

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

943RD BOARD OF TRUSTEES MEETING

May 19, 2022

*COPIES OF MINUTES ARE BEING
PROVIDED WITHOUT ATTACHMENTS.*

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

**943RD MEETING OF THE BOARD OF TRUSTEES
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

May 19, 2022

CALL TO ORDER

Meeting was called to order at 8:37 AM by Chairman Nolan.

Board members present, via a quorum physically present and videoconference, were as follows:

FIRE DEPARTMENT

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

POLICE DEPARTMENT

Steven L. Feldman
Daniel D. Molina
James D. Nolan

ADMINISTRATION

Hernan D. Cardeno
Eric T. Carpenter

Absent was:

Tameka Otto Stewart - Administration

Present were:

Robert Klausner, Esq. - Attorney, Klausner, Kaufman, Jensen & Levinson (KKJL)
Donna Brito - Executive Director
Frank Estevez - Assistant Director
Myriame Jean-Baptiste - Pension Administrator
Clara La Rosa - Office Manager

Also present were:

Shelly Jones - Consultant and Actuary, Gabriel Roeder Smith & Company
Robert K. Maddock - Senior Vice President, Inverness Counsel, LLC
Adrian Sancho - Senior Vice President, Inverness Counsel, LLC
Dann Smith - Director, Institutional Client Relations and Business Development, Allspring Global Investments
Lauren van Biljon, CFA - Portfolio Manager, WFAM Global Fixed Income
Brendon Vavrica, CFP - Consultant, AndCo Consulting

MINUTES

Regular Meeting of the Board of Trustees – April 21, 2022

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

DEFERRED RETIREMENT OPTION PLAN (DROP) – APPROVAL OF ENTRY

Police Officer William J. Collado retired under the DROP program effective May 1, 2022, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Collado had 21 years and 3 months of pension service and met the eligibility for retirement by Tier 1, Rule of 70 and attainment of at least age 47. In addition, Officer Collado purchased 2 years of pre-employment public safety service time.

Police Lieutenant Paul A. Ozaeta retired under the DROP program effective May 1, 2022, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Lieutenant Ozaeta had 22 years and 3 months of pension service and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Lieutenant Ozaeta purchased the 6% multiplier and 2 years of pre-employment public safety service time.

Trustee Feldman made a motion to approve the pension service retirement for Officer Collado and Lieutenant Ozaeta and grant entry into the Deferred Retirement Option Plan (DROP). The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #1-1 Schedule A)

COMMENCEMENT OF PENSION

Police Officer Antonio J. Infante was retired under the DROP program and resigned from City employment effective April 4, 2022. He is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Police Officer Dimitri Gotsis was retired under the DROP program and resigned from City employment effective April 10, 2022. He is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Police Officer Reinaldo F. Casas was retired under the DROP program and resigned from City employment effective April 30, 2022. He is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Trustee Feldman made a motion to approve the commencement of pension for Officer Infante, Officer Gotsis and Officer Casas. The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #1-1 Schedule A)

DECEASED

Retired Police Sergeant Arthur Schickler passed away on April 6, 2022. Widow Niki Schickler 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.

Trustee Carpenter made a motion to approve the commencement of pension for Niki Schickler. The motion was seconded by Trustee Molina and unanimously carried. (Attachment #1-1 Schedule A)

FINANCIAL REPORT FOR MAY 2022

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

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

BUYBACK COVERING THE PERIOD OF APRIL 22, 2022, THROUGH MAY 19, 2022

Police Officer Diana Cure-Twede purchased 19 months and 7 days of probationary service time with interest at 3%.

Trustee Feldman made a motion to approve the buyback for Officer Cure-Twede. For the record, it is noted that Trustee Molina abstained from the vote in compliance with Section 112.3143, Florida Statutes. Trustee Molina has filed "Form 8B Memorandum of Voting Conflict for County, Municipal, and Other Local Public Officers". The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #2)

COUNSEL

Letter dated May 9, 2022, from the State of Florida, Office of the Attorney General, Opinions Division, regarding purchase of pre-employment public safety service

Attorney Klausner commented that it is unfortunate that the State of Florida Attorney General would not provide an opinion addressing the Board's questions regarding the purchase of pre-employment public safety service. Attorney Klausner advised that without the Attorney General's opinion, the Board cannot knowingly disregard section 112.65(2), section 175.032(6)(c) and section 185.02(7)(c), Florida Statutes, which in layman's terms state that a member cannot receive a pension benefit from two different employers covering the same period of time.

There were various discussions and Attorney Klausner specifically addressed the members who received an employer contribution from a defined contribution plan.

