

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

**944<sup>TH</sup> BOARD OF TRUSTEES MEETING**

**June 16, 2022**

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

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

**944<sup>TH</sup> MEETING OF THE BOARD OF TRUSTEES  
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS  
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**June 16, 2022**

**CALL TO ORDER**

Meeting was called to order at 8:32 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  
James D. Nolan

ADMINISTRATION

Eric T. Carpenter  
Tameka Otto Stewart

Absent were:

Hernan D. Cardeno - Administration  
Daniel D. Molina - Police Department

Present were:

Stuart A. Kaufman, 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:

Justin Ellsesser - Senior Research Analyst, AndCo Consulting  
David Julier - Senior Research Analyst, AndCo Consulting  
Brendon Vavrica, CFP - Consultant, AndCo Consulting

**MINUTES**

**Regular Meeting of the Board of Trustees – May 19, 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 Feldman and unanimously carried.

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

Police Officer Donald F. Anderson retired under the DROP program effective June 1, 2022, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Anderson had 17 years and 1 month of pension service and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Officer Anderson purchased the 6% multiplier.

Police Officer Kendrick V. Brailsford retired under the DROP program effective June 1, 2022, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Brailsford had 19 years and 8 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 Brailsford purchased 2 years of pre-employment public safety service time.

Police Officer Alberto R. Gutierrez retired under the DROP program effective June 1, 2022, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Gutierrez had 17 years and 1 month of pension service and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Officer Gutierrez purchased the 6% multiplier.

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Trustee Feldman made a motion to approve the pension service retirement for Officer Anderson, Officer Brailsford and Officer Gutierrez 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)

**FINANCIAL REPORT FOR JUNE 2022**

The Director advised that one additional invoice was received after the Warrants file was emailed on Tuesday, June 14, 2022; therefore, Warrant #5174 is being added for approval.

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

**BUYBACK COVERING THE PERIOD OF MAY 20, 2022, THROUGH JUNE 16, 2022**

Police Officer Javier Castillo purchased 6 months of probationary service time with interest at 3%.

Trustee Feldman made a motion to approve the buyback for Officer Castillo. The motion was seconded by Secretary Frazier and unanimously carried. (Attachment #2)

**COUNSEL**

**Legislative Update**

Attorney Kaufman advised that the worker's compensation benefit bill relating to PTSD was signed by Governor DeSantis, and is set to take effect on October 1, 2022. The bill changed the 90-day filing requirement from the time of the incident that caused the manifestation or onset of the PTSD to filing within 90 days of the time PTSD is diagnosed by a medical professional. KKJL will distribute an official memorandum regarding this bill.

Another bill that is working its way through Congress is HB 2954 – Securing a Strong Retirement Act of 2021 (SECURE 2.0). The bill changes the current age at which one is required to take distributions from a retirement plan from age 72 to age 73 effective 01/01/2023, to age 74 effective 01/01/2030, and age 75 effective 01/01/2033. KKJL will keep the Board informed if this bill should pass.

**Form 1 – 2021 Statement of Financial Interests – to be filed by 07/01/2022**

Attorney Kaufman reminded the Board that Form 1 - 2021 must be submitted by July 1, 2022.

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

Attorney Kaufman advised that KKJL has received an amendment to Police Officer Robert Mitchell's disability application to include a heart-related disability provision. This will delay his hearing as additional records have been requested.

Trustee Carpenter arrived at 8:43 AM.

**ANDCO CONSULTING**  
**JUSTIN ELLSESSER – SENIOR RESEARCH ANALYST**  
**DAVID JULIER – SENIOR RESEARCH ANALYST**  
**BRENDON VAVRICA – CONSULTANT**

***Investment Performance Review – Market Value Update***

*Brendon Vavrica advised that the total market value as of May 31, 2022, is approximately \$1,093,011,842. The Fund's total fiscal year to date net return is approximately -4.65% (October 1, 2021, through May 31, 2022).*

