

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

945TH BOARD OF TRUSTEES MEETING

July 21, 2022

*COPIES OF MINUTES ARE BEING
PROVIDED WITHOUT ATTACHMENTS.*

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

**945TH MEETING OF THE BOARD OF TRUSTEES
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

July 21, 2022

CALL TO ORDER

Meeting was called to order at 8:10 AM by Acting Chairman Frazier.

Board members present were as follows:

FIRE DEPARTMENT

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

POLICE DEPARTMENT

Steven L. Feldman
Daniel D. Molina

ADMINISTRATION

Tameka Otto Stewart

Absent were:

Hernan D. Cardeno	- Administration
Eric T. Carpenter	- Administration
James D. Nolan	- 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:

Al Besse	- Portfolio Manager and Founding Principal, Logan Capital Management, Inc.
Jeffrey Burns	- Co-Founder and Chief Executive Officer, Affiliated Development
Alex Gilbert	- Co-Chief Executive Officer, Artemis Real Estate Partners
W. Stephen Hagenbuckle	- Managing Partner, TerraCap Management, LLC
Deborah Harmon	- Co-Chief Executive Officer, Artemis Real Estate Partners
Nicolas Lahaye	- Consultant and Actuary, Gabriel Roeder Smith & Company
Jeff Marano	- Advisor, Affiliated Development
Patrick Melton	- Director of Institutional Sales, Partner, TerraCap Management, LLC
Nicholas Rojo	- Co-Founder and President, Affiliated Development
Rachel C. Salerno	- Senior Vice President, Artemis Real Estate Partners
Dana H. Stewardson	- Portfolio Manager and Founding Principal, Logan Capital Management, Inc.
Brendon Vavrica, CFP	- Consultant, AndCo Consulting
Nicholas Vician	- Director of Business Development and Strategic Initiatives, Partner, TerraCap Management, LLC

MINUTES

Regular Meeting of the Board of Trustees – June 16, 2022

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

DEFERRED RETIREMENT OPTION PLAN (DROP) – APPROVAL OF ENTRY

Firefighter Alexandre Loubet retired under the DROP program effective July 1, 2022, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Firefighter Loubet had 21 years and 4 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, Firefighter Loubet purchased the 6% multiplier.

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

COMMENCEMENT OF PENSION

Fire Lieutenant Brendan A. Byrne was retired under the DROP program and resigned from City employment effective June 29, 2022. He is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

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

FINANCIAL REPORT FOR JULY 2022

The Director advised that two additional invoices were received after the Warrants file was emailed on Tuesday, July 19, 2022; therefore, Warrant #5182 is being added for approval.

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

BUYBACKS COVERING THE PERIOD OF JUNE 17, 2022, THROUGH JULY 21, 2022

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

Police Officer Eddie Patterson purchased 10 months of probationary service time with interest at 3%.

Trustee Nicholas made a motion to approve the buybacks for Officer Castillo and Officer Patterson. The motion was seconded by Trustee Johnson and unanimously carried. (Attachment #2)

COUNSEL

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

Attorney Kaufman advised that Dr. Jeffrey Worth, Orthopedic Surgeon, has been assigned as the third medical board doctor to replace Dr. Antonio Rosado, who is one of Robert Mitchell's personal medical doctors.

Trustee Johnson inquired whether or not this particular disability process was taking longer than usual. Attorney Kaufman responded that Mr. Mitchell amended his application last month to include a heart condition. This required the collection of additional medical records thereby delaying the process.

Trustee Feldman arrived at 8:23 AM.

LOGAN CAPITAL MANAGEMENT, INC.
AL BESSE – PRINCIPAL
DANA H. STEWARDSON – PRINCIPAL

Portfolio Review

Dana Stewardson and Al Besse reviewed in detail the Fire and Police Pension large cap growth portfolio as of June 30, 2022.

ANDCO CONSULTING
BRENDON VAVRICA – CONSULTANT

AndCo Consulting Investment Manager Fees

Brendon Vavrica commented that prior to the Board hearing the manager presentations, he wanted to set some expectations if the Board decided to establish the proposed new investment strategies. There is a large amount of work involved with each new strategy to underwrite, monitor, develop annual pacing models, and help with all the moving parts related to capital calls. AndCo Consulting's contract is up for renewal on October 1, 2022, and AndCo would initially be asking for a fee increase of \$15,000 to implement and monitor the first 5 managers. Future increases would be considered if the Board continues to add additional managers to the program.

Trustee Johnson thanked Mr. Vavrica for providing this information before any final decisions are made.

Adopt Investment Policy Change

Mr. Vavrica presented the amended Pension Plan Investment Policy which reflects the following changes:

1. Added asset allocation targets to the investment performance objectives to establish ranges to use for additional tracking as funding for new investments is called.
2. Increased the allocation to real estate by adding 2% for non-core real estate which is to be funded from fixed income.
3. Increased the allocation to alternatives by adding 3% for private equity which is to be funded from public equity.
4. Changed the performance objectives for RhumbLine's index funds to be within 20 basis points of each respective index and removed the comparison to the index universe.
5. Changed the name of Nationwide's DROP fund NWUSX to "Nationwide American Century Small Cap Income".

