

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

946TH BOARD OF TRUSTEES MEETING

August 18, 2022

*COPIES OF MINUTES ARE BEING
PROVIDED WITHOUT ATTACHMENTS.*

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

**946TH MEETING OF THE BOARD OF TRUSTEES
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

August 18, 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

Hernan D. Cardeno
Eric T. Carpenter
Tameka Otto Stewart

Absent was:

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:

Michael Bray - Vice President, Inverness Counsel, LLC
Adonis L. Garcia - President, Local 1510 – International Association of Firefighters
Robert K. Maddock - Senior Vice President, Inverness Counsel, LLC
Greg Russell, MBA, CRC - Program Director, Nationwide
Adrian Sancho - Senior Vice President, Inverness Counsel, LLC
Erik Sherman - Registered Representative, Voya
Anthony Steel, CRC - Investment Adviser Representative, Nationwide
Brendon Vavrica, CFP - Consultant, AndCo Consulting

MINUTES

Regular Meeting of the Board of Trustees – July 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 Chairman Nolan and unanimously carried.

Discussion and possible action regarding Trustee Feldman's request to stagger the election cycle between the Fire Department and the Police Department and to increase the term of office for the elected Trustees from 2 years to 4 years

Trustee Feldman previously asked the Board to consider two requests that would require a future ordinance change. The first request was to stagger the Pension Board of Trustees' elections between the Fire Department and the Police Department to avoid the risk of a full Fire and Police Board turnover. The second request was to extend the current 2-year term to a 4-year term in order to provide the Board with more stability as the Trustees continue to gain valuable education and knowledge.

Trustee Feldman clarified that his intent was to stagger the election of each individual Trustee from the Fire and Police Departments to serve a 4-year term.

Adonis L. Garcia, President, Local 1510 – International Association of Firefighters, joined the meeting via Zoom and agreed that staggering the elections was the prudent thing to do, but in his opinion a 4-year term was too long. He suggested a 3-year term and to hold annual elections in order to stagger the term for each individual Fire and Police Trustee. The first year election would be unusual in order to initiate the staggered election cycle. Members would need to elect one Fire Trustee serving a 1-year term, one Fire Trustee serving a 2-year term, one Fire Trustee serving a 3-year term, and the same process for Police. The following year the 1-year Trustee would be elected for a 3-year term. Following that, the 2-year Trustee would be elected for a 3-year term until the process works itself out and all Trustees are serving a staggered 3-year term.

After various discussions the Board agreed that this seemed to be a fair and balanced process that would preserve the stability and knowledge base of the Board.

Attorney Kaufman advised that his only concern is whether or not the Division of Retirement would accept less than a 2-year term. If not, the first year election may have to start the staggering process by electing one Trustee serving a 2-year term, one Trustee serving a 3-year term, and one Trustee serving a 4-year term.

Secretary Frazier made a motion to grant Attorney Kaufman the authority to draft the required ordinance to extend the elected Trustees length of term from 2 years to 3 years, and to stagger the election for each individual Fire and Police Trustee. The initial staggered election cycle will depend on the Division of Retirement's required length of term. The motion was seconded by Trustee Nicholas and unanimously carried.

Mr. Garcia thanked the Board for their time and consideration before leaving the meeting.

COMMENCEMENT OF PENSION

Police Officer George R. Varon was retired under the DROP program and resigned from City employment effective July 29, 2022. He is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Police Sergeant Jorge Alessandri was retired under the DROP program and resigned from City employment effective July 31, 2022. He is eligible to commence his monthly pension in accordance with the Miami Beach Code, Section 66(a) and Section 79.

Trustee Johnson made a motion to approve the commencement of pension for Officer Varon and Sergeant Alessandri. The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #1-1 Schedule A)

SERVICE RETIREMENT

Trustee Johnson made a motion to add the service retirement for Police Sergeant Jose D. Perez to the Agenda. The motion was seconded by Trustee Cardeno and unanimously carried.

Police Sergeant Jose D. Perez retired effective July 22, 2022, with 7 years 10 months of service in accordance with the Miami Beach Code, Section 66(a). Sergeant Perez met the eligibility for retirement by Tier 3, and attainment of at least age 50.

