

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
MINUTES OF MEETING HELD
May 18, 2023**

Summarized Minutes of the regular meeting of the City of Fort Pierce Retirement and Benefit System May,18,2023 2:00 p.m., in the Commission Chambers at City Hall

Present:

Barbara Mika	U.A. Board Appointed Member, Chair
Comm. Arnold Gaines	City Commission Member
Comm. Michael Broderick	City Commission Member
Wendy Rydzewski	City of Fort Pierce General Member, Vice-Chair
Keith Stephens	U.A. General Member
Johnna Morris	Secretary/Treasurer

Guest by Conference Call:

Attorney Jim Walker	Attorney for the Retirement Board, Advisory
Emily George	William Blair

Guest

Weston Lewis	Callan Consultant
Paola Cardenales	Callan Consultant
David Bernard	Morgan Stanley
Taylor Alan Lee	Causeway Capital
Paul H. Lundmark	Richmond Capital
Cliff Kalish	William Blair

Absences:

Kyle McCarthy	Police Officer Member
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Recording:

Junelly Sebastiano	Executive Assistant to Director of Finance
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ITEM NO. 1 & 2~ ROLL CALL

Mrs. Barbara Mika called the meeting to order at 2:00 pm on Thursday May 18, 2023, the first item on the agenda being the “Roll Call”.

ITEM NO. 3 ~ COMMENTS FROM THE PUBLIC

Mrs. Mika said next, we will move on to comments from the public? Seeing no public, we will move on to the consideration of minutes.

ITEM NO. 4 ~ CONSIDERATION OF MINUTES

Mrs. Mika said consideration of minutes, any discussion?

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A motion was made by Mrs. Johnna Morris and seconded by Mrs. Wendy Rydzewski. All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

ITEM NO. 5 ~ ATTORNEY'S REPORT

Mrs. Mika said, next, we move on to a report from the board attorney. Mr. Walker?

Mr. Jim Walker said Madam Chair, I'm pleased to report that the legal waters remain calm and untroubled. I would nevertheless be pleased to entertain any questions, comments, or concerns.

ITEM NO.6 ~ PUBLIC HEARING ON BENEFITS APPLICATIONS

Mrs. Mika said we will open the public hearing for the request for retirement from Carl Dougal with six years and seven months of service with the city of Fort Pierce. Seeing no public, we will close the public hearing and open it for discussion.

A motion was made by Mr. Keith Stephens and seconded by Comm. Arnold Gaines. All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

ITEM NO. 7 ~ OLD BUSINESS

None

ITEM NO. 8 ~ NEW BUSINESS

Mrs. Mika said next, we will move on to new business, we have our performance evaluation from Callan Associates.

Mr. Weston Lewis said to those I haven't met I am Weston Lewis; I have been working on this account for about 14 years. I am joined by Paola Cardenales. There is a looming decision that we think is one of the most important decisions. This quarter the key issue is setting that investment strategy going forward. There is an institutional quality process that goes behind how you end up with the mix that you have. We performed an asset and liability study; we take the liability streams from your actuary, and we build our own liability model and match that up. We take our capital market assumptions: what do we think the volatilities of the markets are going to be. This is the most important investment decision that you all make as a board, setting your policy mix. I mentioned there's a process behind it. We typically recommend clients do this around every three to five years. It's been longer than that for you all, but there hasn't been an impetus to change because it is a mix that seems to have worked well. You compare favorably relative to your peers; on a relative basis it has been pretty good. It was a little longer than five years, but here we are, it's done, and our actuary

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went over it last month. At a very high level, we are suggesting you all take some sort of action, whether that is confirming the status quo or confirming what you have or maybe moving in a marginally more aggressive direction. This is your current mix of stocks, bonds, and real estate and in our opinion, this is a very reasonable asset allocation. You all could stay where you are and not make any changes. The one just to the right that says F I-20. This is reducing fixed income down to 20 %. This moves you in a direction that would be a little bit more like other public plans. Now I would note that other public plans are moving back to where you all are, because the return assumptions for fixed income have started to move up. We think that potentially that F I-20 puts you behind the curve and in a direction where most are beginning to take risk off the table. The reason why other public plans have moved to that F I-20 is to try and maximize return as investment return assumptions continue to go lower with lower interest rates. Given what happened to interest rates in 2022, where the Fed raised rates and yields across the curve moved up, fixed income is now a more return producing asset class than it was before. You are generating some sort of yield in fixed income, as public plans have realized that they can achieve some additional yield, they are beginning to take risk off where they had added on a few years ago.

Comm. Michael Broderick said on your fixed income portion of the portfolio, there's a big debate going on relative to short-term, medium-term, and long-term fixed income. Look at the bank failures that were mired in long term, fixed debt, structures, et cetera. Is there a particular mix that you utilize in the fixed income area, or are you looking to lock in some more short term paper to maximize that upside, or are you looking to do a blend of short, medium, and long term?

Mr. Lewis said this is what we would call 'you're buying the market duration'. What that means is basically you're getting short, medium, and long, the spectrum. Your fixed income manager can capture short, long, and medium. Strategically, we moved you from a government credit index which has a duration (interest rate sensitivity) of about 7 1/2, maybe 8 years down to this aggregate index which has a duration of about 6 1/2 years. Typically, you're paid to take that additional duration, but in today's environment you're getting more yield the shorter you are. What we're trying to do is give you strategic directions for the next 5 to 10 years. If we did want to be shorter duration, that would be more of an opportunistic or a tactical move and not strategic because you're not going to get paid as much to make that change over the long run. You might get paid more in the next three to six months, but in the long term, you won't. Now this Policy Core Plus contemplates some shorter duration and higher yielding instruments, but not so much in short term quality. You're lowering the credit quality to raise the yield; you're taking a different risk. Rather than taking interest rate risk with duration, you're reducing duration, but you're taking on more credit risk.

Comm. Broderick asked do you have a baseline credit risk rating B + A that you will not go under?

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Mr. Lewis said currently in your policy statement, you remain all investment grades. Typically, BBB and above. If something gets graded below that, your manager has a conversation and says, 'we think you should sell it, or we want to hold on to it'.

Comm. Broderick said there is a lot of that going on right now. Is this is this corporate or governmental debt, or a mixture of all?

Mr. Lewis said it's a mixture of all, government, mortgages, and corporate.

Comm. Broderick asked mortgage-backed securities?

Mr. Lewis said Yes, mostly all agency mortgages. I'm speaking from the perspective of the index that it's measured against, your manager can overweight or underweight any of those sectors.

Mrs. Paola Cardenales said it is about 50% corporates right now, as of the end of last quarter and about 38% mortgages, 12% Treasury. That's kind of where Richmond's standing right now.

Mr. Lewis said that is a key difference between the policy and Policy Core Plus. You take some of that fixed income and you give it a little bit more octane, so it contemplates some high yield, bank loans, and potentially emerging markets debt, things that could offer some additional yield. You all must determine your own risk tolerance; we can't determine that for you. We've given you all some options here and it's a decision that you all must make. However, knowing you all like we do, we think this policy here on the left is very reasonable. In terms of the need for adding the additional complexity of that high yield or the bank loans, we're not sure if it's completely warranted. You could do that, we have clients that do that, it's another manager to monitor because that's not the core competency of your current fixed income manager. They manage investment grade quality bonds and that's it. These aren't the only options; you can go somewhere in between. The FI-20 is adding more equity risk and maybe some more real estate risk. Fixed income offers more yield and more return than it was before. If you were comfortable at 27 you should be moving down to 20. You've already taken the lumps on fixed income, and it just doesn't make sense right now, in our opinion, to move to that 20. Those are our thoughts and certainly would welcome any sort of discussion or questions as it relates to where we are.

