the Board would incur more cost and could not guarantee a positive result if the Board were to proceed with forfeiture proceedings. Attorney Kaufman agreed that was his evaluation of the case.

The Board took no action to proceed with forfeiture of retirement benefits for Mr. George R. Navarro, Jr.

Internal Revenue Code 415 Limit (IRC 415) – Frequently Asked Questions

Attorney Kaufman provided an IRC 415 Frequently Asked Questions bulletin for the Director to provide to any member that has questions about why they are getting a check from the pension plan and then getting the excess over the IRC 415 limit from the City's qualified excess benefit arrangement. (Attachment #4)

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

Draft of 10/01/19 Actuarial Valuation – Discussion and possible action

Shelly Jones provided the preliminary Actuarial Valuation as of October 1, 2019, and discussed the results in detail.

In summary: The Actuarial Valuation develops the required minimum Retirement Fund payment under the Florida Protection of Public Employee Retirement Benefits Act and for Fire and Police Retirement Chapters 175 and 185. The minimum payment consists of payment of annual normal costs including amortization of the components of the unfunded actuarial accrued liability over various periods as prescribed by law. The minimum required contribution for fiscal year ending September 30, 2021, is \$50,791,234.

This total cost of \$50,791,234 is to be met by member, City and State (Share Plan) contributions. It is anticipated that member contributions will be \$7,345,775, the State (Share Plan) will contribute \$120,549 and the resulting minimum required City contribution will be \$43,324,910. The minimum required City contribution is an increase of \$1,017,667 from the prior year; however, it is a reduction of \$196,596 from the prior year's projected required contribution for fiscal year ending September 30, 2021.

For informational purposes only, the minimum required City contribution without the Maximum Benefit Limitations under Internal Revenue Code (IRC 415) would have been approximately \$43,408,000. The net minimum required City contribution to the Fund was lowered by approximately \$83,000 due to the requirements of the IRC 415.

Ms. Jones advised that the assumption changes effective October 1, 2019, are as follows:

- *Pursuant to a motion made at the April 16, 2020, board meeting, the mortality assumption was updated to reflect the July 1, 2019, Florida Retirement system (FRS) mortality assumption as follows:*

- *For healthy participants during employment, PUB-2010 Headcount Weighted Safety Employee Female Mortality Table and Safety Below Median Employee Male Mortality Table, both set forward 1 year, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.*

For healthy participants post employment, PUB-2010 Headcount Weighted Safety Healthy Retiree Female Mortality Table and Safety Below Median Healthy Retiree Male 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, 80% PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table / 20% PUB-2010 Headcount Weighted Safety Disabled Retiree Mortality Table, separate rates for males and females, without projected mortality improvements.

- *Pursuant to a motion made at the May 21, 2019, board meeting, the investment return assumption has been lowered by 10 basis points from 7.75% down to 7.65%, net of investment expenses, compounded annually.*
- *Florida Statutes updated the disability retirement eligibility for Firefighters to reflect diagnoses of cancer or circumstances that arise out of the treatment of such cancer to be presumed to be disabled in the line of duty subject to the limitations in Chapter 112.1816 Florida Statutes. For Firefighters, the percentage of service incurred disability rate was updated from 65% to 70%.*
- *The salary increase factors were adjusted to reflect the salary cost of living adjustments based on the most recent collectively bargained agreements.*
- *The loading for contingencies of 0.025% of annual pensionable payroll was discontinued for Tier 5 members who are no longer eligible to transfer service from the Miami Beach Employees Retirement Plan.*

In addition, Fund provisions were updated due to the collectively bargained agreements for the period of October 1, 2018, through September 30, 2021.

After various discussions, Trustee Carpenter made a motion to accept the Actuarial Valuation as of October 1, 2019, as presented. The motion was seconded by Trustee Nolan and unanimously carried. (Attachment #5)

Trustee Carpenter made a motion to adopt 7.65% as the expected annual rate of return for the current year, for each of the next several years and for the long-term thereafter. The motion was seconded by Trustee Cardeno and unanimously carried.

WELLINGTON MANAGEMENT CO., LLP
DAVID DiSILVA – INVESTMENT SPECIALIST
KENNETH C. SOLANO, JR. – VICE PRESIDENT, CLIENT SERVICE MANAGER

Portfolio Review

David DiSilva and Kenneth C. Solano, Jr., reviewed in detail the Investment Commentary of the Fire and Police Small Cap 2000 portfolio as of May 31, 2020.