1. If a member rolled the employer contribution into another qualified retirement plan, Attorney Klausner will work with the prior employer to determine if they will take back the employer contribution and any earnings attributable to those contributions. If the prior employer agrees and the funds are returned, then the member would be eligible to purchase the pre-employment public safety service buyback.
2. If a member took a taxable distribution of the employer contribution, then the employer contribution cannot be returned, and the member is not eligible to purchase the pre-employment public safety service buyback.

Trustee Carpenter made a motion to deny the purchase of pre-employment public safety service to any member who took a taxable distribution of employer contributions and received a benefit beyond the return of their own employee contributions, and to defer any action pending an inquiry from Counsel regarding members who may be able to return the employer contributions and any earnings attributable to those contributions to their prior employer. (Attachment #3)

Update on disability application received from Police Officer Robert K. Mitchell

Attorney Klausner advised that KKJL is awaiting medical reports from two of Officer Mitchell's doctors.

Update on class action case involving Southwest Gas Holdings, Inc.

Pursuant to the Board's motion from November 2021, to be the lead plaintiff in the stockholder class action case involving Southwest Gas Holdings, Inc. and its Board, Attorney Klausner advised that the case is moving along with BLB&G still in discovery.

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

Engagement Letter to provide an Investment Return Study

Shelly Jones presented an engagement letter for professional actuarial and consulting services to provide an Investment Return Study as requested by the Board.

Phase 1 of the Study will include information on future capital market return assumptions in relation to the Fund's investment return assumption and target allocation. The goal of Phase 1 is to determine scenarios of different investment return assumptions to investigate in Phase 2.

Phase 2 of the Study will provide the 5-year projection of actuarial impact for each scenario determined in Phase 1.

Trustee Feldman made a motion to accept the engagement letter as presented for a fee not to exceed \$11,416. Phase 1 is to be presented at the July 2022 board meeting. Phase 2 will be completed once GRS receives the October 1, 2022, actuarial data and has preliminary valuation results. The motion was seconded by Trustee Carpenter and unanimously carried. (Attachment #4)

INVERNESS COUNSEL, LLC
ROBERT K. MADDOCK – SENIOR VICE PRESIDENT
ADRIAN SANCHO – SENIOR VICE PRESIDENT

Portfolio Review

Robert Maddock and Adrian Sancho reviewed in detail the Investment Commentary of the Fire and Police large cap core and fixed income portfolio as of March 31, 2022.

ANDCO CONSULTING
BRENDON VAVRICA – CONSULTANT

Investment Performance Review

1. Memorandum dated May 19, 2022, regarding Index Fund Investment Policy Compliance

Brendon Vavrica provided the Investment Performance Review for the period ending March 31, 2022. In summary, the Fund's total fiscal year to date net return is .54% (October 1, 2021, through March 31, 2022).

Inverness Counsel S&P 500 – Period beginning 01/01/2000 and ending 03/31/2022

Inverness equity had an annualized return from inception of 8.33% compared to the S&P 500 Index of 7.22%. As of 03/31/2022, the ending value of the Inverness equity portfolio including \$10,621,000 in cash equivalent was \$208,314,000.

Wellington Management Company Small Cap – Period beginning 07/01/1999 and ending 03/31/2022

Wellington equity had an annualized return from inception of 11.99% compared to the Russell 2000 Index of 8.28%. As of 03/31/2022, the ending value of the Wellington portfolio was \$122,940,000.

Logan Capital Management Large Cap Growth – Period beginning 04/01/2007 and ending 03/31/2022

Logan equity had an annualized return from inception of 11.30% compared to the Russell 1000 Growth Index of 12.92%. As of 03/31/2022, the ending value of the Logan portfolio including \$721,000 in cash equivalent was \$81,724,000.

RhumbLine Advisers Large Cap Value – Period beginning 01/01/2017 and ending 03/31/2022

RhumbLine equity index fund had an annualized return from inception of 10.40% compared to the Russell 1000 Value Index of 10.45%. As of 03/31/2022, the ending value of the RhumbLine portfolio was \$70,224,000.

RhumbLine Advisers Mid Cap – Period beginning 07/01/1997 and ending 03/31/2022

RhumbLine equity index fund had an annualized return from inception of 11.00% compared to the S&P MidCap 400 Index of 11.00%. As of 03/31/2022, the ending value of the RhumbLine portfolio including \$471,000 in cash equivalent was \$106,347,000.

RhumbLine Advisers International Equity - Period beginning 01/01/2016 and ending 03/31/2022

RhumbLine international equity index fund had an annualized return from inception of 6.87% compared to the MSCI EAFE Index of 7.21%. As of 03/31/2022, the ending value of the RhumbLine portfolio was \$61,051,000.