Mrs. Cardenales said last month you asked us to narrow it down to less options. We had like 5, I believe we narrowed it down to three. The Core Plus will bring you a little bit more opportunity. These assumptions that we see here are on a passive management basis. If you were to invest just in the index, the managers that you have will generate the additional on top of what you see here, it depends on the market. I know that we talked about the differences in the return that you see it is negligible from 6.9 to 7% to 6.9. If you decide to stay on the policy, you will be fine. Probably miss out on a little bit of the extra yield that you would get from getting additional risk on the fixed income

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side, but it probably wouldn't be completely meaningful to make a difference on your strategy going forward.

Mr. Keith Stephens said what we have done has been working. Although it's been a bad year overall, if we go with any of these options, we're adding more risk and like you just said, it may not be worth the squeeze.

Mr. Lewis said it is not really reflected in the target, but there is a policy change that we would suggest. You all have what we call a threshold limit in your policy to where the targets can be within a range. Therefore, if the target for real estate is 10%, it can go as low as 5% or typically it's ± 5 . When real estate was added several years ago, it was a new asset class. There was some concern about letting it get above 12%, our baseline recommendation would be to have it on the low side and equally on the high side. If it can go from 5%, it should be able to go to 15%. The reason for that is because both stocks and bonds moved down together. Real Estate held its value for a longer period and that denominator effect effectively took you out of your ranges and so we needed to rebalance from real estate, and we couldn't. That would be our recommendations, not a part of this discussion but it will be a change to your policy in future order.

Mr. Stephens asked what is our limit?

Mrs. Cardenales said on the low side, it can go down to five on the high side, it can. Go to 12.

Mr. Stephens asked and what would you recommend?

Mr. Lewis said fifteen and leave the low where it is. Non-us stock has a 4% band, but all the others and domestic fixed income have a 5% band $\pm 5\%$. The large cap, 4% band. You do have some flexibility with everything except for real estate and we think that's the part that needs to be changed.

Mr. Stephens said I feel sometimes you can make little tweaks, but sometimes you get to a point where it's better to just let it run. I'm not saying leave it that way all the time. It appears we're still there with the numbers we've chose. Even with doing the study with your actuary, it appears that we're not in bad shape. Anything we do to try to squeeze a little more out is obviously going to increase our risk. Sometimes I know there are funds that make more than us, because they do take that risk but when they take a hit, they take a much higher hit than we do. When's the last time we changed it?

Mr. Lewis said seven years ago.

Mr. Stephens said yeah, but before that, we just didn't do it that often.

Comm. Broderick said in the real estate portfolio, can you give us a brief overview of what the real estate portfolio is? I'm sure it's a pool of type assets, but can you just

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give us a brief overview of what that is? That's my day job but suffice it to say is that you have 12% of the portfolio currently in a real estate fund. We're investing in real estate more significantly than that because 38% of the bond fund is mortgage-backed securities real estate. Due to COVID, the office market is getting obliterated and large funds are losing hand-over-fist equity positions and in the first quarter of next year, we're going to see an on slot of foreclosures in that end of the market. Especially when the leases are rolling out, not being renewed, etc. I think I saw the vacancy factor in San Francisco with 30% currently. Can you just give an overview as to what that portion of the real estate holdings is?

Mr. Lewis said there are four main food groups in this real estate fund. You mentioned one of them, office. Whereas office used to be a much larger portion of both Heitman's asset allocation as well as the indexes allocation, that overtime has come down. The current benchmark positioning is about 16% for office properties, which is a considerable decline from a few years ago. Office has become less influential and Heitman has repositioned the portfolio over the last few years to deemphasize office and move more towards the second main food group which is industrial. Offices and retails' decline has been industrials gain. As you think of Amazon and online retail, industrial properties are doing all they can to move closer to city centers where they can get you all those goods that you order online. Third is retail, retail took its lumps a few years ago, retail is on the rebound. A lot of times it's grocery store anchored retail; Strip malls, things like that. Then the 4th main food group is multifamily housing, so think more rental properties as opposed to single family. Those are the four main food groups. Heitman's has gotten more into two other areas, and this is why they were hired, they brought a different skill set to the table with self-storage properties. They're one of the larger self-storage managers, those seem to have a different return stream be a bit less influenced by potential recessions and things like that. The second area that they've been more involved in is with student housing. It's a different kind of multifamily, it's a little bit more sticky and less dependent on what the economy is doing.

Comm. Broderick asked do you happen to know what the rate or return is on the real estate portion of the portfolio?

Mr. Lewis said last year has been -3.4%, over the last 8 1/2 years since you've had them, it's been 7 .5% per annum, a reasonable rate of return. Core real estate is somewhere in between in terms of risks of stocks and bonds to where less volatility and it's more yield oriented. You rent out a property, the tenant pays you a lease and that comes back in terms of income. To be very clear, this is equity capital so it's riskier than bonds, but it is kind of safer than an equity type asset class, typically.

Mr. Stephens said as you were saying those things, All I was thinking about was what's happening in Fort Pierce. If you could go 95 home, you'd see everything you just said is happening. Especially your Amazons, storage units, and Retail. It's amazing, everything you said is happening right here in just our little town.

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Mr. Lewis said we do agree, the offices has largely held up to date and that is more of a function of there haven't been as many transactions. Once those transactions begin to occur, and that volume picks up, we think that offices is really going to struggle. A lot of funds haven't marked down their offices because they don't have sufficient comps to do that.

Comm. Broderick said they're past due, they shouldn't mark it down. They're going to spin out of those 5- and 10-year leases and they're not going to get renewed. Vacant spaces, see-through buildings are going to be everywhere.

Mr. Lewis said you mentioned San Francisco; Nashville office is doing significantly different from San Francisco or New York office. Heitman has been underweight to some of those key areas, be at San Francisco or New York. That should help them on a relative basis, but they do still have some office exposure.

Mrs. Cardenales said if you think about valuation, last year when we saw real estate, the first half of the year versus bonds and equities, everything was negative. Real estate was posting positive results for the first half of the year but as the market has been revaluing the portfolio, that's when we started seeing all those negative results during the second quarter and they're still coming up throughout this year. Just to set expectations clear, real estate portfolios are valued on a lagged basis and right now we're seeing results from December. We may continue to see some relative negative results from the index and potentially from Heitman over the next couple of quarters until valuations come back to normal and we can reassess the portfolio.

Mr. Walker said I'd like to go ahead and ask a question, I feel as if I know the answer well, but this is something that I think would simply be helpful for the purposes of the record to show that the matter was in fact considered. The public controversy over the debt ceiling is a topic that everybody's read a lot about. There's been discussion of worst-case scenarios. Weston, you're not recommending any preemptory safe harbor measures to be taken in anticipation of any such worst-case scenarios, are you?

Mr. Lewis said no. It's a good question and we don't know how it is going to pan out. The last time they contemplated this, the opposite of what you think would happen, whereas treasuries get repriced and lose money, happened. Everything else got repriced, and treasuries gained in value. When you are the World's Reserve Currency, and you default on your debt, the world reacts a little bit differently from what you would expect. It's anybody's guess as to how it will pan out this time. We hope for everyone's sake that they're able to negotiate and resolve this, but we do think from a practical standpoint, all risk assets would take a more immediate hit, but ultimately, they trade back to their long-term valuations over time. What the Federal government does in the short term shouldn't really matter to your long-term prospects too greatly. Whereas it might be a temporary repricing, the fund takes hit, over the long term that should work its way out and return to that equilibrium state.

