

**MINUTES OF THE INVESTMENT REVIEW MEETING OF  
THE CITY OF MIAMI  
FIRE FIGHTERS' AND POLICE OFFICERS' RETIREMENT TRUST**

November 2, 2017

**MEMBERS PRESENT**

O. Cotera	-	Appointed by the City Commission
N. Enriquez	-	Elected by the Fire Fighters
M. Fernandez	-	Appointed by the City Commission
T. Gabriel	-	Appointed by the City Commission
S. MacDonald	-	Elected by the Police Officers
T. Roell	-	Appointed by the City Commission
R. Suarez	-	Elected by the Fire Fighters
A. Valdivia	-	Elected by the Police Officers

**ALSO PRESENT**

R. Klausner	-	Legal Counsel
W. Cottle	-	Investment Consultant

Chairman O. Cotera called the meeting to order at 8:35 a.m. with a quorum being present.

**ADMINISTRATIVE ISSUES**

- The Administrator informed the Board that Trustee D. Iturrey, appointee of the City Manager, had submitted his letter of resignation due to conflicts with his employer's rules and regulations. The City Manager, has been informed.
- Board's Legal Counsel's representative, P. Daragjati, was present and reviewed with the Board a Client Privileged Communication prepared by Board's Legal Counsel, R. Klausner, which was prepared to provide guidance on the impact of the decision of the Florida Supreme Court and the subsequent orders of the Florida Public Employees Relations Commission (PERC) on the administration of the System. The correspondence numerated actions the Board could take and the attendant risks. After lengthy discussion a motion was made by T. Roell and seconded by S. MacDonald to adopt action listed on the correspondence as #3 which reads in pertinent as follows: "... Administer the System as if the Ordinance has never been adopted in 2010 and therefore exists for no one: when a law is void, it is invalid for all purposes. It is as if it does not exist. That means the 2010 ordinance applies to no one and the System should correct all member records accordingly and add the liability to the City cost ..." Discussion resumed. The motion was approved unanimously. The Administrator was directed to correct all members that were affected and provide benefits as if Ordinance 13202 had never been adopted.



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ADMINISTRATIVE ISSUES (continued)

- The Actuaries reviewed, via telephone, with the Board the Actuarial Impact Statement prepared by them to address the impact of reverting benefit provisions to those that existed prior to October 1, 2010, specifically: (1) benefit accrual multiplier of 3.5% instead of 3.0% for credited service after 15 years; (2) final average compensation based on one year instead of five years; (3) normal form of benefit is Joint & 40% contingent (married) and 105% single life annuity (single) instead of the ten year certain and life; (4) elimination of \$100,000 annual cap on benefits; (5) retirement eligibility Rule of 64 (police) and Rule of 68 (fire) instead of Rule of 70. Age 50 with 10 years of service also defines eligibility for retirement; (6) benefit adjustments to retirees impacted by the benefit reductions.

Discussion ensued. Amortization periods were discussed. A motion was made by T. Gabriel and seconded by R. Suarez to adopt the Actuarial Impact Statement as presented deferring decision on an amortization period for discussion at the next meeting. Discussion resumed. The motion was approved unanimously.

INVESTMENT /ISSUES AND PERFORMANCE REVIEW QE 09/30/2017

MILLIMAN USA – Represented by W. Cottle, S. Cottle, J. Nipp

The Consultant reviewed with the Board the performance for quarter ending September 30, 2017. Specific points addressed are as follows:

Cowen – Convergenx Execution Services

Memo was reviewed on the purchase of Convergenx Group by Cowen Inc. earlier this year. The Consultant reported, that as of year-end, the former Convergenx Plan Sponsor Services Group will be more closely organized within the Cowen organization, but there will be no change in personnel associated with this reorganization. It is expected that the former Convergenx Group will work more closely with the broader array of Cowen's clients. Given that there is no change in personnel, this organizational change to the former Convergenx Group appears reasonable.

First Eagle

The Consultant reported he had communicated with the Manager to discuss the recently announced acquisition of New Star Financial. In a memo prepared on the issue the Consultant states that while it is difficult to determine if First Eagle will continue to acquire other complementary investment management operations, there is a strong indication that First Eagle management is seeking to diversify their firm's asset base. The



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MILLIMAN USA (continued)

First Eagle (continued)

New Star acquisition by First Eagle will have no impact on the personnel managing the international equity portfolio for the Retirement Trust. There should be no impact on the international value equity approach employed by First Eagle and in some aspects, this development with New Star is a "non-event" for the First Eagle international equity investment strategy.