ANDCO CONSULTING
JOHN MCCANN - SENIOR CONSULTANT

Market Value Update

John McCann optimistically shared the news that the total market value as of June 16, 2020, for the Fire and Police Pension Fund is currently \$938,000,000, reflecting an increase of \$87,000,000 since March 31, 2020. The Fund's total fiscal year to date net return is approximately 2.00% (October 1, 2019, through June 16, 2020).

RECOMMENDATION FROM THE COMMITTEE MEETING REGARDING ANNUAL PERFORMANCE AND SALARY REVIEW FOR THE FIRE AND POLICE PENSION EXECUTIVE DIRECTOR

Trustee Spina Taylor and Chairman Frazier summarized for the Board their June 3, 2020, committee meeting with Director Brito. They made a recommendation for Director Brito to receive a 4% base salary increase retroactive to April 1, 2020.

There were various discussions regarding the actual operational cost of the pension system versus the budget, and the hiring of the new Accounting Manager in the current environment. Trustee Carpenter shared his concern about the new position increasing administrative overhead and creating a recurring expense.

Trustee Spina Taylor reminded the Board that Director Brito is preparing to retire in a little over 4 years and how it takes time to train someone on certain functions of her position. Director Brito added that the current third party accountant, Joan Wall, is also planning to retire soon. The Accounting Manager was hired to establish an in-house accounting system in order to prepare for Ms. Wall's retirement.

Trustee Otto Stewart commented that she agrees with Trustee Carpenter's perspective and recommended a 3% increase with a 1% bonus that does not become a recurring cost. Chairman Frazier responded that there was no precedent for a bonus system.

Trustee Nolan asked whether the concern was about the new hire or Director Brito's merit increase. Trustee Carpenter responded that cost needs to be looked at holistically. Times are tight everywhere. Everyone acknowledged Trustee Carpenter's concern.

There were various discussions about the hiring path the pension office has been on for the past few years, the importance of the Director's position which requires a long learning curve and compensating the Director with an amount that is comparable to other local cities for a similar sized pension fund.

Trustee Johnson made a motion to increase the Director's base salary by 4%, retroactive to April 1, 2020. The motion was seconded by Trustee Nolan.

**923rd Meeting of the Board of Trustees
June 18, 2020**

Roll was called

Trustee Cardeno	Yes
Trustee Carpenter	No
Chairman Frazier	Yes
Secretary Garcia	Yes
Trustee Johnson	Yes
Trustee Nicholas	Yes
Trustee Nolan	Yes
Trustee Otto Stewart	Yes
Trustee Spina Taylor	Yes

The motion passed by a vote of 8-1

The Director thanked the Board for their consideration

DIRECTOR'S REPORT

Vacant Positions

For clarification purposes, Director Brito reminded board members and informed new ones that when the two positions became vacant in January-February 2018, after discussion with the Board, she initiated a path regarding filling those vacancies. Clara La Rosa was hired on June 1, 2018, as the Office Manager. The last step is finally materializing with Antoinette Roman being hired on July 1, 2020, as the Accounting Manager. Trustee Carpenter commented that in the future, any requests for outsourcing will be met with a lot of scrutiny from his perspective.

Fiduciary Insurance Policy

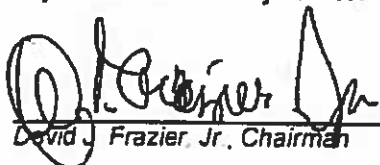
Director Brito advised that she has received the Hudson Insurance Company fiduciary insurance renewal documents. The policy being offered is as per the expiring policy and at an additional cost of \$1,800. Attorney Kaufman has reviewed the policy and has no concerns so Director Brito will proceed to bind the coverage for 2020-2021.

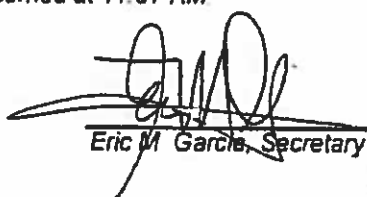
For the Board's information, the following items were distributed as either part of the agenda or meeting packet:

- A Administrative Budget

ADJOURNMENT

Trustee Cardeno made a motion to adjourn the meeting. The motion was seconded by Trustee Spina Taylor and unanimously carried. The meeting was adjourned at 11:07 AM.


David J. Frazier, Jr., Chairman


Eric M. Garcia, Secretary