JP Morgan Asset Management Real Estate - Period beginning 10/01/2007 and ending 03/31/2022

JP Morgan real estate, Strategic Property Fund (SPF), had an annualized return from inception of 6.39% compared to the NCREIF Index-Open End Diversified Core of 6.64%. As of 03/31/2022, the ending value of the portfolio was \$62,889,000.

JP Morgan Asset Management Real Estate - Period beginning 01/01/2021 and ending 03/31/2022

JP Morgan real estate, Special Situation Property Fund (SSPF), had an annualized return from inception of 25.88% compared to the NCREIF Index-Open End Diversified Core of 25.47%. As of 03/31/2022, the ending value of the portfolio was \$67,276,000.

Intercontinental Real Estate - Period beginning 04/01/2018 and ending 03/31/2022

Intercontinental real estate had an annualized return from inception of 10.16% compared to the NCREIF Index-Open End Diversified Core of 10.96%. As of 03/31/2022, the ending value of the Intercontinental portfolio was \$64,012,000.

Allspring Global Investments International Bond–Period beginning 10/01/2011 and ending 03/31/2022

Allspring international bonds had an annualized return from inception of -0.11% compared to the FTSE Non-U.S. World Government Bond Index of -0.42%. As of 03/31/2022, the ending value of the Allspring portfolio was \$48,292,000.

Inverness Counsel Fixed Income – Period beginning 10/01/1990 and ending 03/31/2022

Inverness fixed income had an annualized return from inception of 5.68% compared to the ½ BBGIC and ½ BBGC Index of 5.29%. As of 03/31/2022, the ending value of Inverness' fixed income portfolio including \$2,553,000 in cash equivalent was \$176,667,000; and the ending value of Inverness' cash was \$37,751,000.

Tocqueville Asset Management Fixed Income – Period beginning 11/01/2020 and ending 03/31/2022

Tocqueville fixed income had an annualized return from inception of -3.78% compared to the ½ BCGIC and ½ BCGC Index of -4.23%. As of 03/31/2022, the ending value of the Tocqueville's fixed income portfolio including \$1,346,000 in cash equivalent was \$47,178,000.

Grosvenor Institutional Partners, L.P. – Period beginning 11/01/2020 and ending 03/31/2022

Grosvenor Institutional Partners hedge fund had an annualized return from inception of 6.25% compared to the 90 day T-Bill + 5.0% Index of 5.08%. As of 03/31/2022, the ending value of the Grosvenor Institutional Partners, L.P. hedge fund was \$10,897,000.

TOTAL FUND: Allspring / Grosvenor / Intercontinental / Inverness / J.P. Morgan / Logan / RhumbLine / Tocqueville / Grosvenor

As of 03/31/2022, the ending value of the Fund was \$1,165,562,000. Of the \$1,165,562,000, the cash equivalent portion of the Fund was 4.59% or \$53,463,000. The results for the 12-month period ending 03/31/2022 show that the Fund's net return of 5.87%, underperformed the benchmark indices of 7.23%.

During this 12-month period:

- Allspring significantly underperformed the FTSE Non-U.S. World Government Bond Index
- Grosvenor significantly underperformed the 90 Day T-Bill +5% Index
- Intercontinental significantly underperformed the NCREIF Index-Open End Diversified Core
- Inverness underperformed the S&P 500 Index
- Inverness slightly underperformed the Index composed of ½ BBGIC and ½ BBGC
- JP Morgan's SPF significantly underperformed the NCREIF Index-Open End Diversified Core
- JP Morgan's SSPF underperformed the NCREIF Index-Open End Diversified Core
- Logan significantly underperformed the Russell 1000 Growth Index
- RhumbLine slightly underperformed the S&P Mid Cap 400 Index
- RhumbLine slightly underperformed the Russell 1000 Value Index
- RhumbLine slightly underperformed the MSCI EAFE Index
- Tocqueville outperformed the Index composed of ½ BBGIC and ½ BBGC
- Wellington significantly outperformed the Russell 2000 Index

Regarding memorandum dated May 19, 2022, Index Fund Investment Policy Compliance, Mr. Vavrica explained that for index/passive portfolios the current investment policy states for each respective portfolio:

The equity portion of the portfolio, defined as common stocks, convertible bonds, convertible preferred issues and foreign equities, is expected to perform over three and five year periods at a rate at least equal to, for:

RhumbLine, the S&P Midcap 400 Index and in the top 40% of the PARis Broad Equity Universe.

RhumbLine, the MSCI EAFE Index and in the top 40% of the PARis International Equity Universe.

RhumbLine, the Russell 1000 Value Index and in the top 40% of the PARis Large Cap Value Universe.