***Asset Allocation Analysis***

*Previously, AndCo Consulting presented an asset allocation analysis and advised that capital market assumptions are projected to be dramatically lower than they have been in the past. That prompted a discussion on further diversifying the Fund's portfolio. The Board decided to look at options that will potentially mitigate future challenges if the forecasts end up being accurate.*

*Mr. Vavrica and his team provided educational presentations on private equity, direct lending and non-core real estate. They explained that these types of asset classes are illiquid investments as opposed to the liquid types of investments currently held in the portfolio. Illiquid investments require a long-term commitment to reach an allocation target, have high management fees and are an administrative burden. Nevertheless, what offsets all those considerations are that they are projected to be among the highest returning asset classes in the market going forward.*

*At the May 2022 meeting, an expanded asset allocation was presented incorporating only private equity and non-core real estate as requested by the Board. Mr. Vavrica advised that the potential outcome of these types of investments has a positive impact to the Fund with only a marginal level of risk increase. The Board requested a pacing study considering a 3% allocation to private equity, a 2% allocation to non-core real estate, as well as a list of potential managers to consider.*

*The asset allocation analysis presented this month narrowed the focus to that request. After discussing several options, Mr. Vavrica recommended a combined allocation of 2% to non-core real estate coming from fixed income and an allocation of 3% to private equity coming from equities. The positive outcome of these options is evident with the sharpe ratio either remaining stable or increasing. (Attachment #3)*

***Private Equity Pacing Study***

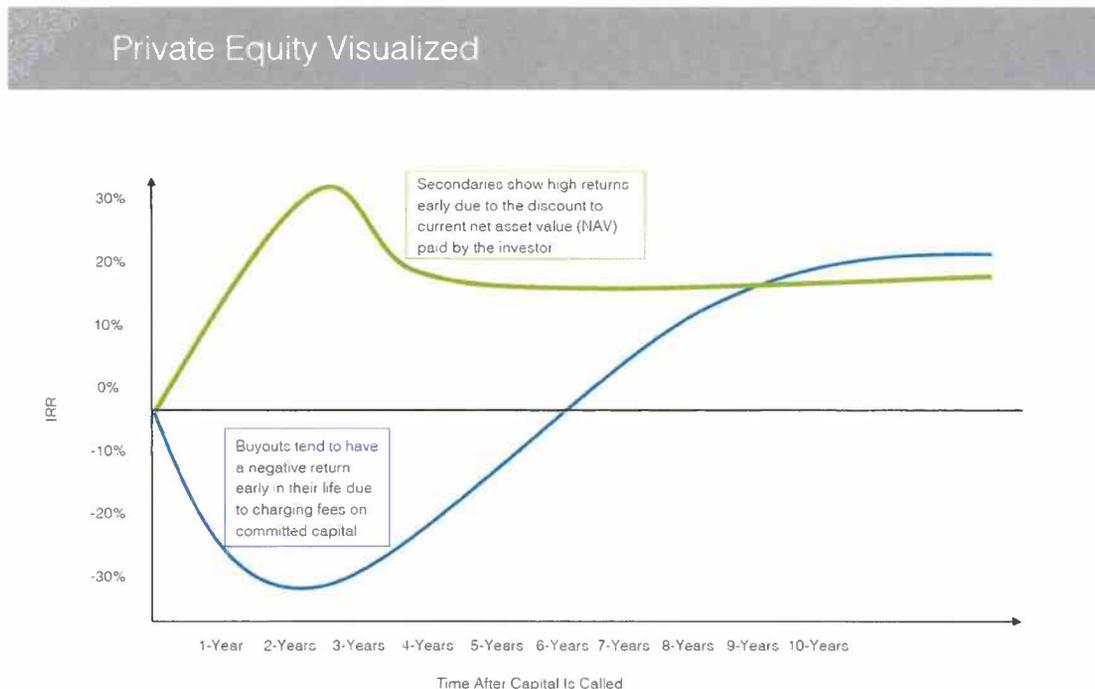
*Justin Ellsesser presented a private equity pacing study and advised that a private equity investment is viewed as a strategic asset allocation decision that has to be continually committed to year in and year out to reach and maintain an allocation target. The pacing study is used as a tool to plan how much capital is needed to invest each year to meet that target. Under the presented model, a \$25,000,000 commitment will be required the first year to reach the Fund's 3% allocation target within 7 years. (Attachment #4)*