Trustee Johnson made a motion to accept the amended Pension Plan Investment Policy and adopt the changes effective September 1, 2022. The motion was seconded by Trustee Feldman and unanimously carried. (Attachment #3)

Non-Core Real Estate Manager Presentations – Discussion and possible action

At the June 2022 meeting, the Board requested to meet with the three non-core real estate managers recommended by AndCo Consulting. The following companies presented to the Board:

TerraCap Management – Represented by W. Stephen Hagenbuckle, Managing Partner; Patrick Melton, Director of Institutional Sales, Partner; Nicholas Vician, Director of Business Development and Strategic Initiatives, Partner

Artemis Real Estate Partners – Represented by Alex Gilbert, Co-Chief Executive Officer; Deborah Harmon, Co-Chief Executive Officer; Rachel C. Salerno, Senior Vice President

Affiliated Development – Represented by Jeffrey Burns, Co-Founder and Chief Executive Officer; Jeff Marano, Advisor; Nicholas Rojo, Co-Founder and President

Upon conclusion of the presentations, Mr. Vavrica summarized his assessment of each manager. There was a broad debate over how much money to allocate to each manager.

Based on AndCo's original recommendation, Trustee Feldman made a motion for a first year non-core real estate commitment of \$18,000,000 which is to be funded from fixed income and allocated as follows:

- \$5,000,000 to Affiliated Development
- \$8,000,000 to Artemis Real Estate Partners
- \$5,000,000 to TerraCap Management

The motion was seconded by Trustee Johnson and unanimously carried.

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

Investment Return / Capital Market Assumption Study – Discussion and possible action

Nicolas Lahaye presented the results of the GRS Investment Return / Capital Market Assumption Study. This is the first phase of a two part study and is intended to provide information on future capital market return assumptions in relation to the Fund's current investment return assumption of 7.4%. The second phase of the study will present 30-year projections based on several different deterministic scenarios established by the Board. (Attachment # 4)

Mr. Lahaye explained that return assumptions have to incorporate forward-looking expectations of what will happen in the short-to-medium-range capital markets based on inflation expectations and the Fund's asset allocation along with past historical data based on what the Fund has done. GRS has prepared their report based on 12 different national investment consultants' projections. AndCo Consulting provides investment consulting to the Fund and utilizes capital market return assumptions from JP Morgan which is one of the investment consultants included in the GRS model.

The report shows that both the assumed investment rate of return and inflation are anticipated to drop. Based on the Fund's current asset allocation, the average expected nominal return of the 12 investment consultants is 5.65% including an average inflation assumption of 2.53%. This average expected nominal return changes to 6.12% when adjusted for the Fund's current inflation assumption of 3.0%.

The Board agreed that they have to continue along the path of reducing the interest rate assumption. The question becomes how far and how fast do they continue to step down the assumption to get to a reasonable rate that will consistently be met.

There were various discussions about the different scenarios that would enable the Board to make a prudent decision for the long-term sustainability of the Fund.

The Board requested that GRS proceed with the second phase of the study to include the following deterministic scenarios:

1. Lower the assumption by 10 basis points a year over the next 4 years to achieve a 7.0% assumed rate of return.
2. Lower the assumption by 5 basis points a year over the next 2 years, and 10 basis points a year over the third year to achieve a 7.2% assumed rate of return.
3. Lower the assumption by 7.5 basis points a year over the next 4 years to achieve a 7.1% assumed rate of return.
4. Lower the assumption by 10 basis points a year over the next 6 years to achieve a 6.8% assumed rate of return.

The second phase of the report will most likely be presented during the February 2023 or March 2023 board meeting.

Agreement for Actuarial Services

Mr. Lahaye presented the Agreement for Actuarial Services from Gabriel Roeder Smith & Company effective October 1, 2022. He advised that a few individually itemized services are now included in the contract fee. Attorney Kaufman confirmed that he has reviewed and approved the contract. (Attachment #5)

Trustee Feldman made a motion to approve the Agreement for Actuarial Services, effective October 1, 2022. The motion was seconded by Trustee Molina and unanimously carried.

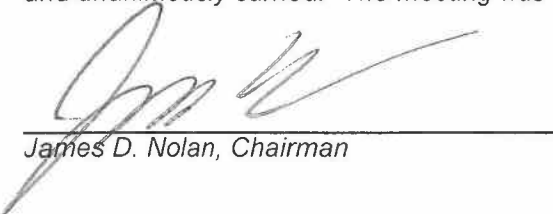
DIRECTOR'S REPORT

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

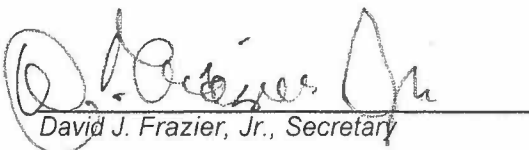
- A. Administrative Budget

ADJOURNMENT

Trustee Otto Stewart made a motion to adjourn the meeting. The motion was seconded by Trustee Nicholas and unanimously carried. The meeting was adjourned at 12:43 AM.



James D. Nolan, Chairman



David J. Frazier, Jr., Secretary