

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

956TH BOARD OF TRUSTEES MEETING

October 19, 2023

*COPIES OF MINUTES ARE BEING
PROVIDED WITHOUT ATTACHMENTS.*

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

**956TH MEETING OF THE BOARD OF TRUSTEES
CITY PENSION FUND FOR FIREFIGHTERS AND POLICE OFFICERS
IN THE CITY OF MIAMI BEACH**

October 19, 2023

CALL TO ORDER

Meeting was called to order at 8:30 AM by Chairman Johnson.

Board members present were as follows:

FIRE DEPARTMENT

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

POLICE DEPARTMENT

Daniel D. Molina
James D. Nolan

ADMINISTRATION

Hernan D. Cardeno
Eric T. Carpenter

Absent were:

Steven L. Feldman - Police Department
Tameka Otto Stewart - Administration

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:

Ngozi Chuku - Barings LLC, Associate Director
Israel J. Diaz, CPA - Kabat, Schertzer, De La Torre, Taraboulos & Co. (KSDT), Audit Director
Jeff Fox - J.P. Morgan Asset Management, Client Advisor, Head of Public Fund Client Segment
Jason Greene - City of Miami Beach, Chief Financial Officer
David Julier - AndCo Consulting, Senior Research Analyst
Eric J. Leventhal, CPA, CVA - Kabat, Schertzer, De La Torre, Taraboulos & Co. (KSDT), Partner
Brendon Vavrica, CFP - AndCo Consulting, Consultant
Spencer Witherspoon - Shenkman Capital Management, Inc., Vice President, Business Development, Investor Relations
Steve Zaun - J.P. Morgan Asset Management, Portfolio Manager

MINUTES

Regular Meeting of the Board of Trustees – September 21, 2023

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

DEFERRED RETIREMENT OPTION PLAN (DROP) – APPROVAL OF ENTRY

Police Officer Noel A. Castillo retired under the DROP program effective October 1, 2023, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Castillo had 19 years and 7 months of pension service and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Officer Castillo purchased the 6% multiplier.

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Police Officer Robert Martinez retired under the DROP program effective October 1, 2023, in accordance with the Miami Beach Code, Section 66(a) and Section 79. Officer Martinez had 17 years and 11 months of pension service and met the eligibility for retirement by Tier 1 and attainment of age 50. In addition, Officer Martinez purchased 2 years of pre-employment public safety service time.

Secretary Nolan made a motion to approve the pension service retirement for Officer Castillo and Officer Martinez and grant entry into the DROP. The motion was seconded by Trustee Molina and unanimously carried. (Attachment #1-1 Schedule A)

LUMP SUM REFUND

Former Police Officer Christina T. O'Neal's last day of work was June 13, 2021. She was a vested member who requested a lump sum refund of her employee contributions with interest.

The Director stated that she always tries to talk a member out of withdrawing their employee contributions if they have a vested right because that member would be giving up a very valuable monthly benefit, in addition to cost of living and beneficiary benefits.

Secretary Nolan made a motion to approve the lump sum refund of employee contributions with interest to Christina T. O'Neal. The motion was seconded by Trustee Molina and unanimously carried. (Attachment 1-1 Schedule A)

DECEASED

Retired Firefighter John E. Hall passed away on August 27, 2023. His pension benefit was discontinued as of September 1, 2023, as there are no beneficiaries under the Plan.

Retired Police Officer Anthony P. Sabatino passed away on September 2, 2023. His pension benefit has been discontinued as there are no beneficiaries under the Plan.

Retired Firefighter James W. Wagner passed away on September 26, 2023. His pension benefit has been discontinued as there are no beneficiaries under the Plan.

Trustee Frazier made a motion to stop the monthly pension for John E. Hall, Anthony P. Sabatino and James W. Wagner. The motion was seconded by Trustee Cardeno and unanimously carried. (Attachment #1-1 Schedule A)

Retired Police Officer James A. Corbett passed away on September 22, 2023. Widow Marilyn G. Corbett 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.