Secretary Frazier made a motion to grant service retirement for Sergeant Perez. The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #1-1 Schedule A)

DECEASED

Retired Police Officer Patrick J. Ryan passed away on July 3, 2022. Widow Barbara K. Ryan will receive a benefit under the code of the City of Miami Beach, Section 69(a)(1)(A). She will be entitled to 100% of his monthly pension benefit for one year and thereafter 75% of the benefit until remarriage or death. She will also be entitled to a 2½ % cost of living increase each October.

Retired Police Officer Phillip E. Johnson passed away on July 8, 2022. Widow Margaret Johnson 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 Johnson made a motion to approve the commencement of pension for Barbara K. Ryan and Margaret Johnson. The motion was seconded by Secretary Frazier and unanimously carried. (Attachment #1-1 Schedule A)

FINANCIAL REPORT FOR AUGUST 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 Chairman Nolan and unanimously carried. (Attachment #1)

COUNSEL

Non-Core Real Estate Manager Contracts

Attorney Kaufman stated that the contracts with Affiliated Development, Artemis Real Estate Partners, and TerraCap Management have been successfully negotiated along with the corresponding side letters. The contracts are ready for the Chairman's signature.

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

Attorney Kaufman advised that medical records have been sent to all three medical board doctors for review. Appointments will be scheduled soon. The goal is to have the informal hearing presented at the October board meeting.

Purchase of pre-employment public safety service

Attorney Kaufman explained that the inquiry process to determine if prior employers will take back employer contributions and any earnings attributable to those contributions continues. So far, KKJL has not encountered a prior employer unwilling to work with our members. Nevertheless, since this is an unusual request, the prior employers are checking with their legal departments to see if and how the contributions could be returned.

The Trade Desk, Inc.

Back in November 2020, the Board granted counsel the authority to file a Verified Class Action Complaint against The Trade Desk, Inc. After various filings the court ruled for the defendants' motion to dismiss. BLB&G does not recommend filing an appeal and Attorney Kaufman concurred. The Board agreed not to take any further action.

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

Adrian Sancho and Robert Maddock provided letters dated August 16, 2022, announcing that Inverness Counsel, LLC will be joining CI Financial as a partner firm within their expanding U.S. wealth advisory business. They confirmed that their relationship with the Fund will not change:

- Inverness Counsel will continue to operate under the same name
- Inverness Counsel will continue to manage accounts under the existing investment advisory agreement and fee schedule
- Inverness Counsel will still have the same team providing financial planning and investment management decisions
- The Fund's custodial bank will not change

Brendon Vavrica advised that AndCo does not have any concerns at this time but will continue to monitor the new partnership. Attorney Kaufman will review the contract to see if any amendments and/or assignments will need to be made. (Attachments #2, #3, #4)

Portfolio Review

Adrian Sancho, Michael Bray and Robert Maddock reviewed in detail the Investment Commentary of the Fire and Police large cap core and fixed income portfolio as of June 30, 2022.

ANDCO CONSULTING
BRENDON VAVRICA – CONSULTANT

Mr. Vavrica mentioned that AndCo is thrilled to share that they are the recipient of a 2021 Greenwich Quality Leader Award for mid-sized consulting firms.

Investment Performance Review

Mr. Vavrica provided the Investment Performance Review for the period ending June 30, 2022. In summary, the Fund's total fiscal year to date net return is -8.88% (October 1, 2021, through June 30, 2022).

Inverness Counsel S&P 500 - Period beginning 01/01/2000 and ending 06/30/2022

Inverness equity had an annualized return from inception of 7.44% compared to the S&P 500 Index of 6.30%. As of 06/30/2022, the ending value of the Inverness equity portfolio including \$13,192,000 in cash equivalent was \$174,027,000.

Wellington Management Company Small Cap - Period beginning 07/01/1999 and ending 06/30/2022

Wellington equity had an annualized return from inception of 10.83% compared to the Russell 2000 Index of 7.30%. As of 06/30/2022, the ending value of the Wellington portfolio was \$99,808,000.