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Mr. Walker said a motion is not required if the board wishes to maintain its current allocation. The board may nevertheless, if it wishes, in its discretion, vote affirmatively to leave things as they are. If the board wishes to make any changes in the allocation, then that would require a vote.

Mrs. Mika said I think we should stay status quo.

Mr. Stephens said That's a consensus.

Mrs. Morris said as it relates to the policy change, do we need to bring that back and do a formal vote on that or is it something we can take care of and vote on now.

Mr. Walker said I think that any vote to change that would currently be in order, if there is no interest in making any such change, then the board might wish to vote to accept the report of Callan and Associates on this subject.

Mr. Lewis said we typically review your investment policy statement, whether it's annually or biannually, to bring the investment policy statement back with that change and any other recommended changes and let you all review and evaluate and vote on at that time.

Mr. Stephens said Madam Chair, unless there's a problem with it, I make a motion that we change the high end of the real estate from 12 to 15% based on Callan's recommendation.

A motion was made by Mr. Keith Stephens and seconded by Comm. Arnold Gaines. All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

Mrs. Cardenales said we'll do a similar process to what we did last time. I'll send Johnna and Madam Chair the IPS for you to review and sign. A quick market update: I know I spoke a little bit about the first quarter last month, but to set the stage for the managers. We talked about regional banks, that was a main topic of conversation last quarter and this matters when you look at what equities did. Large-Cap and Mid-Cap outperformed small-caps because these were small banks. Regional banks got impacted, small caps were impacted in the domestic equity side since there were a lot of fears of what was going to happen on the international side, we saw the same dynamic, Small-Cap equities on the international side struggled. We talked about growth; your tech stocks, value; your financials, your more cyclical type of stocks, they struggled as well. Value underperformed growth. If we look at the Russell 1000 Index, a lot of stocks like NVIDIA Meta and Apple drove a lot of the performance throughout the market this last quarter. It was kind of a change from what we saw last quarter, but a lot of this was driven by what happened on the financial System. There's been a lot of conversation across the board whether this is going to be a systematic issue, everybody keeps having different opinions, but it seems that the financial system is still in a good place, but there's caution in the market. This is being reflected in what

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we see in the valuations of stocks. If we talk about the economy, we've got updated numbers from growth on GDP. The expectation now is about 1.1% for the first quarter. If you read the news on what is expected for the rest of the year, it seems that the economy is going to slow down a little bit and there's even an expectation for negative growth going forward. That is something that we want to keep an eye on. If we think about the third quarter, the expectation was for the fourth quarter to have a negative number and in the end, we came back with positive numbers. It's something that we are keeping an eye on to see what the impact is going to be for bond stocks and your portfolio overall, but it's an expectation for the rest of the year that the economy is going to slow down. From an inflation perspective, the last number that came from April was 4.9%. That's one of the key numbers that the Fed is very adamant about. The market between bonds and equities is reacting very differently, bonds are pricing a slowdown throughout the year, equities are not pricing that slowdown yet. It's one of the first few times where we've seen that both markets are giving different signals. The expectation for the Fed was to stop raising interest rates, what we saw was slowing down on the raising interest rates. It doesn't seem that it will stop, there must be a slower increase in inflation for the Fed to slowdown. Nobody really has the answer at this point, but it's something our capital markets team keeps an eye on. It could also be a good question for your managers, specifically for your international equity managers. It's going to be a very interesting scenario because last year, all equities, domestic and international, and bonds moved in the same direction. We've seen the same movement this year, but on the positive side, international equities struggled a little bit because of currency exchange. The negative returns were augmented because the dollar was strong and when we translate the local returns to USD returns, they are minimized. There's a lot of conversation in the market that it's been a very long cycle where the US has been very strong. From equities, from bonds, and from a currency standpoint, it seems like there's going to be some inflection point where there's going to be more opportunities for these international equity managers to provide additional value. If you look at the results from the MSCI equity index in this case, the local return was 6.2%. If we translate it to USD, it is 6.9% for the quarter. The opposite happened because the dollar was a little bit more weakened, so those returns were augmented for US value. Again, were providing you this information so you can ask some questions to your international equity managers. How are they positioning themselves to take advantage of this potential of the coming cycle for international equities? Emerging markets has been struggling, especially because China was closed for so long. Now that they are out of the COVID policy, there's a lot of opportunity for that trade to get restarted within the Asian market. So that may bring some opportunities for these managers. That's an opportunity for you to ask them these type of questions and set up an expectation going forward for their performance. If we move to page 13, this is just your current asset allocation. To provide a little bit of context, this is a continuation from what Weston was talking about. Your current assets are around \$224,000,000, your target allocation is on that third column. That is what is in your policy statement. Your actual weight is on that second column. If you look at your domestic equity, you're slightly overweight versus the current target, however you are still within those limits with the minimum and maximum. On the international equity side, you're slightly underweight, almost on target with 25%. Domestic equity; you're slightly

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underweight there. Real estate is about 12%, which is that upper limit that you currently have that we just modified, and there's no policy set up for cash, but you maintain a very minimum amount of cash at a given time. At the end of the year, we work with Johnna to get some assets out for benefit payments. Last year it was a different case because real estate has a very long queue for us to redeem assets. We have talked about the potential of asking Heitman to pay out the dividend that they pay instead of getting it reinvested so we can at least get some money out of the account and rebalance automatically towards that target, but the market has just taken care of itself. Real Estate has posted negative returns as equities and bonds have provide positive results. You are coming back to target without having to redeem assets, which is something that we had considered before. Considering getting that dividend out will help you keep these targets more in balance when we have these type of markets where one goes up, the other goes down, and we get out of balance. We can ask Heitman what the process for that is and then we can go from there, but it's something that we wanted to talk about. If we move to the next page, this shows the allocation per manager. If we look at what drove performance, all those negative numbers are based on the fees that your managers are charging on a quarterly basis. For William Blair, we were able to complete the transaction. From March 1st to March 30th, you will see the results of the CIT. We had savings, the fee went from 90 basis points all in to about 78 basis points plus the admin fee. We have significant savings there and you're seeing the fees that were paid to your managers. If you look at the investment return column, that is how your managers performed translated into dollar values. The only one that has negative results is Heitman but overall, very positive results for the quarter. The last piece that I have is on page 15, this is going to be a new page. Weston and I are trying to bring you a simplified version for us to go through and guide you into the items that need attention. This gives you an overall picture of how your portfolio is doing. If you look at that first column, all your managers, except for real estate, have positive results. Some of them were lagging their benchmarks, one of them is emerald, growth was very strong. What they do is protect a lot of the value when the index is underperforming. When the market goes up significantly, they don't capture all the growth, but if you look at long-term performance, they're doing great. The other manager that is underperforming your benchmark is Heitman, but, versus peers over the short term, there's nothing that we need to focus on.

Mr. Lewis said this is what makes the page with the pie chart so important, where are we versus our targets? If you went down and you looked at the broad composites and you said, 'how is our domestic equity doing versus its benchmark', It's outperforming. International equity is right on top of its benchmark. Domestic fixed income is outperforming, real estate is outperforming, but our total fund is behind the index. The index every quarter, perfectly and with 0 transaction costs, rebalances. In the real world, we don't have that opportunity, there are costs to pay when you rebalance. Typically, when you all rebalance, in what we think is the most efficient way for public plans, you let flows rebalance the portfolio. When you all need to make benefit payments, you all then raise assets from where you're most overweight and that's how you rebalance. I'll just mention that everything's working as it should, but sometimes that index is hard to beat. We break it out in terms of attributions, and we want to see

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that amount coming from what we call the asset allocation effect to be effectively zeroed out. Whereas over the last three years it's negative, over time it has had a smaller effect, and we want to see most of the managers adding value over and above their benchmark, like they're doing now.