*There was a discussion regarding the assumptions used to develop the pacing model, how AndCo monitors and adjusts the pacing model annually, and how the capital call for the annual commitments could be fulfilled.*

*Mr. Vavrica emphasized that the only commitment the Board needs to make initially is to hire a manager(s) for a specific dollar amount. If the Board decides a year from now that the investment is not working as planned, the investment can run out and no future capital is committed. On the other hand, if the Board likes the investment, future capital commitments can be made, and the pacing model will automatically adjust. It is a process to build a private equity portfolio which is why making a commitment step by step is important.*

### Private Equity Search

Mr. Ellsesser and Mr. Vavrica stated that a new private equity investor needs to understand the pros and cons of investing in just fund of funds (buyouts), or investing in just secondaries, or how a combination of both types of investments could benefit the Fund long term.



The fund of funds J-curve would produce a negative return in the early years because of how the fund is structured and how the fees are paid on the commitments instead of invested capital. On the other hand, with secondaries the opposite is true. During the early years there would be higher returns, but the returns would come down over time. By using a blended approach, the secondaries would offset the initial J-curve and then in the long run, the fund of funds would bring up the return of the combined two investments.

Based on the experience of AndCo's clients with similarities to this Plan, AndCo suggested that the blended approach might be the right combination for the Fund.

The Board initially debated the long-term benefit of investing in fund of funds only. After various discussions, Trustee Carpenter shared his concern that with fund of funds only, it may be year 4, 5, or 6 before the Fund sees any real return on this asset class. Depending on the Board's election cycle, it may be difficult to get new Board members to fully understand and commit to continuing this program.

Trustee Johnson inquired if the fund of funds negative J-curve could cause an increase in the City's contribution. Mr. Vavrica explained that during the initial J-curve period, the Fund will essentially be paying fees on the full commitment even if the total capital call may not have actually been made. There will be the appearance of a percentage loss, but the funds will still be invested elsewhere, earning what current equities earn. As long as markets are reasonable, the money will continue to earn interest until it is called. Therefore, this should not have a material impact from a funding perspective to the City.

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After further discussions, the Board agreed that if they proceed, a blended approach would be preferred.

Mr. Ellsesser reviewed the following candidates: (Attachment #5)

**Secondaries Managers**

- Portfolio Advisors LLC – Portfolio Advisors Private Equity Fund XI, L.P.
- HarbourVest Partners LLC – Dover Street XI L.P.

**Fund of funds Managers**

- 50 South Capital Advisors, LLC – Private Equity Core Fund X, L.P.
- J.P. Morgan Private Equity Group – Global Private Equity XI, L.P.

Mr. Ellsesser evaluated the key strengths and differentiators, points to consider, investment management fees and the high-level differences between the four investment teams. Considering a blended strategy with a first-year commitment of \$25,000,000, AndCo recommends:

- \$10,000,000 to HarbourVest Partners LLC – Dover Street XI L.P.
- \$15,000,000 to 50 South Capital Advisors, LLC – Private Equity Core Fund X, L.P.

This combination would produce a risk/reward benefit as it mitigates the J-curve as much as possible. The Board agreed but requested a meeting with all four candidates before making a formal commitment.

Trustee Otto Stewart left the meeting at 10:00 AM.

**Non-Core Real Estate Manager Analysis**

David Julier presented the following candidates for value-add and/or opportunistic real estate investments: (Attachment #6)

- Angelo, Gordon & Co – AG Realty Value Fund XI
- TerraCap Management – TerraCap Partners V
- Artemis Real Estate Partners – Artemis Real Estate Partners Fund IV
- \*Affiliated Development – Affiliated Housing Impact Fund

*\*Note: The Inclusion of Affiliated Development – Affiliated Housing Impact Fund is being made at the request of the Board as it provides a workforce housing benefit to first responders in local communities.*

Mr. Julier evaluated investment strategies, key differentiators, points of interest, typical portfolio characteristics, fund profiles, investment management fees and the high-level differences between the four investment teams.

