

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

August 3, 2017

**MEMBERS PRESENT**

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

**ALSO PRESENT**

R. Klausner	-	Legal Counsel
W. Cottle	-	Investment Consultant
S. Cottle	-	Investment Consultant
J. Nipp	-	Investment Consultant

**MEMBERS ABSENT**

M. Fernandez	-	Appointed by the City Commission ( <i>via phone for Admin. Issues</i> )
T. Roell	-	Appointed by the City Commission

Chairman O. Cotera called the meeting to order at 8:40 a.m. with a quorum being present.

**ADMINISTRATIVE ISSUES**

Board Legal Counsel R. Klausner address the Board with an update on the Financial Urgency issue. He reported that at present, the City had until August 14<sup>th</sup> to file their objections to the ruling which would be followed with a 10-day window for the FOP to file a response. Discussion ensued. The Board expressed concerns as to the City's knowledge of the high actuarial pension cost related with the final settlement of this issue. Discussion resumed. A motion was made by T. Gabriel and seconded by S. MacDonald to direct the attorney to prepare correspondence to be signed by the Chairman making the City aware of the cost implications. Discussion continued. The motion was approved unanimously.

**INVESTMENT /ISSUES AND PERFORMANCE REVIEW QE 06/30/2017**

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

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

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INVESTMENT /ISSUES AND PERFORMANCE REVIEW QE 06/30/2017 (continued)

MILLIMAN USA (continued)

NCPERS Code of Conduct

Correspondence from Dodge & Cox addressing their compliance with the Board's request for execution of the NCPERS Code of Conduct Certificate. The Board did not accept the proposed Letter of Intent provided by Dodge & Cox. Discussion resumed. The Board expressed their disapproval with the length of time this issue has taken without an acceptable resolution. A motion was made by T. Gabriel and seconded by N. Enriquez to inform Dodge & Cox that if the Certificate was not executed, the relationship would be terminated. Discussion continued. T. Gabriel tabled the motion to the September 6<sup>th</sup> Board meeting in order for the Consultant to once again reach out to Dodge & Cox and work with them to resolve the issue.

Wellington

Consultant reported that communication had been received from Wellington to inform that the firm was being investigated by the SEC with reference to valuation of private holdings. The Board will be kept up to date.

BlackRock GRP Fund Update

A call was held with BlackRock regarding their Global Renewable Power Funds I and II. A memo prepared with details of each Fund was reviewed.

Vanguard Press Release

The Consultant informed the Board of a change in Vanguard's Chief Executive Officer and Chairman of the Board that was reported in the press. The Consultant had discussion with T. Atchison of Vanguard and was confident that the change in personnel had followed a thoughtful approach and was consistent with previous planned generational transfers at Vanguard. It is not expected that these management changes will have any material impact on the Firm's investment management products or processes.

JP Morgan Private Equity

On a periodic basis, a conference call is held with JP Morgan to get updates on the Trust's private equity investments along with the Firm's investment management process and capital market expectations. The Consultant reviewed a memo that summarized the discussion.



INVESTMENT /ISSUES AND PERFORMANCE REVIEW QE 06/30/2017 (continued)

MILLIMAN USA (continued)

Performance Report

The FIPO Trust had a total market value of \$1,544,933,923 as of June 30, 2017, which represents an increase of \$6.9 million from the March 31, 2017, market value. The overall increase in the Trust's market value was the result of \$36.2 million in net cash outflows and an investment gain of \$43.1 million. The Fire Fighters' and Police Officers Retirement Trust had a return of 2.9% during the second quarter of 2017, which slightly outperformed the Fund's benchmark of 2.8%. Over the past year the Retirement Trust's return of 10.2% was below the benchmark return of 10.8%. Over the past three years the Retirement Trust returned 5.6%, above the return for the benchmark at 5.4%. Over the past five years the Retirement Trust returned 8.8%, above the benchmark return of 8.6%. Over the past ten years, the Retirement Trust returned 5.6%, better than the 5.2% return of the benchmark. Since inception (January 1994) the total Fund has returned an annualized 8.2% compared to the benchmark return of 7.7%.

Watch List

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

Asset Allocation Study

J. Nipp, reviewed the Asset Allocation Study prepared for the purpose of determining if there are an expanded set of asset classes that could be introduced by the Retirement Trust to improve the balance of projected volatility and projected return. At the conclusion of the in depth study Milliman recommends, based on the general suggestions of the efficient frontier analysis the below mix:

US Real Estate – 12%  
Absolute Return – 11.5%  
Non US Equity – 17%  
US Equity – 17%  
Infrastructure – 2%  
Bank Loans – 2%  
Private Equity – 4%  
Global REITs – 2%  
Emerging Markets Equity – 5%  
High Yield Fixed Income – 7.5%  
Core Fixed Income – 20%

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Asset Allocation Study (continued)

A question and answer period followed the report's presentation. A motion was made by T. Gabriel and seconded by N. Enriquez to adopt the report. The motion was approved unanimously.

MANAGER PRESENTATIONS

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

Northern Trust Bank – K. Miller represented the Custodian Bank.

Center Square – S. Maguire

Coller Capital – F. Morgan

JP Morgan – M. Ghandi, J. Fox

Victory Capital – J. Kelts

Wellington – R. Mayer, J. Berger

The representatives asked for Board approval to engage in the Asian market thru A-Shares Connect Program. Discussion ensued. The Board ask the Manager to work with the Consultant, Administrator, and Custodian and gather all the pertinent information and requirements and present finding to the Board for further review at the September 6<sup>th</sup> meeting.

Champlain (*via telephone*) – J. O'Connell, S. Brayman

Boston Partners (*via telephone*) – J. Supple, J. Forelli, E. Sheerin

With no further business, the meeting was adjourned at 3:15 p.m. by a motion from S. MacDonald a second from A. Valdivia and a unanimous vote.

  
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Ornel Cotera, Chairman

Attest:

  
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Dania Orta, Administrator