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

FINANCIAL REPORT FOR OCTOBER 2023

The Director advised that an additional invoice was received after the Warrants file was emailed on Tuesday, October 17, 2023; therefore, Warrant #5297 has been updated for approval.

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

JASON GREENE, CHIEF FINANCE OFFICER, CITY OF MIAMI BEACH

Discussion and possible action relating to the presentation date of the September 30, 2023, Financial Statements

Mr. Jason Greene, Chief Finance Officer, City of Miami Beach, addressed the Board to communicate his concern about the impact of the Board's private equity investments on the City's ability to issue their financial statements by March 31, 2024. Since the Fire and Police Pension Plan's financial statements roll up into the City's financial statements, the City has set a January deadline to receive the information.

Director Brito stated that in July she advised that private equity managers were unable to report their September 30, 2023, fair market value in time to present the Plan's financial statements at the January 18, 2024, board meeting. Initially in order to meet the City's January deadline, the Board agreed to use a written statement of estimated fair market value through September 30, 2023. Unfortunately, due to the nature of HarbourVest's secondaries portfolio, HarbourVest is unable to include realized or unrealized gains or losses in their estimate. Without estimated gains or losses, the auditors are not confident that the difference between the estimated fair market value and final fair market value will be within the acceptable materiality limit of the Plan, thus they would not be able to issue a clean opinion.

The Director advised that realistically, if everything goes smoothly, the auditors will be able to present the financial statements at the February 15, 2024, board meeting. If the statements are available earlier, a special board meeting could possibly be scheduled.

Mr. Eric Leventhal, CPA, CVA, Partner from KSDT, joined the meeting by teleconference. He offered to share a draft of the financial statements with the City as soon as the information becomes available. That way the City can start working on their disclosures and doing their due diligence until the statements become final. Mr. Greene acknowledged a draft of the financial statements would be helpful, but the timing would probably still hold the City back from meeting their March 31, 2024, deadline.

There were various discussions regarding the City's deadlines and if other public pension funds have the same issues.

Chairman Johnson commented that the Board entered the private equity asset class after research and analysis showed that it was a good and prudent investment for the Fund. It is good that the Board now has this awareness and will take the flow of information into consideration moving forward.

Mr. Greene remarked that he understands the Board has their own fiduciary responsibilities. He just wanted to make sure that the Board was cognizant how investment decisions could affect the City and their ability to issue financial statements. His department will work with the draft financial statements as soon as they become available and will monitor the process this year.

COUNSEL

Legislative Update

Attorney Kaufman reported that KKJL has drafted a report to meet House Bill 3 compliance and sent it to the Division of Retirement for approval. As soon as approved, the report will be distributed to all KKJL clients for implementation prior to the December 15, 2023, deadline.

Update on disability application received from Police Officer Alberto J. Castro

Attorney Kaufman advised that all independent medical evaluations (IMEs) for Police Officer Alberto J. Castro have been scheduled for November. The informal disability hearing on this case will hopefully take place in December.

Possible special February board meeting

With regard to a possible special February board meeting, Chairman Johnson inquired whether a quorum still means five (5) board members physically present during the board meeting or if Trustees attending electronically are also considered part of the quorum.

Attorney Kaufman responded that it is the position of KKJL and other firms that it is acceptable to have an electronic meeting in its entirety without having a physical quorum present. Their view is an electronic quorum is allowed but it is not considered to be best practice. The preferred way to proceed is to have a physical quorum present.

**ANDCO CONSULTING
BRENDON VAVRICA, CFP – CONSULTANT**

Memorandum dated October 10, 2023, regarding Real Estate Discussion and Investment Policy Statement

Brendon Vavrica advised that David Julier, AndCo Consulting Senior Real Estate Research Analyst, has joined the meeting by teleconference. Back in July, AndCo Consulting recommended and the Board subsequently made a motion to request a full redemption of the J.P. Morgan Special Situation Property Fund (SSPF) with the option to cancel or change the request after the October board meeting. Representatives from J.P. Morgan have been invited to provide their perspective of the SSPF. (Attachment #2)

**J.P. Morgan Asset Management
Jeff Fox, Client Advisor, Head of Public Fund Client Segment
Steve Zaun – Portfolio Manager**

1. Discussion regarding the Special Situation Property Fund

Mr. Steve Zaun discussed in detail where J.P. Morgan currently see themselves in the real estate market outlook, why they think they are positioned for a recovery and why they think the SSPF is still an attractive opportunity.