Logan Capital Management Large Cap Growth - Period beginning 04/01/2007 and ending 06/30/2022

Logan equity had an annualized return from inception of 9.57% compared to the Russell 1000 Growth Index of 10.97%. As of 06/30/2022, the ending value of the Logan portfolio including \$1,221,000 in cash equivalent was \$66,190,000.

RhumbLine Advisers Large Cap Value - Period beginning 01/01/2017 and ending 06/30/2022

RhumbLine equity index fund had an annualized return from inception of 7.34% compared to the Russell 1000 Value Index of 7.38%. As of 06/30/2022, the ending value of the RhumbLine portfolio was \$61,675,000.

RhumbLine Advisers Mid Cap - Period beginning 07/01/1997 and ending 06/30/2022

RhumbLine equity index fund had an annualized return from inception of 10.14% compared to the S&P MidCap 400 Index of 10.15%. As of 06/30/2022, the ending value of the RhumbLine portfolio including \$174,000 in cash equivalent was \$89,976,000.

RhumbLine Advisers International Equity - Period beginning 01/01/2016 and ending 06/30/2022

RhumbLine international equity index fund had an annualized return from inception of 4.11% compared to the MSCI EAFE Index of 4.42%. As of 06/30/2022, the ending value of the RhumbLine portfolio was \$52,345,000.

J.P. Morgan Asset Management Real Estate - Period beginning 10/01/2007 and ending 06/30/2022

J.P. Morgan real estate, Strategic Property Fund (SPF), had an annualized return from inception of 6.60% compared to the NCREIF Index-Open End Diversified Core of 6.85%. As of 06/30/2022, the ending value of the portfolio was \$65,852,000.

J.P. Morgan Asset Management Real Estate - Period beginning 01/01/2021 and ending 06/30/2022

J.P. Morgan real estate, Special Situation Property Fund (SSPF), had an annualized return from inception of 23.39% compared to the NCREIF Index-Open End Diversified Core of 24.47%. As of 06/30/2022, the ending value of the portfolio was \$69,430,000.

Intercontinental Real Estate - Period beginning 04/01/2018 and ending 06/30/2022

Intercontinental real estate had an annualized return from inception of 11.31% compared to the NCREIF Index-Open End Diversified Core of 11.45%. As of 06/30/2022, the ending value of the Intercontinental portfolio was \$68,552,000.

Allspring Global Investments International Bond - Period beginning 10/01/2011 and ending 06/30/2022

Allspring international bonds had an annualized return from inception of -1.29% compared to the FTSE Non-U.S. World Government Bond Index of -1.64%. As of 06/30/2022, the ending value of the Allspring portfolio was \$42,531,000.

Inverness Counsel Fixed Income - Period beginning 10/01/1990 and ending 06/30/2022

Inverness fixed income had an annualized return from inception of 5.51% compared to the ½ BBGIC and ½ BBGC Index of 5.12%. As of 06/30/2022, the ending value of the Inverness fixed income portfolio including \$6,138,000 in cash equivalent was \$170,779,000; and the ending value of Inverness' cash was \$20,473,000.

Tocqueville Asset Management Fixed Income - Period beginning 11/01/2020 and ending 06/30/2022

Tocqueville fixed income had an annualized return from inception of -4.61% compared to the ½ BBGIC and ½ BBGC Index of -5.76%. As of 06/30/2022, the ending value of the Tocqueville fixed income portfolio including \$4,838,000 in cash equivalent was \$46,073,000.

Grosvenor Institutional Partners, L.P. - Period beginning 11/01/2020 and ending 06/30/2022

Grosvenor Institutional Partners hedge fund had an annualized return from inception of 2.92% compared to the 90 day T-Bill + 5.0% Index of 5.13%. As of 06/30/2022, the ending value of the Grosvenor Institutional Partners, L.P. hedge fund was \$10,491,000.

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

As of 06/30/2022, the ending value of the Fund was \$1,038,200,000. Of the \$1,038,200,000, the cash equivalent portion of the Fund was 4.43% or \$46,035,000. The results for the 12-month period ending 06/30/2022 show that the Fund's net return of -8.18%, underperformed the benchmark indices of -7.18%.