There was a discussion regarding the difference between the Board's current core real estate investments and the proposed non-core real estate investments. Mr. Julier explained:

- Core real estate is a lower-risk strategy, the return is driven mainly by current income.
- Non-core real estate strategies:
  - Value-add real estate strategies focus on properties in need of re-leasing, renovation, repositioning or redevelopment to achieve stabilization. It may also include a limited amount of development. The return is comprised of appreciation and current income.
  - Opportunistic real estate strategies focus on tactical opportunities, mispricing, or distress in the real estate and capital markets. The return is primarily comprised of appreciation with limited current income.

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Recognizing the Board's interest to include Affiliated Development as part of the real estate portfolio, AndCo recommends considering a first-year commitment of \$18,000,000 as follows:

- \$5,000,000 to Affiliated Development – Affiliated Housing Impact Fund
- \$5,000,000 to TerraCap Management – TerraCap Partners V
- \$8,000,000 to Artemis Real Estate Partners – Artemis Real Estate Partners Fund IV

Affiliated Development and TerraCap Management will call the capital quickly because there are already seasoned investments in the ground. These two companies act like secondaries managers in that returns will be available in the early years. Artemis Real Estate Partners will start to put the capital to work over the next several years and will perform more in line with the J-curve observed in private equity. The Fund will then start to see returns eventually in years 2, 3, or 4.

After various discussions, the Board agreed but requested to meet with the three recommended managers before making a formal commitment.

Due to real estate closing deadlines by September 2022 and Trustee time constraints, the Board agreed to meet the real estate managers next month and start the board meeting at 8:00 AM.

**DIRECTOR'S REPORT**

Director Brito requested input from the Board regarding active members wanting to submit an electronic copy of their Designation of Beneficiaries form. After some discussion, the policy requiring an original Designation of Beneficiaries form remains.

**NCPERS Public Pension Funding Forum, August 21 – 23, 2022, Los Angeles, CA**  
**NCPERS Public Safety Conference, October 23 – 26, 2022, Nashville, TN**

Trustee Johnson expressed interest in attending the NCPERS Public Pension Funding Forum. Trustee Carpenter made a motion to allow any Trustee to attend the NCPERS Public Pension Funding Forum. The motion was seconded by Secretary Frazier.

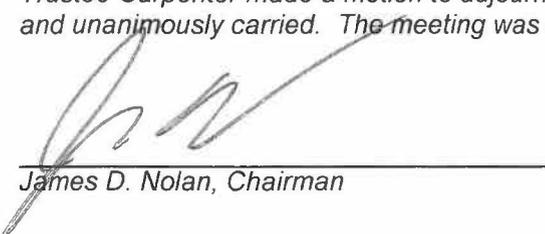
After a short discussion, Trustee Carpenter amended the motion to allow any Trustee to attend the NCPERS Public Pension Funding Forum, scheduled to take place from August 21 - 23, 2022, in Los Angeles, CA; and the NCPERS Public Safety Conference, scheduled for October 23 - 26, 2022, in Nashville, TN. The amended motion was seconded by Secretary Frazier and unanimously carried.

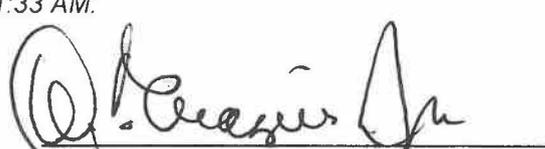
For the Board's information, the following item was distributed as either part of the Agenda or meeting packet:

- A. Administrative Budget

**ADJOURNMENT**

Trustee Carpenter made a motion to adjourn the meeting. The motion was seconded by Secretary Frazier and unanimously carried. The meeting was adjourned at 11:33 AM.

  
James D. Nolan, Chairman

  
David J. Frazier, Jr., Secretary