Mr. Zaun acknowledged that the past 18 months have been difficult and there will continue to be challenged performance over the next couple of quarters for both J.P. Morgan and across the industry. The SSPF's current under performance is largely because of office allocation and a large amount of leverage relative to the peer group the fund is compared to.

Historically the fund has had strong, consistent alpha and there are four factors that will get performance back on track.

- 1. A quarter of the fund is in the development pipeline which is positioned to produce strong alpha and strong returns.*
- 2. There has been a rotation into extended sector allocations (Single Family Rentals, Life Sciences and Industrial Outdoor Storage) and those investments have added alpha to the fund.*

- 3. Almost 85% of the fund's industrial portfolio is in Southern California which has more stability than other national markets.*
- 4. Almost 70% of the fund's office portfolio was constructed in the last 5 years. There is a sense that the worst days for office are near bottom and because everything is cyclical, and as the market moves into recovery, the highest returns are going to be in office.*

Concerning the transparency issue, Mr. Zaun feels this was a misunderstanding with AndCo and is willing to share any information on the fund. It is J.P. Morgan's job to communicate, be transparent and to share their views on what they are doing to improve the performance of the fund.

Concerning the redemption request, it is going to take a while to receive a full redemption from the queue. As the market continues downward over a few more quarters, and by the time the redemptions are being paid, the pension fund will likely be receiving payments when the pricing is at or near bottom. But, as the market starts to rebound, there are typically strong returns. Mr. Zaun would like the Board to be open to discussing the redemption request at a later point in time when the performance trajectory is stronger.

Upon their departure from the meeting, Mr. Zaun and Mr. Fox thanked the Board for allowing them the opportunity to address the Board's concerns and emphasized that they will work with AndCo to resolve the transparency issues.

Chairman Johnson opened discussions and stated that he was not a proponent of selling at the bottom of the market and this seems like an early exit for what was considered a long-term investment. This feels very sudden from what he has experienced in the past.

Mr. Julier responded that when you put together the construct of the SSPF, mainly the exposure to office, the leverage dynamics and a few other things, AndCo's concern is that there is going to be persistent under performance over the longer term relative to other core plus type of funds. AndCo has not been provided information on J.P. Morgan's strategies for any type of recovery and how that translates into performance. Therefore, until there are some fundamental changes in the portfolio composition, the expectation is for the underperformance to persist. He is open to seeking dialogue with J.P. Morgan going forward and if all of AndCo's criteria are met, he will consider if the recommendation should be modified.

Regarding the suddenness of exiting the fund, when the investment was originally made in 2021, conditions in the commercial real estate sector and the way the portfolio was structured were very supportive of a well performing return profile. When you add in the elements of the last couple of years, the pandemic and the resulting response to it, those dynamics have placed a considerable amount of pressure on the overall performance of the SSPF. Mr. Julier believes that the proceeds from the redemption can be put in a better long-term position than to ride out the cycle with the SSPF.

There were various discussions regarding the importance of transparency and if the redemption was trying to time the market rather than letting J.P. Morgan pivot and work through their issues.

Mr. Vavrica stated the redemption request does not have to be permanent. The Board has the ability to modify the request while waiting for the proceeds and can re-evaluate if conditions change. Attorney Kaufman agreed.

After much debate, the Board decided to remain in the SSPF redemption queue and continue to monitor the progress of the fund.

Non-Core Real Estate Program

1. **Non-Core Real Estate Pacing Study**
2. **Non-Core Real Estate Search – Discussion and possible action**

Last year a total of \$18,000,000 was allocated to non-core real estate. This year the updated pacing model estimates that a commitment of \$11,000,000 is needed to reach and maintain the 2% allocation in 7 years.

