

INVESTMENT COMMITTEE MEETING MINUTES

FIRST FLOOR CONFERENCE ROOM
(FAIRCHILD TROPICAL BOARD ROOM)
427 BILTMORE WAY
CORAL GABLES, FL 33134
WEDNESDAY, MARCH 12, 2025
10:00 A.M.

Join Zoom Meeting

<https://coralgables.zoom.us/j/6237034803?omn=83234803719>

Meeting ID: 623 703 4803

Call in number: 305-461-6769

COMMITTEE MEMBERS

INVESTMENT COMMITTEE CHAIRPERSON
PARTICIPANT RETIREMENT BOARD MEMBERS

DIANA GOMEZ
TROY EASLEY
JOSHUA NUNEZ

COMMISSION-APPOINTED BOARD MEMBER

SEAN MCGROVER

RETIREMENT BOARD MEMBERS

ALEX MANTECON
SUREYA SERRET
MANNY CARRENO

STAFF:

Kimberly Groome, Finance Administrative Specialist
Edemir Estrada, Gabriel Roeder Smith

Mr. Easley called the meeting to order at 10:00 a.m. Ms. Serret and Mr. McGrover attended the meeting in person and Mr. Carreno attended via Zoom. Ms. Gomez, Mr. Nunez and Mr. Mantecon were excused.

1. Presentation by Affiliated Housing Impact Fund II, LP

Mr. Nick Rojo (President & Co-Founder) and Jeff Burns (CEO & Co-Founder) introduced themselves to the Investment Committee on behalf of Affiliated Development/Affiliated Housing Impact Fund, a continuation of their original strategy, which is to develop, own and operate mixed income workforce housing in the state of Florida. They're able to accomplish that by working with cities, counties, municipal government and the State.

Affiliated Development is targeting a \$200 million raise. Good news is they've already raised \$40 million from four other public plans, three of them are repeat investors, one is a new investor and they are going to get to their first closing probably at the end of the month. The return parameters and investment criteria are all the same as Fund I, in fact, the documents are pretty much exactly the same. The terms are exactly the same. This is literally just a continuation of what they've done with Fund I. On Fund I so far to date they've experienced a 20% net IRR to their investors, their final closing was in December of 2021.

Mr. Rojo spoke about their project called The Grand in West Palm Beach; they built 309 apartments in downtown West Palm Beach. Most developers, regardless of how good the strategy was, had to call capital because they didn't reserve enough interest in their construction loan and reserves. Affiliated Development completed on time and on budget, ahead of schedule, and they leased up all 309 units and occupied them in six months. They did not have to call capital. That project performed very, very well.

They have performed during fluctuations in the market and what they feel the strategy does is insulates their investors from this kind of volatility by the fact that their rents are below market. They have a built-in competitive advantage because they're able to offer kind of the same quality unit at a reduced rent. And the way they achieve that and still maintain returns it's through incentives. It's a very unique strategy. One of their biggest challenges has been finding land. There's a tremendous amount of land that was being bought by people that just have no plan and so they're able to come in and find really attractive land deals these days. They're buying land for much cheaper than they have in the past and that gives them a competitive advantage. They're the only ones going right now.

Mr. McGrover asked what is their current structure for their capital to which Mr. Rojo answered they start at the debt (they do low leverage construction debt; 55-60% debt) and then the balance of that is equity, however, they'll always have some subsidy in the capital stock. Using the project called The Grand, Mr. Rojo explained the project was around an \$83 million total capitalization, \$10 million of that was subsidy from the City, and they received a \$53 million construction loan from Bank United. The other \$20 million was equity. One of the reasons they want to raise more money on this fund is the opportunity that a new bill called Live Local provides them. Live Local is a new legislation that Governor DeSantis signed into law two years ago to effectuate the development of workforce housing. It dramatically shortens their approval period so they can get their projects approved administratively. No public hearings, also it gives them statutory tax exemption.

