

AGENDA

City of Wilton Manors General Employee & Police Pension Meeting

Tuesday September 6, 2022 at 5:30 pm.

1. PLEDGE OF ALLIGENCE

2. CALL TO ORDER

3. ROLL CALL

4. ADDITIONS/DELETIONS

5. COMMENTS FROM THE PUBLIC

Any member of the Public may speak on any issue for three (3) minutes

6. CONSENT AGENDA

Items listed under Consent Agenda, Item VI, are viewed to be routine and One Motion will enact the recommendation in the form listed below. If discussion is desired, then the items(s) will be removed from the Consent Agenda and will be considered separately.

Approval of Minutes:

July19, 2022 Pension Minutes

Motion to Receive and File:

Warrant 2022-022

▪ Judith A. Hoekstra – July 19, 2022 Invoice \$ 900.00

Warrant 2022-023

▪ Garcia Hamilton & Associates Invoice #35862 6/30/2022 \$4,978.04

▪ GRS - Invoice #471310 Bookkeeping April-June 2022 \$1,200.00

Warrant 2022-024

▪ Gabriel, Roeder, Smith & Co. Inv #470301 \$2,062.50

▪ Professional Indemnity Ins. 7/25/2022-7/25/2023 \$8,140.59

Warrant 2022-025

▪ FPPTA – Registration Trustee Aron Inv. #7210 \$ 150.00

Warrant 2022-026

▪ Klausner, Kaufman, Jensen & Levinson July 31, 2022 \$2,675.00

Warrant 2022-027

▪ FPPTA–Trustee Aron Reg.& Basic class–Chair Balistreri Reg.\$2,650.00

2nd Quarter 2022 Rate of Return is -10.1% Net of Fees

Saxena White Second Quarter 2022 Monitoring Report

7. BOARD OF TRUSTEES POSITIONS

George Farrell, 5th Member Application received **Board approval needed**

Biagio Balistreri, Application received for Police Representative – **Re-elected**

General Employee Representative – No Applications received by employees

Agenda – September 6, 2022 (Continued)

8. DISCUSSION – QUARTERLY MEETING DATES – 2022-2023
TIME – 5:30 pm

2022

December 6, 2022

2023

March 7, 2023

June 6, 2023

September 5, 2023

December 5, 2023

9. NEW BUSINESS

- Regions Bank, Custodian Services Provided to Pension Fund
William Smith, CWS, VP Relationship Consultant & Jack Wiltshire, Regional Manager
- Approval - KDST Engagement Letter Audit 9/30/2022
- Garcia Hamilton 2nd Quarter Portfolio June 30, 2022
- Southeastern Advisory Services 2nd Quarter Ending June 30, 2022
Asset Allocation

10. BOOKKEEPER

- Proposed Budget 2023

11. ATTORNEY REPORT

- Discussion of Employee Representative to the Board

12. REPORTS FROM BOARD MEMBERS

13. ADJOURNMENT

PLEDGE OF ALLIGENCE

CALL TO ORDER

Chairman Balistreri called the meeting of the Wilton Manors GE and Police Pension Board of Trustees to order at 5:30 PM.

ROLL CALL

Present at meeting: Chairman Balistreri, Trustee Mays, Trustee Farrell and Trustee Aron
Trustee John Pilch resigned from the board because he retired and moved out of the area.

Others Present: Attorney Levinson - Pennie Zuercher, Finance Director – Theora Braccialarghe & Melissa Zrelack, Actuaries GRS – Brent Heemskerk & Greg Pittenger, Principal Enhanced Property Fund
Present by Phone: Kurt Lofters, Southeastern Advisory – Kate Hurley & Matt Jaffe, J.P. Morgan

ADDITIONS/DELETIONS

None

COMMENTS FROM THE PUBLIC

Any member of the Public may speak on any issue for three (3) minutes

Chairman Balistreri presented Trustee Mays with his plaque from FPPTA for completing the CPPT course.