Emerging Markets Search

Report on the search for an Emerging Markets Manger was reviewed. It was the consensus of the Board to invite the finalists listed on the report, to make a presentation to the Board next Regular meeting scheduled for December.

Private Equity Fee Analysis/Performance Calculations

As per discussion during the August Board meeting, the Consultant prepared a Private Equity Fee Analysis relaying the fee structures that the Retirement Trust pays for private equity investments. The analysis showed that, in general, private equity firms have lowered their fee structures over the past 10 years with somewhat further reduction expected in the future. In conjunction the PE fee analysis report, a report of Private Equity performance was prepared. The approach that Milliman took for performance calculations was to produce a total Retirement Trust net of fee time weighted rate of return. This approach states how well all of the investments, including private equity, performed over the past quarter, year and longer time periods. Milliman felt that calculating net of fee time weighted rates of return excluding private equity would be appropriate or truly representative of the total fund return for the Retirement Trust. In spite of knowing the drawbacks associated with shorter time period, net of fee, time weighted rates of return, we do believe it represents the best return calculation for all of the Retirement Trust's assets. When assessing the results of private equity, which ideally should be over as long a time period as possible, the preferred performance methodology is net of fee internal rates of return. The most applicable internal rate of return will span the entire life of the private equity fund.

CenterSquare Update

Notification was received from CenterSquare to inform that it will be separating from BNY Mellon. The firm's relationship with BNY extends over a period of eleven and a half years, but was being suggested to move in a direction that was not desirable to CenterSquare. CenterSquare expressed they were extremely pleased about the new ownership structure of the firm and how it will be able to operate in the future. CenterSquare will continue to operate its business in a manner that it feels is appropriate



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CenterSquare Update (continued)

and will seek to maintain the firm's above benchmark long-term performance history. As with private equity fund investors, Lovell Minnick will seek to monetize its investment in CenterSquare in 7 to 12 years. This will mean that CenterSquare will have additional ownership changes in the future, but the Consultant felt that the management of CenterSquare will be able to handle this development successfully.

Performance Report

The FIPO Trust had a total market value of \$1,512,620,055 as of September 30, 2017, which represents a decrease of \$32.4 million from the June 30, 2017 market value. The overall decrease in the Trust's market value was the result of \$74.5 million in net cash outflows and an investment gain of \$42.1 million. The Fire Fighters' and Police Officers' Retirement Trust had a return of 2.9% during the third quarter of 2017, which slightly underperformed the Fund's benchmark of 3.2%.

Watch List

AXA high yield income portfolio was placed on list August 5, 2016.

MANAGER PRESENTATIONS

The below listed Investment Managers made presentations to the Board on their performance for quarter ending September 30, 2017. A copy of their individual reports is on file at the Fire and Police Pension Office and available for review.

Vanguard - DROP – A. Cooper

The representative reviewed funds' performance, demographics of investments, new funds that could be offered and fees. Discussion ensued. The Board, once again, expressed their dissatisfaction with the fees when comparing them to fees being paid by an, outside, individual investor. Mr. Cooper assured the Board he would do some research into the issue and provide feedback. Discussion resumed. A motion was made by T. Gabriel and seconded by M. Fernandez to add, to the list of funds presently allowed in the Program, the 2045 and the 2055 Target Retirement Funds. The motion was approved unanimously.

First Eagle – C. Miller-Hare

Discussion on the continued underperformance by the Manager. A motion was made by T. Gabriel and seconded by T. Roell to place the First Eagle on Watch List. The motion was approved unanimously.

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Dodge & Cox – S. Notowich

Representative asked, once again for Board approval to continue to hold Navient. T. Gabriel moved and was seconded by M. Fernandez to approve the request for a period of six months. The motion was approved unanimously.

Eagle Asset – E. Rick

Center Square – S. McGuire

In addition to the quarterly report the Representative presented to the Board a report on their new Fund IV and asked for Board consideration on investing in the new Fund. Discussion ensued. T. Roell moved and was seconded by T. Gabriel to commit \$25 million to Fund IV. Discussion resumed. The motion was approved unanimously.

BNP Paribas – A. Johnson, Via telephone: C. Allen, R. Brauns, E. Cavanaugh

J. P. Morgan RE – J. Fox, J. Weinman

With no further business, the meeting was adjourned at 1:55 p.m. by a motion from S. MacDonald a second from T. Gabriel and a unanimous vote.

  
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Ornel Cotera, Chairman

Attest:



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Dania Orta, Administrator