The concern with this compliance measurement is that there is a cost for RhumbLine to establish a portfolio that replicates the return of their respective indices. For RhumbLine to be in compliance with the Investment Policy, Mr. Vavrica suggested to change the language for any current and future index/passive funds to:

"is expected to perform over three and five year periods at a rate that is within 0.20% of the underlying index."

In addition, Mr. Vavrica suggested removing the language that specifies the portfolio rank in the top 40th percentile. As long as RhumbLine are meeting their performance criteria, an index fund should not be out of compliance with the Investment Policy, simply due to where the index falls within the universe.

After various discussions, Secretary Frazier made a motion to adopt the suggested compliance measurement language effective with the next opportunity to change the Investment Policy. The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #5)

Quarterly DROP Review

Mr. Vavrica provided a review of the Voya and Nationwide DROP investment options for the period ending March 31, 2022. He commented on a few funds that are being closely monitored but does not recommend any changes at this time due to the volatility of the market.

There were various discussions regarding members behavior toward fund selection when entering the DROP, the number of funds being offered, and the history of the Co-Provider DROP option. The Board agreed to invite the Voya and Nationwide representatives to the August 2022 board meeting to get a better understanding of how members approach fund selection when entering the DROP.

Update on Russian Investments

1. Memorandum dated May 12, 2022, from Dann Smith, Director, Allspring Global Investments

Dann Smith and Lauren van Biljon advised that over the past two months a mechanism has become available to divest the single Russian government bond within the Allspring portfolio via a "free of payment" trade. This type of trade splits the buy and sell sides of the transaction and they do not happen at the same time. The exchange rate is set at the time of trading, and the payment arrives in dollars rather than rubles. Currency restrictions remain in place for any non-Russian domestic trades outside of rubles, so this option comes at a cost. Offshore investors sell at cents on the dollar versus those trading locally in rubles at approximately 85 per 100 nominal range. (Attachment #6)

The Russian government bond the Fund holds is due to mature in July 2025. The value was US\$1.45 million at the end of January 2022. The bond has already been marked down in the portfolio to the current market value of approximately US\$140,000. The bond is technically not in default as the Russian government is paying the coupon on the security, but the restrictions imposed are preventing the transfer of rubles to dollars. Since there is currently no market to openly trade this bond, the "free of payment" trade option would lock in the full extent of this decline in value.

Mr. Vavrica commented that the Board's objective was to see if it was possible to divest from any investments in Russia as quickly as possible with the least amount of risk to the Fund. Allspring now has a mechanism to exit the Russian market at the current offshore value so the Board now has the following options:

1. Exit the entire Allspring global bond portfolio and review alternative global fixed income managers who do not have exposure in the region. The Fund would fully realize the current loss of the entire Allspring portfolio.
2. Allspring can exit the Russian bond from the portfolio and the Board could retain the remaining Allspring portfolio. The Fund would fully realize the current loss of the single Russian government bond and give up any future potential value should the market reopen.

Mr. Smith commented that the upside risk of recouping some principle and hopefully coupon payments that have been made is a significant pre-invasion value of US\$1.45 million.

Trustee Cardeno proposed to change the Board's strategy and hold the Russian government bond until it matures in July 2025 and then permanently exit the Russian market. After considerable debate, the Board agreed that they cannot walk away from their fiduciary responsibility and realize such a significant loss to the Fund. The Board agreed to take no action at this time.

Allspring agreed to continuously monitor the situation and keep the Board updated if conditions change.

Real Estate and Private Equity Asset Allocation Analysis – Discussion and possible action

Mr. Vavrica discussed in detail the expanded May 2022 Asset Allocation incorporating private equity and non-core real estate into the Fund's portfolio. He advised that many of the potential outcomes have a positive impact with a marginal level of risk increase.

There were various discussions on how a private equity program would work and how much investment would be required to attract the highest quality managers. The Board asked Mr. Vavrica to present ideas and a funding policy (pacing models) considering a 3% allocation to private equity and 2% allocation to non-core real estate.

DIRECTOR'S REPORT

Maximum Benefit Limitations – Internal Revenue Code Section 415 (IRC 415)

The Director advised that for FY 2021/2022, two members will meet the IRC 415 in August and an additional two members will meet the limit in September.

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


- A. FPPTA 38th Annual Conference, June 26 - 29, 2022, Orlando, FL
- B. Administrative Budget

ADJOURNMENT

Secretary Frazier made a motion to adjourn the meeting. The motion was seconded by Trustee Cardeno and unanimously carried. The meeting was adjourned at 11:43 AM.



James D. Nolan, Chairman



David J. Frazier, Jr., Secretary