Mrs. Cardenales said in this case the managers that added most to your relative performance were your international equity managers. So again, a lot of it is driven by exchange rates and the work that they did.

Comm Broderick said we have separate segments of managers that are managing specific portfolios and I'm assuming you go through an annual review of their performance. Who and how is the decision made to change out a management team?

Mr. Lewis said If there is an issue, we'll bring it here in front of this board and the process is you all would ultimately decide. We would come with recommendations. All these managers go through a performance cycles to where they have great performance, and they have challenge performance. We're seeing it right now with one of your managers, Ceredex, the small cap value manager. If we looked at them a year ago, you would have looked and said their performance is terrible. Then they got through a little stretch to where they had a couple of great quarters and some great stock selection. We don't want to get in this game of performance chasing, where we fire a manager at the bottom of that cycle and then hire a manager at the top of their cycle only to realize the bad performance after we've hired. You all have been one of our most successful public fund clients and Callen works with a lot of them. One of the secrets of your success is that you've stuck with the managers over a longer-term time frame. That doesn't mean you haven't terminated some, we just terminated 1 not too long ago, but we try to encourage you all to the fire for the right reasons. A lot of times it's personnel, in the case of the emerging markets fund that you just terminated, it wasn't so much just performance, it was the fit. They weren't offering a differentiated value-oriented return stream, and we felt like there would be a better manager to do that. Getting back to the process, we would come forward and say it's time to part ways. We'll start a search and then we'll make the replacement unless it warrants immediate attention. For example, if another firm came in and lifted out an entire team from your bond managers and there was no one left to operate the firm, we'd say let's terminate and shift it to an index fund until we can find a new manager. This can be outside of a regular meeting, those situations are very rare thankfully, but that's what we would do.

Mr. Stephens said they used to give us this chart, and it goes back 20 years. It is awesome to see, and it helps you appreciate the managers. It doesn't matter how good they are if it's their time in the barrel, it's their time. It goes back to 'what have you done for me lately'? You might be here and then next year you're here. That chart is awesome.

Mrs. Cardenales said we'll bring it to you next quarter.

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Mrs. Mika said didn't we have, not so long, when we reviewed the money managers, we had 'adjusted their fees'?

Mr. Lewis said yeah, most years we'll revisit that. We'll reach out to the managers and figure out if there is a lower fee share class or if there is a cheaper way to access this very same fund. They do create new products over time and in this case, William Blair had created a cheaper product, so it saved you in dollar terms, like \$40,000 or something.

Mrs. Cardenales said when we look at a given manager, Weston and I talk about people, process, philosophy, and performance. On the investment policy statement, you have very specific items that you review on you managers, which is what we reflect on page 13. This is over the long term and on a net-of-fee basis. If you look at page 15, that is mostly gross of fee returns. When we look at the report, there's a page in there that includes all your net results, and we evaluate your managers on a net-of-fee basis. If you look at your total fund, your objective is to outperform the CPI plus 5% over the long term. When we talk about the long term, we typically talk about the 10-year cycle. Currently on a net-of-fee basis, it is underperforming. We know that inflation has been very high. That number has been moving up over the long term, so it's not a significant underperformance, about 7.14% for the last 10 years and the CPI +5 is 7.64%. Even though you are slightly behind your index, it's nothing to be concerned about. Weston talked about how your total plan benchmark works and versus peers you're performing very well, you are on the 42nd percentile versus your peers over the 10-year period. Even though the main goal over the last three years hasn't been met, you still have very positive results versus your peers. You're going to see a lot of 'not met', but it's going to be relative to your peers. Emerald achieved their performance metric over the last three years, but not versus peers. Similar story with Ceredex, William Blair and Richmond, over the last three years they're outperforming their benchmark based on the criteria that you have given them, but versus peers, they're still lagging. Some of them are very close to that medium, but we must report them as 'not achieving'. Based on people, performance, process, and philosophy, we don't have any concerns with any of your managers. Morgan Stanley is your developed markets manager; they are not achieving their results over the long term. Short-term performance has been very positive and it's eroding some of the losses that they've had over the last several years, but they are still lagging. Good questions for you to ask 'what's been driving the negative results over the last three years. Causeway is your emerging managers emerging manager, they just reached that three-year milestone with you and the performance has been a little bit disappointing on a relative basis. If we think over the short term, their performance has been improving a little bit over the last quarter. It would be a good opportunity for you to ask them what has happened over the last three years. We understand that there has been an issue with China and there's a significant allocation from the index relative to China, but what else has been dragging performance and what other opportunities are they finding in the emerging markets to improve that. Other than that, we don't have any other concerns with any of your managers at this point.

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Mr. David Bernard said nice to see you all, for those who I haven't met, my name is David Bernard. I'm a portfolio specialist on the international equity team at Morgan Stanley Investment Management. Been with the firm since 2008 and I'm responsible for our client relationships in the US and Canada. I'll start with the team, just a brief update on Page 3. No additions or departures in the past year, but we did have a few promotions to highlight. Firstly, Anton Kryachok was promoted to executive director and portfolio manager from research analyst So, continued development and taking that next step on the team. Two of our research analysts, Helena Miles, and Fei Teng, were both promoted to vice president, developing the more junior members of the team. On page four and five, just a very brief reminder on what we're doing in the international equity strategy. Our goal is to outperform in the long term by investing in two types of companies: high quality compounders and value opportunities. High quality compounders are companies that we believe can steadily and somewhat predictably grow their intrinsic value over the long term through a combination of high returns on operating capital employed, pricing power, recurring revenues, typically stable earnings and then we're complementing that with value opportunities. So, companies that may be more cyclical, we're not investing in deep value, we still need to see a path to improving returns, whether that is the economic cycle or management actions, we do need to see some path to realizing that value. Importantly, the balance between the quality compounders and the value opportunities. It's not a top-down allocation decision. It's all driven by our bottom-up fundamental analysis on a stock-by-stock basis where we're seeing opportunities. Given the greater risk with investing in value opportunities, we do require a greater margin of safety from a price perspective to shift more aggressively into those types of companies. Historically this portfolio generates an asymmetric return profile, and we tend to generate the bulk of our outperformance in down markets. That core of quality provides resilient earnings and outperformance when the market falls, where we may look more ordinary in very strong-up markets. By protecting capital and down markets, the chart on the right shows the compounding effects on a dollar basis. Since inception of the strategy in 1986, we've compounded that 10% compared to 5.8% for the index. What that translates to from a dollar perspective, is just about 34 times your money compared to 7 1/2 times if you in the index. We're losing less money in down markets; you're getting the compounding effects of that return profile. Flipping ahead to page 9 into performance over the past year. Q1 has been a strong start to the year. The portfolio is up 10.96% on a net-of-fee basis compared to the MSI EFA Index which is up 8.4%, 250 basis points of excess returns. On the one-year period since we last spoke: pleased to see we have seen a strong relative performance. MSCI EFA index was down 1.38% over that period. The portfolio was up 2.35% net of fees, 373 basis points of outperformance in the past year. Still crawling back some of the underperformance we talked about last year. You see that reflected in the three-year number. We're still behind about 100 basis points. If you think about that period, the three years ending March 31st, 2023, that really starts of March 30th, 2020. It was in that sharp rally coming out of the COVID recovery where we did lag but pleased to see the portfolio starting to recover some of that underperformance over the past year. On page 10, the attribution, sort of drove the outperformance over the last year, is a split between stock selection and sector allocation. The two key columns here are the second and third