Mr. Julier evaluated for the following candidates the firm and team overview, investment strategy, key differentiators, typical portfolio characteristics, fund profile, terms, and track record:

- Virtus Real Estate – Virtus Real Estate Capital IV (VREC IV)
- Pennybacker Capital Management – Pennybacker VI
- Angelo, Gordon & Co. – AG Realty Value Fund XI
- Torchlight – Torchlight Debt Fund VIII
- TerraCap Management – TerraCap Partners Fund VI

After various discussions, the Board requested to meet with Virtus Real Estate and TerraCap Management before making a formal commitment.

Adopt Investment Policy Change

Mr. Vavrica presented the amended Pension Plan Investment Policy which is being amended to reflect the changes required by House Bill 3 entitled “Government and Corporate Activism” which was signed into law (Chapter 2023-28, Laws of Florida) on May 2, 2023, and published in section 112.7662, Florida Statutes.

Trustee Frazier made a motion to accept the amended Pension Plan Investment Policy and adopt the changes effective December 1, 2023. The motion was seconded by Trustee Cardeno and unanimously carried. (Attachment #3)

Inverness Counsel, LLC’s partnership with CI Private Wealth rebranding to Corient

In August 2022, Inverness Counsel announced that they will be joining CI Financial as a partner firm with their wealth advisory business. In July 2023, CI Private Wealth, announced its rebranding as Corient. Inverness Counsel’s name has changed to Corient but the change will not have an impact on their relationship with the Fund. (Attachment #4)

PROPOSED ADMINISTRATIVE BUDGET 10/01/23 – 09/30/24

The Director presented the Proposed Administrative Budget for Fiscal Year 10/01/23 – 09/30/24. (Attachment #5)

There were various discussions regarding the cash budget reflecting investment management fees that are invoiced versus deducted from the net asset value and where “Other” investment expenses incurred by the introduction of private equity and opportunistic real estate will be reflected. Director Brito advised that due to the nature of a cash budget, only invoiced management fees are included in the budget; however, the financial statements will report both invoiced and deducted management fees as well as “other” investment fees. Attorney Kaufman commented that state statute requires only administrative expenses to be budgeted and suggested to eliminate investment expenses from the cash budget. The Board determined that they would like to continue seeing both administrative and investment expenses included.

Trustee Frazier made a motion to approve the proposed administrative budget for 2023-2024 as presented. The motion was seconded by Secretary Nolan. Trustee Carpenter stated that in his opinion the cash budget was underrepresenting the total investment management fees associated with the Fund. He recommended an amendment to increase the investment manager expenses from \$5,300,000 to \$5,700,000 to include both invoiced and deducted management fees. Trustee Frazier amended his motion to include an increase in the investment manager line item to \$5,700,000. The motion was seconded by Secretary Nolan and unanimously carried.

DIRECTOR'S REPORT

Annual Required Contributions

The Director confirmed that the City's required contribution of \$49,752,458 and the Share Plan's required combined contribution of \$120,549 for FY 2023-2024 has been received.

2023 Affidavits

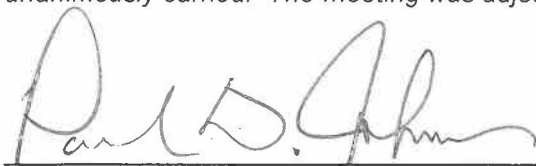
Director Brito mentioned that the 2023 affidavits will be mailed to the retirees and beneficiaries by the end of the month. If an executed affidavit is not received by December 29, 2023, that member's pension benefit for January 2024 will be suspended.

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

- A. NAPO's Pension & Benefits Seminar, January 28 – 30, 2024, Las Vegas, NV (Attachment #6)*
- B. International Foundation of Employee Benefit Plans (IFEBC), 70th Annual Employee Benefits Conference, November 10 – 13, 2024, San Diego, CA (Attachment #7)*
- C. Administrative Budget*
- D. Management Fees Fiscal Year vs. Budget*

ADJOURNMENT

Trustee Cardeno made a motion to adjourn the meeting. The motion was seconded by Trustee Frazier and unanimously carried. The meeting was adjourned at 11:47 AM.



Paul D. Johnson, Chairman



James D. Nolan, Secretary