Mr. Carreno asked what are the risks the incentives go away (State, county, city)? Mr. Rojo responded they don't do anything until they secure their incentives. Mr. Burns also added that nobody's doing as much workforce housing as they're doing in South Florida. Affiliated Development are definitely the pioneers before workforce was a thing. Municipalities are coming to them and saying here's free land, here's incentives, come to our city and do these projects. When they first started, there was far less resources involved. They were having to go out and create a lot of their own incentive programs and work with these cities and CRAs.

Now there's probably, five to six times as many incentive programs because the need has gotten so much bigger. The need has gotten progressively worse and therefore the amount of resources has increased over time because these cities and counties and the state now knows this is a huge thing in terms of keeping people in the state of Florida, and especially the essential workers that we need.

Mr. Carreno also asked if are the projects still profitable without the incentives; to which Mr. Rojo responded that they don't do anything until they secure the incentive, so they wouldn't do workforce housing without incentives. They would have otherwise just built a market rate project without the workforce housing; so, this strategy is specifically for workforce. They wouldn't pursue a project without incentives.

On funding, as of tomorrow, probably be closed on an \$80 million construction loan from Bank of Montreal (BMO); second deal with BMO. Project is called The Era in Fort Lauderdale, a 400-unit project on South Andrews Blvd.

Mr. Rojo spoke about how they get very competitive financing, and elaborated on construction financing and refinancing. Mr. Burns explains they're able to get more attractive construction financing because the takeout markets (whether it's Freddie, Fannie or HUD) have more attractive financing for they can get; they can borrow at a lot better terms; and because of that, they were a preferred HUD borrower. HUD financing is a lot more expensive because there's a lot of other costs that you have to consider. They have requirements in terms of reserves and other things that drive the cost up significantly.

Mr. McGrover asked what's their average cost. Mr. Rojo responded that it all depends on what they're building. Mr. Easley asked whether some of the incentives are time sensitive. Mr. Rojo said it's a mixed bag.

Mr. Rojo also commented about construction and the way they de-risk, which is they work with very, very reputable contractors; Moss Construction being one of them. They have done eight deals with Moss Construction who are putting \$10 million of their own money in their next deal directly.

Dave West asked about where are they in completing Fund I, and how do they get comfortable with opening Fund II if Fund I is still open. Nick Rojo explained there's no conflict because they're not investing together; same strategy but they're totally separate. Their legacy deals will be in Fund I and their new deals will be in Fund II. Same strategy, same team, same everything. They've had no issues with materials, they're on schedule and on budget. They don't foresee any issues.

Mr. Burns mentioned that from an internal structure standpoint, Affiliated Development has almost tripled the size of their office since they first started. They have been gearing up and have been continuing to bring on more people to make sure that they can handle all this volume and so they are very well staffed. They've hired three people just this year so far.

They also elaborated on items like fundraising target, project diversification, differences between Fund I and Fund II. The current occupancy rate on Fund I is 96.

One of the reasons why they decided to work with pension plans is because every deal they do is a public private partnership; they work with cities that are giving them the money, grant money and stuff like that. Retirement dollars are spent locally whereas historically a lot of retirement dollars are spent in the stock market or in real estate investments outside of the state.

Mr. McGrover asked if there's a downside protection for the pension fund, or any downside protection that they implement in case of fluctuation in the real estate market, for example. Mr. Rojo explains that this is why they put all these risk mitigants in place.

In terms of the fees, at a high-level Affiliated Development charges an asset management fee 2% and then they get a 20% of the profits after the Plan gets an 8% IRR; everything's split 80/20 after the Plan gets the 8% return. There's something called a general partner catch-up in between the 20% promote or carried interest that most private equity funds have, which just catches you up on that 8% return that you missed. That's the same structure they had in Fund I.

To conclude their presentation, they explained fees are on pledge until the investment period, and then it's on call capital. The investment period starts after the capital raising period which is three years.