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from the right, and the bottom sums it up in bold, 181 basis points of stock selection and 163 basis points from sector allocation. From the sector standpoint, what helped us were the overweight consumer staples, the 0 weighting in real estate, the underweight in materials and the underweight in healthcare, all positive contributors. There was more than enough to offset what hurt us, which was the underweight in energy, which was the best performing sector over the past year and the underrated consumer discretionary, which rallied strongly in the last six months or so. From a stock selection standpoint, the positives were widespread. You see consumer staples at the top of that column, it's good to see the strong selection in consumer staples. last year, that was the single biggest area of underperformance. A lot of the companies that we held through that period are starting to deliver and a lot of it's due to the reopening, particularly across Asia. Some of our beverage companies, Carlsberg for example, absolute contributors as well, which have a strong presence in Asia benefiting from that region reopening from the COVID shutdown. Financials, also an area of strong stock selection for us, were underway banks in the portfolio. That helped in Q1 with the terminal in the banking sector, we prefer insurers, exchanges at this point in the cycle. Industrials, they're sort of driven by that reopening theme as well. Safran, for example, is a top contributor. They generate a lot of recurrent revenues from servicing airplanes as those are flying more, getting back in the air, there's expected recovery in Safran. The other big contributor within industrials, Thales. They are French aerospace and defense companies. One of the unfortunate beneficiaries of Russia's invasion in Ukraine was that there's expectations for higher defense spending across Europe. Thales is a perceived beneficiary of that spending. Tech, another area of strong performance from a selection. SAP was the biggest contributor there. Enterprise resource software, they've been going through a transition to be more cloud oriented, generating more subscription recurring revenues. That led to an initial deferment of revenues, but now that subscription revenues are starting to come through, the stocks were covered nicely. We think that transition makes the higher quality company move forward. Discretionary, also strong performance there, LVMH and Montclair to luxury brands. Again, it was really Q4 and Q1 with China reopening, when those stocks performed. The negatives from a selection standpoint, energy, you see minus 45 basis points of selection within energy. That was primarily down to Tourmaline, which is a Canadian natural gas company. Warmer weather over the winter hurt, we continue to own Tourmaline, we think it's a good long term. Healthcare was the single biggest weakness from a selection standpoint. A few issues there, you see on the on the left-hand side with the top detractors. Roche Pharmaceutical Company was down to some pipeline disappointments, we continue to own the company. Fresenius and Grifols, healthcare companies that we exited. Grifols as a plasma collection business that suffered delayed collections throughout COVID, depressed earnings left it with a high level of leverage we weren't comfortable with. Fresenius getting squeezed from a cost perspective with the costs of nurses, they're losing pricing power. They have a generic injectable business called Kabi, which involved lost confidence in management. On page 11, movements in the portfolio, this will just take two hours to go through all these names. I'll give you a high-level summary. From a sector standpoint, what we did was trimmed healthcare and consumer staples, names that held up relatively well last year and we added to industrials, IT, and energy. As you think about that split

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between value and compounders, we haven't really shifted aggressively into value opportunities yet. We're still 58% in high quality compounders. We don't think it's time in the cycle to be more aggressive. The one area where we did start to pick up some value-opportunities, is in semiconductors. We think semis is an area where earnings expectations are depressed, Valuations are cheap, so we did add to some of our semi names. On page 12, the sector rankings, they've shuffled a bit since we last spoke, most notably, consumer staples, no longer the largest sector, that's been overtaken by industrials. IT is now the largest overweight on a relative basis and we're underweight healthcare, which we had previously been overweight for several years. I think the key point here is when we do make that shift into value opportunities, you're likely to see more additions to materials, banks, but we're sort of holding our fire to invest later in those areas. Top 10 on page 13 a few new additions here. Samsung and TSMC both on that semiconductor theme, attractive prices there and Deutsche Post and RELX, more on the high-quality compounder side. Deutsche Post is DHL, so parcels, logistics, delivery. RELX as databases, legal and scientific databases for RELX. On 14, the geographic exposure, no major shifts. We focus on the pie chart on the right, which is the revenue exposure and still getting about 32% of our revenues from emerging markets with just 7% direct EM. We're investing in high quality developed companies that are selling into emerging markets. On page 20, our outlook does remain cautious. In our view, the market is pricing in an optimistic scenario. Over the last six months, we had a multiple rerating and it's now about 15% above long-term averages. That's for MSCI world, so equity markets globally. One bright spot within that is EFA, where valuations remain at about 30% discount to the U.S., compared to the long-term average around 12%. We do see less valuation risk in EFA moving forward. Certainly, there has been good news that's helped markets over the last six months. We had the warm winter, China reopening and you're starting to see some disinflation in goods prices, although wage pressure does remain. Our view is that despite the good news over the winter and the markets' positive reaction, there's still a lot of uncertainty. Central banks are slowing economies to deal with inflation. You had a rapid increase in rates that's still being fully felt by the economy and as we look at expected growth rates, we're seeing next year's growth rates start to fall. In our view, the sort of economic reckoning may not have been avoided it may have been deferred. Earnings are at risk both from that slowdown in the economy and from margin normalization, so margins are at record highs, they start to creep down a little bit, but still above long-term averages. Even if we don't get an economic recession, we could still have an earnings recession and still earnings fall despite no economic. In that scenario, what gives us some relative comps about our portfolio Is that 58% skewed to high quality compounders. Those companies with pricing power should be able to maintain their gross margins, their recurring revenues should be able to protect their top line. That combination, historically, has proven to have resilient earnings growth and where the strategy has really performed on a relative basis is when earnings in the market fall. On 18, we show this portfolio's relative performance in different earnings scenarios. In the quarters when earnings are up, we've lagged a bit by 50 basis points. When earnings fall from zero to 5%, we've outperformed on average by 50 basis points in that sort of quarter. When they really fell over 5%, we've outperformed on average by 230 basis points. If we do get a fall in earnings, that's the point where the resiliency of

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the compounder should really stand out and that's when you can expect us to shift more aggressively into the value opportunities.

Mrs. Cardenales said I have a question. I know that you talked about semiconductors, currently they're offshore. There's been a lot of conversations about bringing them new shoring or bringing that production back to the U.S. Also, currency impact, the dollar was very strong last year, now it's less aggressive. What are your thoughts.

Mr. Bernard said currencies, particularly short term, are one of the hardest things to predict. The way we sort of manage currencies; we want to ensure that we have a diversified pool of revenues, of cash flows. In the short term you will get impact from a currency basis, but our view is in the longer term, they should balance themselves out. We don't think we have a consistent repeatable way to predict currency movements. I will say that in certain companies, where you have a lot of EM revenue exposure and currencies are a persistent headwind to performance, when we model those companies in our DCF and come to a target price, we will look at the impact of currency over the last 10 to 15 years. Typically, maybe 1 or 2% annually and we'll build that into our model and account for it as we're looking at a stock perspective. We do have the ability to hedge currency in this portfolio, but we rarely do it. We haven't done it in several years at this point, 5-6 years or so. On semiconductors, it's sort of a long-term trend and a geopolitical issue with the US. I would say our biggest position in Senate Congress is TSMC, Taiwan Semiconductor, which is maybe the most important unique strategic asset in the world. They have a leading position in the cutting-edge semiconductors, it's basically impossible from a CapEx perspective for any of their competitors to catch up at this point. We think TSMC is going to remain in that leading position. They're one of the companies that are investing in the US, they've announced a big plant in Phoenix Arizona. Our expectation is that they're not going to move their cutting-edge production into the US. Part of the security of Taiwan as a nation is the presence of TSMC and the realization that the developed world, the West, and US really needs those chips to build so many components within our phones, our cars, and almost everything. We expect to see some continued investment in the US, but TSMC and Taiwan to strategically keep their leading cutting edge foundry capabilities in Taiwan. We appreciate the time and the continued support and please feel free to get in touch with any questions.

