

Motion by Aginian:
Second by Conti:

To approve the minutes of the special virtual meetings held September 28, 2020, October 12, 2020, October 28, 2020, and November 26, 2020.

ROLL CALL VOTE:

Aginian: Aye
Conti: Aye
Gerber: Aye

Matt Lasko reviewed the Third Quarter Market Review that was distributed with the agenda. The Retirement Fund was up 600 basis points in the third quarter. Growth stocks outperformed value stocks, fixed income was flat, and emerging markets were up. After the election and the COVID vaccine announcement there has been a shift from growth to value stocks. They anticipate 6.3% growth globally and an increase of 4% for GDP in 2021. They predict the S&P will be 14% higher at the end of 2021.

Meredith Farber reviewed the performance of the investment managers. Although Fiera (Apex) is still on the watch list, it has shown improvement and is still a good performer. They are not recommending a change to this allocation. C.S. McKee's performance improved in the third quarter. Their previous underperformance was due to their high-quality bias, which will be positive for the fund.

Matt Lasko reviewed their recommended asset changes for the Retirement Fund. They are recommending reducing small and mid-cap equities, increasing international, and increasing fixed income.

Maureen reviewed their recommendations to hire Blackstone and Starwood to replace Cavendish in the alternative investment area. They offer REITS that offer diversification, reduce risk, and are a hedge to inflation. They do not correlate to the S&P.

The focus of Blackstone's BREIT is in the top 50 real estate markets in the U.S. They are targeting cash flows of 5% and offer mid to high single digit returns. Multi-family units are largest allocation in the fund.

Starwood's SREIT is similar to the BREIT but also contains international real estate. They are paying a 5.8% dividend and have a 97% rate of rent collections

These are non-listed REITS that are not correlated to the market. Areas that they are invested in will continue to be in demand. They invest in multi-family, office and Industrial space. There is room to grow. They are recommending an equal allocation to each fund.

Maureen reported that in the first year there is a one-year lock up feature. After the first year, there is a quarterly withdrawal. The management fees are 1.25%; and, there is a 12.5% performance fee subject to a 5% annual hurdle. These fees are slightly less expensive than some other alternative managers are. REITS are more in line with the fund's investment policy. The risk is lower. Long-short investments would have more risk at this point. They will keep an eye on them for the future.

Matt Lasko noted that the return on these REITS would be much more than the return on fixed income. For alternatives to have a 1-year lock is not a negative. The longer-term view is critical when looking at these investments. The return profile, low-risk, and low correlation to the market would be good for the portfolio. They recommend what they view is best for the portfolio.

David Gasper reported that both platforms have been well received by UBS investors. They provide bond-like volatility with equity like returns and low volatility. They feel this is the best recommendation at this time.

Motion by Aginian:

Second by Conti:

To concur in the recommendation of the investments consultants to forward a recommendation to the Retirement Board to enter into an agreement with Blackstone Securities partners, L.P., to invest in the Blackstone Real Estate Income Trust (BREIT) and to enter into an agreement with Starwood Capital, L.L.C. to invest in the Starwood Real Estate Income Trust (SREIT).

ROLL CALL VOTE:

Aginian: Aye

Conti: Aye

Gerber: Aye

Motion by Conti:

Second by Aginian:

To concur in the recommendation of the investment consultants to forward a recommendation to the Retirement to reduce the allocation in the Vanguard mid-cap index fund by 2.9%, to reduce the allocation in Fiera Capital by 2.9%, to add 4.7% to the MFS International, Diversification Fund, to add 1% to Ducenta Squared, and to transfer 1.4% to the BREIT account, and to transfer 1.44% into the SREIT account.

ROLL CALL VOTE:

Aginian: Aye
Conti: Aye
Gerber: Aye

Frank Pisano disagrees with the recommendation and wanted it reflected in the minutes that the Committee approved a recommendation to add to alternative investments rather in fixed income or cash after previous investments in an alternative investment fund in managed futures had been negative.

Matt Lasko stated that the returns for Starwood YTD are up 3.74%. Blackstone is up 3.86%. Both BREIT and SREIT are not typical real estate funds. Blackstone has earned over 9% since inception. They do have long track records and can protect on the downside

Motion by Aginian
Second by Conti:

To concur in the recommendation of the investments consultants to forward a recommendation to the Retiree Health Care Fund Investment Committee to enter into an agreement with Blackstone Securities partners, L.P., to invest in the Blackstone Real Estate Income Trust (BREIT) and to enter into an agreement with Starwood Capital, L.L.C. to invest in the Starwood Real Estate Income Trust (SREIT).

ROLL CALL VOTE:

Aginian: Aye
Conti: Aye
Gerber: Aye

Motion by Gerber:
Second by Conti:

To concur in the recommendation of the Investment Committee and the investment consultants to reduce the Vanguard mid-cap Index fund by 3%, to reduce the Fiera smid-cap growth fund by 3%, to reduce Gabelli by 1%, to increase the Westwood large-cap value by 1.5%, to increase the MFS international diversification Fund by 3%, to transfer 2.6% in the BREIT, and to transfer 2.6% into the SREIT

ROLL CALL VOTE:

Aginian: Aye
Conti: Aye

Gerber: Aye

Frank Pisano asked the Committee members to watch the recent City Commission meeting to hear Plante & Moran's review of the defined benefit plans and their investment returns.

Mark Gerber stated that the concern is that rates of returns have been below the actuarial assumed rate of return. Plante & Moran do not do an actuarial study. They just report what the actuary is reporting. Sensitivity refers to the assumptions. With pension and OPEB plans there is more sensitivity to large dollars. Assumptions are made that would affect the financial statements.

The meeting was adjourned at 10:04 A.M.

Respectfully submitted,

Thelma Golden
Treasury Consultant