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 outperformed the S&P 500 Index
- Inverness outperformed 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 significantly underperformed the NCREIF Index-Open End Diversified Core
- Logan significantly underperformed the Russell 1000 Growth Index
- RhumbLine matched the S&P Mid Cap 400 Index
- RhumbLine matched the Russell 1000 Value Index
- RhumbLine matched the MSCI EAFE Index
- Tocqueville outperformed the Index composed of ½ BBGIC and ½ BBGC
- Wellington outperformed the Russell 2000 Index

1. Memorandum dated August 18, 2022, regarding Real Estate Rebalance and Private Investment Funding Vehicle

Mr. Vavrica commented that real estate has done very well relative to most of the other assets in the Fund. As of July 2022, the real estate allocation is over the 15% target by 3.8% or \$40.8 million. In addition, the Board just increased the real estate allocation to 17% to accommodate the new real estate strategies that will begin to be implemented over the next several months. This is essentially the basis for needing to rebalance the current overweight real estate funds. The following redemption amounts would need to be requested to bring each of the funds back to their original 5% allocation:

<i>Intercontinental Real Estate:</i>	<i>-\$14,100,000</i>
<i>J.P. Morgan Strategic Property Fund:</i>	<i>-\$11,600,000</i>
<i>J.P. Morgan Special Situation Property Fund:</i>	<i>-\$15,100,000</i>

Mr. Vavrica advised that there were a few additional matters the Board needed to consider before making a decision:

- J.P. Morgan provides "Relationship Pricing" after the total amount of combined annual management fees paid by the client equal or exceed \$1 million. Currently, the applicable discount rate is 10%. The suggested rebalance amounts would not impact the "Relationship Pricing".*
- Intercontinental provides a 15-basis point reduction in management fees based on the aggregate subscription amounts of the Miami Beach Fire and Police Pension, Miami Beach Police Officers Retirement Trust Fund (185 Fund) and the Miami Beach Firefighters Retirement Trust Fund (175 Fund). If the investment was reduced by more than \$1.85 million, the management fees would revert back to 100 basis points for all three funds.*
- The real estate redemptions and the new capital calls will happen over the next several months or year. There is time to systematically pare down the overweight real estate funds while starting to build up the new real estate funds. The Board has some flexibility and time to rebalance real estate in stages.*

There were various discussions regarding different ways to reduce the overweight real estate without increasing fees.

Trustee Johnson observed that since there is no urgency to reduce Intercontinental Real Estate, he made a motion to rebalance the J.P. Morgan Strategic Property Fund by -\$11,600,000 and the J.P. Morgan Special Situation Property Fund by -\$15,100,000. The motion was seconded by Chairman Nolan and unanimously carried. (Attachment #5)

As briefly discussed over the past several months, Mr. Vavrica recapped that the most effective way to handle the cash flow process for real estate redemptions and capital calls is to use an institutional mutual fund held in custody at Fiduciary Trust International. A mutual fund is very liquid on a daily basis and would keep a greater amount of the Fund's assets invested longer. In addition, it streamlines the administrative process for handling either distributions or capital calls.

Mr. Vavrica recommended three different mutual funds that often get used in a situation like this:

- 1. Vanguard Total Stock, which generally replicates the Fund's domestic equity exposure.*
- 2. BlackRock Multi-Asset Income, which is a diversified income fund that somewhat replicates the asset allocation of the total Fund.*
- 3. Vanguard Intermediate-Term Investment Grade Bond, which is the most conservative of the three. This fund has a slightly shorter duration than the Fund's existing fixed income portfolio.*

There were various discussions regarding the volatility of the different funds, management fees and the option of using the Inverness cash account. Mr. Vavrica stated that the mutual fund can be changed in the future if the Board was not happy with their choice.

Secretary Frazier made a motion to purchase the Vanguard Total Stock Index (VTSAX) to use for the administration of real estate redemptions and capital calls. The motion was seconded by Trustee Otto Stewart and unanimously carried.

Mr. Vavrica explained that the real estate redemptions will not be received in time for the anticipated first capital call of approximately \$10 million during the month of September 2022. There were various discussions on the pace of the money coming in and out and how to finance the mutual fund for the first capital call.