Mr. Taylor Alan Lee said thank you for having me in today. My name is Taylor Allen Lee. I'm a relationship manager at Causeway Capital. We manage an emerging markets equity portfolio for the City of Fort Pierce. I'm excited to speak with you all today, I'll plan to provide an update on our firm, the process we use to invest the assets on behalf of your participants, and then go into the portfolio performance as well as positioning and outlook. Before I start with that agenda, I want to provide background on the investment. You invested with Causeway in August 2019, some of the benefits of investing in emerging markets that you're seeking are like what we see from our other clients. One benefit is exposure to countries that are growing faster than some of the developed market countries. If you look at the growth forecast for 2023 as an example, emerging market countries on average are expected to grow at 3.9%, that's a real

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growth after accounting for inflation. Developed markets are expected to grow around 1.9% or in that range. There is the ability to have exposure to faster growing countries. Another benefit is the global exposure that you get through emerging markets. Emerging markets are a broad universe, it's heterogeneous, there's lots of different countries in it. Incredibly, 80% of the population of the world lives in emerging market countries and emerging market countries have driven about 80% of GDP growth in recent years. That's a sizable portion of the global footprint that you can gain exposure to through an emerging markets equity allocation. A Third Point that I always mentioned is the diversification benefit. The factors that drive emerging markets and the performance of the companies in those areas can be different from the factors driving the performance of US equities or European equities. To have that diversification in the portfolio is something that our clients are seeking when they invest in emerging markets. Quick background on Causeway, I'll start off with three points I'd like to share on page 3 of the presentation. First, is that we exclusively manage global equities, and we have 43 billion in assets under management. Of that 43, 12 billion invested with public plans like you all, we do coordinate and work with your peers. Second, we have an experienced investment team. Our average portfolio manager has been with Causeway for 18 years, which means that we've managed client assets through different investment cycles. We think that experience helps us make better decisions on behalf of our clients. The Third Point is that we integrate fundamental and quantitative research into everything we do. The strategy that we manage on behalf of the City of Fort Pierce is primarily a quantitatively managed strategy. We also use our 28 fundamental research analysts to solicit input on specific companies within the portfolio, and I'll talk a little bit about the pros and cons of a quantitative approach. We think there are strengths and weaknesses, and the weaknesses can be bolstered by the fundamental input that we get from our colleagues.

I'll segue briefly into the process which is on page 11 of the presentation. Why a quantitative approach in emerging markets? First, it's a heterogeneous universe and it's got thousands of companies within it. We think that the breadth that a quantitative approach affords you is beneficial in such a broad, heterogeneous universe. It allows us to look systematically across a broad swath of different companies in different countries and look for the best opportunities. Second, we use value as the largest input in our process, by that I mean we're looking for stocks that are undervalued relative to what we think fair value is. We think value investing does lead to outperformance on behalf of clients over time. What we found is that value works best in emerging markets in combination with growth, momentum, and some other factors. If you're thinking about value investing, here's the fair price, here is where the price is currently. If you buy it here it could keep going down, that's catching the proverbial falling knife. Right? There are factors you can look at to try to avoid doing that and one of them as an example is price momentum. We're trying to avoid buying the stock when it's here and still going down, we're looking to try to buy the stock once it starts to exhibit some positive price momentum but is still below fair value. I think that speaks to the benefit of incorporating multiple factors within a process and a quantitative approach can do that. The third Point is that we recognize there are things that a quantitative model could miss, things like mergers and acquisitions, potential legal liability. That's where

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our fundamental researchers that provide input on the portfolio are very helpful. Every time we have a new list of positions that we're going to buy in the portfolio, we send that to our 28 fundamental researchers who cover all companies globally and we seek their input. They often do provide feedback on items, and then we can adjust the portfolio accordingly. That process has added to performance over time. The key aspects of our process here on page 11, so we talked about why we use a quantitative approach. First is that we combine alpha and risk, the quantitative approach allows us to forecast alpha for a stock, what we think the stock is going to deliver in terms of performance and how much risk we think that stock is going to bring to the portfolio. We think risk control is very important in emerging markets. We talked about the higher growth that these countries can offer. There also tends to be higher volatility and higher risk within emerging markets. Having a risk-controlled framework in the portfolio is very important. Secondly, we use 75% bottom-up factors and 25% top down. Is the stock trading below its fair value, does it have growth expectations according to analyst forecast, is the share price moving in a positive direction? Those are the types of bottom-up factors we look at. We also look at top-down factors and that's 25% weight. That includes things like what is the growth the GDP growth of the country that this this company is domiciled in, what is inflation in the country, what are interest rate levels. We think that's particularly important in emerging markets. If you look at the discrepancy between the top performing emerging market country and the bottom, that gap tends to be about two times the gap within developed markets. Which country a particular company is in can make a big difference within emerging markets, and we try to account for that in our process by having a 25% weight based on more macroeconomic and country type of factors. Third Point I mentioned is that the fundamental feedback, which is a critical part of our process, it is more of a governor as opposed to an accelerator. We don't increase the size of a position based on feedback from fundamental researchers, but we can decrease or eliminate a position completely if they have concerns about a specific company. What is that translated to in terms of the portfolio? On Page 12 of the presentation, you'll see the output, the characteristics are on the bottom, and I think the characteristics highlight the aspects of the process. You look on a price-to-earnings basis, one measure of value, there's portfolios trading at a discount relative to the index. Then you look at return on equity, which is a metric measure of quality, and the portfolio is higher quality than the index overall, while also exhibiting positive momentum relative to the emerging markets index. We think those things in combination are the types of exposures we're looking for in the portfolio and are an explicit output of our process. Turning to page 13, where we have performance. From a performance perspective I know we've managed assets on behalf of the plan for about 3 1/2 years. We've underperformed your expectations and our expectations by about 70 basis points or .7% net-of -fees. We seek to outperform the benchmark net-of-fees over a three-year time frame. One piece of good news is that performance recently has rebounded. On a year-to-date basis, looking through yesterday the portfolios returned 5.3% compared to 2.8% for the index. We have seen a rebound and some positive momentum in performance recently. On page 16 of the presentation is where we have our country overweights and underweights. A few positions I wanted to highlight here, first is the China overweight, it's the largest overweight we have in the portfolio. We have not always been overweight China. In

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fact, Chinese stocks did very well coming out of COVID as the Chinese economy was bouncing back more quickly than some others in the world. We are underweight Chinese stocks after that because the Chinese stocks had done very well. They looked relatively expensive after that strong rebound and so we were underweight Chinese stocks for much of 2022. Then we moved to an overweight position because China went from opening more quickly than other countries to staying closed as other countries opened with effective vaccines. The vaccines in China have not been as effective, they had the 0 COVID policy, which many of you may be familiar with. As a result, Chinese stocks lagged during part of 2022 and valuation started to look more attractive. We increased exposure to China and now have an overweight there. That's been a contributor to performance as some of those COVID policies have been eased and growth within China has been stronger. One thing that's interesting too, we've started to see small cap stocks do better. Typically, when you see a rebound in a country's stock market, it's often led by the larger CAP companies. Those are the ones that most people are aware of. If you're looking to quickly gain exposure to China, that's the first place to do it. What happens is as you see the rebounds start to spread out and become broad-based, you often see some of the smaller cap companies perform well and that's particularly important for our process. We found that historically the smaller cap portion of the universe or smaller companies, is where we've generated some of the best alpha within the portfolio. That brings me to the last slide that I wanted to touch on when we talk about Outlook, which is Page 24 of the presentation. What we're showing here is the market cap exposure of the portfolio in blue and the index in yellow. You'll see on the far right the smaller cap exposure. The portfolio's exposure to the smallest quintile of stock is 20% compared to 6% for the index. That's one of the higher exposures to small caps that we've had, and it reflects some of the bottom-up opportunities that we're seeing in the smaller CAP segment. I think that builds well for performance looking forward given the small cap universe in is an area where, when we've identified opportunities there, it's often led to strong performance. We continue to think the outlook for emerging markets more generally is attractive. We've seen the Fed potentially pausing their rate hiking cycle. The strength of the US dollar that we've seen is unlikely to persist to the same degree that provides a more favorable backdrop for mortgage emerging markets more broadly. Then for the Causeway portfolio specifically, we are continuing to identify attractive opportunities, particularly within the smaller CAP segment of the market that's contributed to outperformance year to date, and we believe will continue to lead to outperformance looking forward.