Dave West spoke about an investor advisory memo issued by Mariner's investment committee for any time there's client interest in this product listing all of the pros of this investment, and observations that investors should be aware of.

2. Presentation by Taurus Private Markets Fund II, LP

Dave West explained that the consideration today is to potentially pledge additional funds to the next fund. Mr. Kevin Campbell (Co-Founder & Managing General Partner) began the presentation to the Investment Committee on behalf of Taurus Private Markets (TPM), a private equity fund of funds. TPM is based in Malvern, Pennsylvania; about 45 minutes outside of the city of Philadelphia. Things are going very, very well. It's early, but there's no bad news to report all things are going well. The last quarter that we provided in terms of performance for the fund was Q3 of 2024. The fund did a 12.9% net return for the quarter.

The rest of their team introduced themselves and spoke about their previous and current experiences in the field, and personal backgrounds.

One point that TPM investors like quite a bit is the diversification that they get in the portfolio. Mr. Campbell spoke about the size of the companies, valuations and public markets. He provided a definition of private credit.

The current fund the Retirement System invested in was a fund that TPM started in 2022. TPM first fund was in 2019 and their second fund was in 2022.

They completed their fundraising and closed Fund II to new investors in December of 2023; they raised \$211.6 million and the goal was to raise \$150 million. They're off to a great start making investments, then seeing early strong returns for those investments. Mr. Campbell explained how 60.9% of fund capital has been committed to investments. Mr. Eric Wilcomes spoke about the \$1.3 million of the \$5 million commitment and how the funds have been contributed to date.

Dave West is recommending to re-up additional monies to TPM. Mr. McGrover added there's limited risk, beautiful returns and he likes the way three different revenue streams were created. In terms of fees for Fund III, they're raising \$225 million and the terms of Fund III are the same as the terms for Fund II. TPM differentiate themselves one way and that's through alignment of interest with their investors. They charge a management fee, which is lower than the market and so they think that's a good alignment with folks.

They concluded their presentation by mentioning that TPM has a special agreement with Mariner where they have a preferred fee rate where their investor, where their clients receive a fee break they don't pay fees for the final four years of the investment. Quarterly statements on performance are also provided.

3. Investment Policy Statement - Review and confirmation of amendments

The first order of business was for the investment committee to confirm the changes that were discussed at the last regular Board meeting for the investment policy statement. There was nothing drastic in the policy that would significantly change how they did anything. Dave West reordered the priorities as he thought it was more appropriate to meet the actuarial required rate of return and index relative performance as a secondary. He also corrected a typo made in the previous policy to ensure everything was adding up to 100%.

A motion to approve the amendments to the investment policy statement as recommended by the investment consultant was made by Mr. McGrover and seconded by Ms. Serret. Motion unanimously approved (4-0).

A motion to allocate an additional \$10 million commitment to the Taurus Private Markets Fund II as recommended by the investment consultant was made by Ms. Serret and seconded by Mr. Carreno. Motion unanimously approved (4-0).

Dave West noted that the recommendation to allocate the additional \$10 million commitment to the Taurus Private Markets Fund II also needs to be recommended to the Retirement System Board at its next regular Board meeting who will ultimately have to sign off on that recommendation.

Lastly Mr West spoke about the last section of the investor advisory memo issued by Mariner's investment committee for any time there's client interest in the Affiliated Housing Impact Fund II, and the minimum criteria that has to be met. There was a brief discussion between Mr. McGrover, Mr. Easley and Mr. West regarding the pros and cons of allocating funds in the Affiliated Housing Impact Fund II.

Mr. McGrover did not want the Plan to participate right now or invest for any workforce housing and real estate development, he thinks the next three to five years is not going to be good. Mr. Easley would like to defer a full discussion with the full retirement System Board at its next regular Board meeting in order to make a final decision about Affiliated Housing Impact Fund II.

Meeting was adjourned at 12:31 p.m.

APPROVED ON: _____