Trustee Johnson made a motion to immediately transfer \$12 million from the Inverness Cash account to the Vanguard Total Stock Index (VTSAX). Once the City's annual required contribution is received on October 1, 2022, the first \$12 million will be used to backfill the Inverness Cash account and the surplus will be used where necessary. The motion was seconded by Secretary Frazier and unanimously carried.

Trustee Johnson expressed his appreciation to Mr. Vavrica for clearly communicating the options for this process and offering his opinion on how the Board should proceed.

Quarterly DROP Review

- 1. Erik Sherman – Registered Representative, Voya**
- 2. Anthony Steel, CRC – Investment Adviser Representative, Nationwide
Greg Russell, MBA, CRC – Program Director, Nationwide**

Mr. Vavrica provided a review of the Voya and Nationwide DROP investment options for the period ending June 30, 2022. He commented on a few funds that are being closely monitored but does not recommend any changes at this time.

Representatives from both Voya and Nationwide discussed the process of when they meet with members both entering and exiting the DROP. They offered insight on how participants approach fund selection and confirmed that only one or two investment options are not being used at this time.

Voya and Nationwide discussed their educational approaches when participants enter the DROP. Mr. Sherman will continue with his monthly meetings offered in person on the first Friday of every month alternating between the Fire and Police Departments. In addition to the educational webinars that Nationwide provides through the City of Miami Beach, which are available to all employees, they will organize basic educational webinars specifically targeted to DROP members.

DIRECTOR'S REPORT

Discussion and possible action on the need to issue a request for proposal (RFP) for Investment Consulting Services

Mr. Vavrica commented that last month he informally discussed fee expectations to establish and monitor the new alternative investment programs. In anticipation of the RFP discussion, he presented memorandum dated August 18, 2022, regarding AndCo's Summary of Fee Proposal. The purpose of the memorandum is to provide the Board with some perspective of what AndCo's request will be when their contract expires on September 30, 2022. He noted that the current contract is based on a-la-carte fees, which he considers to be unproductive and adds a disincentive to do anything new. Going forward, a new contract will change to an all-inclusive fee arrangement so that the Board can make decisions based on what is right for the Fund, not because of the extra cost to the Fund. (Attachment #6)

To provide some additional context, Mr. Vavrica provided sample fees from a few other public defined benefit plans that are reasonably representative of the Miami Beach Fire and Police pension size and investment program.

The Board discussed how to do their due diligence to keep abreast of competitive market rates for the same expected level of service that AndCo provides, and whether or not a full RFP was required.

946th Meeting of the Board of Trustees
August 18, 2022

Attorney Kaufman remarked that he always found AndCo to have a reasonably priced fee with regard to all their clients. He offered to provide a sample of fees from different investment consultants for funds similar in size and scope to this Fund.

The Board expressed their positive opinions regarding the quality of service being provided by AndCo and agreed to review the sample of fees before proceeding further.

Trustee Nicholas left the meeting at 11:02 AM.

Email dated August 2, 2022, from the State approving the 2021 Annual Report

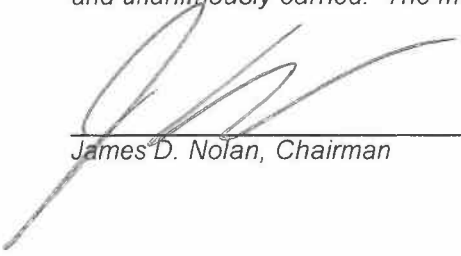
An email from the State dated August 2, 2022, provided confirmation that the 2021 Annual Report for the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach has been reviewed and approved. (Attachment #7)

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

- A. Florida Department of Management Services, Division of Retirement, 51st Annual Police Officers' and Firefighters' Pension Conference, September 26- 28, 2022, Orlando, FL
- B. FPPTA Fall Trustee School, October 2 – 5, 2022, Orlando, FL
- C. Administrative Budget

ADJOURNMENT

Trustee Cardeno made a motion to adjourn the meeting. The motion was seconded by Trustee Otto Stewart and unanimously carried. The meeting was adjourned at 12:21 PM.



James D. Nolan, Chairman



David J. Frazier, Jr., Secretary