Mr. Walker said Madam chair, with your permission, I'd like to ask a question. Regarding your Chinese assets, my thoughts is that you seem to be a little optimistic there, yet one reads about the property sector, demographics, public debt, geopolitical uncertainty, and the term de-risking. One gets the sense for this rebound as if it may be faltering. My question is what you are saying is the return prospects there and what is the dollar value from current Chinese holdings and what do you see as the future movement?

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Mr. Lee said thank you for those questions. In terms of some of the challenges facing China, I don't disagree with any of that. I would say your point about the property sector, we don't have exposure to the real estate within our Chinese holdings, we also don't see value there. When you look at what's been driving our China performance within the portfolio, it's been primarily stock selection. Chinese equities, in the past four months, have underperformed after a strong fourth quarter last year. The primary driver of our performance has been our ability to identify stocks that have more attractive value characteristics as well as growth characteristics. The second point I would make about the outlook going forward is that to the extent that we see a rebound that progresses into this year and to the extent that we see fair value exceed what we believe the fair value to be for these companies, we will reduce the position. We've been dynamic in our exposure over time, and I mentioned we have periods where we are underweight before we move to an overweight position. I wouldn't be surprised if Chinese stocks do well as we progress into the year if we move towards an underweight position as they start to look more attractive. We'll continue to follow our process, focusing on identifying positive stock selection opportunities and that's been contributing to performance so far this year.

Mr. Walker said what is the current size of your China asset class?

Mr. Lee said the China exposure in the portfolio is on page 16 of the presentation. It's 37% of the portfolio and it's 32.7% of the index. It's a large component of the index as well as within our portfolio. Thanks for the opportunity to speak with you all and thanks for the confidence you placed in Causeway.

Mr. Paul Lundmark said good afternoon, everyone. I am Paul Lundmark, with Richmond Capital Management. First off, I would like to thank you all for 33 years of business with Richmond Capital Management. You are one of our longest accounts and it's been a real honor getting to know the trustees throughout the years and we appreciate being part of the investment team for you guys. Going into the chart here that shows the consumer price index. As you can see here back in 2021, inflation started going up sky high. The CPI peaked in June of 2022 at 9.1%, it has started to come down. With the Fed target of 2%, in April the CPI was 5.5% and the core was 4.9%, it has come down however it is still above 2%. Over the past 14 months the Fed has raised the overnight rates 10 times to 5 ¼ %. That is the highest it has been in 15 years; I've been in the business for 15 years and I thought 1994 was a bad year. Last year was not a good year for performance-wise when you look at fixed income. Inflation was increasing in 2021 and the Fed kept saying it was transitory, they realized a year later it wasn't. I think right now, 525 is where it's at, that's the upper range of the bounds as far as the Fed funds. You are seeing that the Fed funds are up where inflation is. I think that right now we are at a pause, the Fed has made a very rapid increase over the past 14 months. I think what they are probably going to look at is how the market is going to react to what they have done. The market is still doing well, employment is strong, it's the lowest unemployment rate since 1969. Wage growth is still 4.4% year over year. There are definite influences that will keep inflation above 2% for a while. Investors are anticipating the Fed to cut rates later in the year, 100

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basis points, I just don't see that right now given where the current economy is. If they increase, they may do 25 basis points, I think we are getting near the end here, if not the end. What the Fed is really focusing on is bank lending, we've had four very significant banks go under. Because of the rapid increase we saw a lot of hidden issues because of the banks that did very well in 2020-2021 but suddenly with rates going up you saw a lot of issues. I am the bank analyst at Richmond Capital, and we do own banks, but we did not own any of the banks that went under. We do our research at Richmond Capital; we focus on the banks a lot and I think we have come through very well. You can see the consequences of the Fed's increasing; yields have gone up since December of 2021. The yield for the Bloomberg Aggregate, which is the index that you are compared to. The yields are the highest that they have been since June 30 of 2009. If you go to the next page, with fixed income the return is going to come from the interest in the reinvestment of that interest. We have made 75 million dollars in the interest that you've received and the reinvestment for that interest. If you look at the portfolio duration versus the benchmark, we call it duration neutral. Our sensitivity to the benchmark is, we were short duration because we felt rates were rising. However, it's so difficult to know the course of interest rates over time. You may be able to get it right for a while, but no one has been consistently correct. Right now, we feel we can add value through our allocation, overweighting and underweighting different sectors in the fixed income market, and security selection. We are neutral on the yield curve; we've taken those two off the table at the time because of where the level of rates is. We feel going forward for the remaining of 2023 we are going to focus on underweighting, overweighting certain sectors in our security selection. Yield to maturity of the portfolio, 475. I am a lot more excited at 475, than I was December of 2021 when your portfolio was yielding at 1½ % because I know your actuarial assumptions. We are always considered the conservative asset class, but I think at 475 now we add some real value to the overall portfolio. For April, the portfolio returned 64 basis points and the aggregate returned 61. Year to date we outperformed the index by 17. Corporates have outperformed year-to-date, and we did not own any silicon banks. They were niche banks and being the bank analyst, I never felt comfortable owning one. We had a big underweight in mortgages 2021, we were like 15% underweight the index. As yields and mortgages have gone up, we are neutral in our mortgage sector weighting versus the benchmark. Over 5 years, we've overweighted corporates, underweighted mortgages, we overweighted AAA CMBS, and we underweighted the 2-3-year part of the treasury curve. Since inception, if you look at the value added on a gross basis, we've outperformed by 50 points in everything. Short term rates, which are influenced by the Fed's, are higher than the long maturity treasuries. That is because the market thinks that there is going to be a slowdown later this year. Whether it's a shallow recession or a deeper recession, don't know yet for sure. Given where economic numbers have been, if we do have a slowdown more and more people are thinking it's going to be shallow. Where we feel we add value is in corporate bonds. The main thing to get from this page is that we are always going to be overweight corporate. There may be times where they underperform but we feel the additional yield that we get over treasuries, keeping the portfolio diversified, and being able to pick the right credits, which I think we have done over time, will add value. This shows that we have the discipline to add when we see spreads widen, and when

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spreads tighten, we will take off the overweight. This shows the duration contribution overweight to the index, and we've been as high as 1.1 years. We go down when spreads tighten to .7, which we did in 2021. Now we've kept it around 1 year to 1.1-year overweight. The Agency MBS shows what the yield is on the mortgage-backed securities, the current coupon versus the ten-year treasury. In May of 2021, spreads were very tight to treasury, we just didn't see any value. As spreads started to widen out, we took our overweight off and we have a 3% overweight in mortgages right now. We have 49 ½ % in corporates in the portfolio, that represents 100 different corporate credits, very well diversified. You gave us, in the past few years, the ability to invest in BBB. Half of the index now, if you just look at corporates, they are BBB. You gave us the ability to invest up to 20%, we are currently at 17.7%. That represents 40 different names, that's Capital One, Anheuser-Busch, CSX, CVS, General Mills, Kellogg's, McDonalds, AT&T, Verizon. Very well recognized names, solid companies. That represents 40 credits, so we are very well diversified in our BBB exposure. As far as our strategy, the yield of maturity is the highest it's been since June 30th of 2009, I love that. There is volatility in the corporate market, so we have looked at opportunities, we bought Schwab, and US Bancorp. In sympathy with what the banks are doing, other corporates widened out and we were able to buy Becton Dickinson, Campbell Soup, EOG Resources, Kraft Heinz, and Phillips 66, at very attractive levels. Our strategy for the rest of the year is going to be focused on overweight, underweight and security selection. We are going to be duration natural and our exposure in the yield curve is going to be natural to the benchmark.

Mr. Cliff Kalish said I'm Cliff Kalish, the relationship manager for William Blair. I have Emily George on the line from our investment team, I wanted to have somebody on the line from the investment team because as we all know, last year was a very difficult year regardless of asset class or where you invested in. As an international equity growth manager, last year was a very difficult environment for us. Our assets as a firm went down from 78 billion at the end of 2021 to about 52. We were positive from a cash flow perspective from a net cash flow. Our assets are back up to about 63 billion, we've had a nice rebound. The strategy that we're partnered with you in in international growth is up about 10% year to date through last night. We're about 2 ½% ahead of the benchmark, so that's good. I tell you all that because last year was difficult. We are thankful that you stuck in there with us and this year we've seen a nice rebound. We have been invested since 2003 in the mutual fund, we have a CIT vehicle, which is a commingled fund. At the end of February, we moved the Fort Pierce assets to that, which is about 20 basis points cheaper. It's a big fee reduction, very happy to tell you about that. No changes to our firm, philosophy, process, team, nothing. Unless there's questions for me to turn over to Emily, so we can talk about last year, this year and what we're looking for going forward.

Mrs. Emily George said I thought it to be helpful to maybe walk through 2022, what our outlook was at the time and how that sort of evolved. Highlights some things that we got wrong during the year and certainly how we adjusted. As Chris mentioned it was one of the more difficult years that we've experienced. Heading into the year we believed inflation was transitory, as opposed to structural, but there's certainly a lot of

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pent-up demand that was going to be unleashed because of the end of COVID lockdown, and that demand has really being met by significant disrupts within global supply chains. We certainly underestimated just how quickly and hawkish the Fed would be about raising interest rates and certainly how the market then reacted as well just in terms of the shift in value. January alone, the very hawkish Fed and concerns over rising inflation certainly drove that sharp style rotation into lower value securities and multiple contraction, especially for longer duration assets which is a significant portion of our portfolio. It was one of the more significant style hydrants that we experienced in over a decade and that was just in the first couple of weeks essentially of January alone. The other part I would say that we got wrong in 2022 or heading into 2022 was our outlook on Europe. We were bullish on Europe, we thought that heading into 2022 European countries were behind the pre pandemic output trajectory. There's a significant amount of scope for strong growth through March of 2020, especially compared to the US. Obviously, the Russian invasion into Ukraine, which sent a significant shock into the economy in terms of gas prices and certainly into European gas prices, pretty much pampered the outlook for Europe. In March we really addressed our outlook based on new thought process around inflation and growth in Europe. What we did was a repositioning exercise in terms of rebalancing some of the growth in the portfolio. While the core of what we do certainly remains the same, we're going to continue looking for companies with strong and long durable competitive advantages and that very high-quality element for all our companies. We did recognize that going forward, much more breadth in the market and that the dynamics of market leadership would be changing. There is no longer going to be the period that we've experienced since the global financial crisis, where growth at any price or quality at any price will be able to look in the market. We wanted to bring a little bit more balance in terms of growth across the portfolio. Starting in March, but really through 2022, we did exit some of our longer duration holdings. Companies certainly with less proven business models. These are oftentimes smaller companies that were often pre profit, but high double digit top line growth and the thesis was around the under appreciation of this growth. We did exit a few of those securities, conversely, we broadened out some of the growth in this portfolio in favor of companies that exhibit higher levels of fundamental stability and better near-term visibility. Companies that would certainly benefit from things like talking acquisitions, share buybacks and operational improvements. This type of durability was just what we were looking for to generate returns in this portfolio. This did help us offset some of the headwinds that continued to persist even past January throughout most of 2022. What does that mean from a positioning standpoint, from a traditional sector and regional standpoint? A little bit more breath from a sector perspective, more financials than we've traditionally had in the past, more staples as well. We added, from the regional standpoint, we reduced some of our European exposure where we thought they were certainly at a higher risk. We added to areas like Latin America where we haven't been for quite some time. It's still about 3% of this portfolio, but just a few new securities there. That's what we are referring to in terms of broadening out the growth. More diversification than what we've traditionally had and what's been successful since the global financial crisis. We really do think that this is going to be a trend going forward and the severity of the headwinds that we experienced in 2022 is not going to be as significant. We would

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expect a lot more breadth in the marketplace. I think this repositioning has really helped us as we've head into 2023. We're off to a very strong, solid start from both an absolute perspective and a relative perspective. We're currently up about 2% in this portfolio. While I mentioned that did add a little bit to financials last year to broaden out the portfolio and certainly some of the volatility around regional banks and some of the larger financial institutions both in Europe and we did trim back some of our position sizes there. As an international portfolio manager, there are no US regional within this portfolio. Overall, just very strong stock selection really across sectors and regions. Within industrials, very broad positive stock selection. Our discretionary stocks within more retail dominated areas are certainly benefiting as well, really based off China's announcement of reopening. Very strong travels for the Chinese region overall, but also luxury retailers within Europe where the Chinese market is certainly a large customer. Several of our luxury retail names have done very, just the market reacting to that China reopening announcement. I think the repositioning was very helpful last year, certainly just in terms of balancing some of the growth and even evaluation in this portfolio. We're off to a solid start and we think this is going to continue for the foreseeable future, as this environment is certainly going to be a little bit more balanced and less hyper growth than what we've seen in the past.

ITEM NO. 9 ~ CONSENT AGENDA

Mrs. Mika said next, Consent Agenda

A motion was made by Comm. Gaines and seconded by Mrs. Rydzewski All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

ITEM NO. 10 ~ CONSIDERATION OF ABSENCES

Mrs. Mika said next, consideration of absences.

Mrs. Morris said I move that we accept the absence of Kyle McCarthy

A motion was made by Mrs. Morris and seconded by Comm. Gaines All those in favor of the motion signified by saying aye. There was no opposition, and the motion was carried unanimously.

ITEM NO. 11 ~ BOARD MEMBER COMMENTS

Mrs. Mika said are there any board member comments?

Comm. Broderick said I will be having surgery prior to next month's meeting; I do not know if I will be in attendance.

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Mrs. Morris said it is more than likely we will not have a June meeting because of absences. I will be away at a conference and Keith won't be here for the same reason.

ITEM NO. 13 ~ ADJOURMENT

Seeing that there were no further questions or comments. Mrs. Mika adjourned the meeting at 4.11 pm.

ATTEST:

Secretary/Treasurer

Chairperson

Note: These minutes are not verbatim, only important issues and motions are reproduced in writing for the benefit of the Fort Pierce Retirement and Benefit System members. The recording itself is the official record for the meeting. The meeting tape/cd is available.