CONSENT AGENDA

Items listed under Consent Agenda, Item VI, are viewed to be routine and One Motion will enact the recommendation in the form listed below. If discussion is desired, then the items(s) will be removed from the Consent Agenda and will be considered separately.

Approval of Minutes

March 29, 2022 Hybrid Pension Meeting

May 2, 2022 Special Pension Meeting

Motion to Receive and File:

| | | |
|--|--|-------------|
| Warrant 2022-012 | | |
| ▪ Judith A. Hoekstra – March 29, 2022 Invoice | | \$862.50 |
| Warrant 2022-013 | | |
| ▪ KSDT, CPA – Invoice #112841 9/30/2021 | | \$9,890.00 |
| ▪ Southeastern Advisory Service quarter ending 3/31/2022 | | \$5,227.00 |
| Warrant 2022-014 | | |
| ▪ Gabriel, Roeder, Smith & Co. Inv #470508 | | \$4,950.00 |
| ▪ Klausner, Kaufman, Jensen & Levinson 3/31/2022 | | \$1,175.00 |
| Warrant 2022-015 | | |
| ▪ Klausner, Kaufman, Jensen & Levinson 4/30/2022 | | \$550.00 |
| ▪ Garcia Hamilton Invoice 35363 – 3/31/2022 | | \$5,083.46 |
| Warrant 2022-016 | | |
| ▪ FPPTA – Registration Biagio Balistreti | | \$850.00 |
| Warrant 2022-017 | | |
| ▪ FPPTA – Registration Hoekstra & Farrell | | \$1,750.00 |
| ▪ Klausner, Kaufman, Jensen & Levinson May 31, 2022 | | \$1,750.00 |
| ▪ Gabriel, Roeder, Smith & Co. Inv #471404 | | \$11,223.00 |

| | | |
|--|------------|------------|
| Warrant 2022-018 | | |
| ▪ Balistreri, Farrell & Hoekstra Per Diem FPPTA Conference | | \$708.00 |
| Warrant 2022-019 | | |
| ▪ Southeastern Advisory Services quarter ending 5/31/2022 | | \$5,227.00 |
| Warrant 2022-020 | | |
| ▪ Reimbursement FPPTA expenses Hoekstra | | \$1,109.04 |
| | Balistreri | \$640.98 |
| Warrant 2022-021 | | |
| ▪ Reimbursement FPPTA expenses Farrell | | \$806.85 |
| Klausner, Kaufman, Jensen & Levinson – June 30, 2022 | | 0 |

1st Quarter 2022 Rate of Return is -3.41% Net of Fees
 Saxena White First Quarter 2022 Monitoring Report
 Resignation of Trustee John Pilch as of July 5, 2022

Trustee Aron made a motion to approve the Consent Agenda, seconded by Trustee Mays
 Approved Unanimously

NEW BUSINESS

Renewal – Fiduciary Liability Insurance 7/25/2022 – 7/26/2023 \$8,140.59

Chairman Balistreri asked for a motion to approve the renewal of the Fiduciary Liability Insurance in the amount of \$8,140.59. It was noted that the policy only increased 5%. Trustee Farrell made the motion to approve the Fiduciary Insurance for another year, seconded by Trustee Mays. Approved Unanimously

Gabriel Roeder Smith & Company Actuarial Valuation 10/1/2021-9/30/2022

Melissa went over the two (2) page Summary of October 1, 2021 Actuarial Valuation.

- First page shows a summary of plan provisions/assumptions
- Total required employer contribution this year \$1,597,968 and \$1,651,838 last year a little bit down this year, due to the assumption change from 6.6% to 6.4%.
- The Fund is 75% funded
- Payment Required to Amortize (UAAL) **2021** \$1,427,588 and **2020** \$1,452,796
- Total Normal Cost (for current year) \$ 153,273 \$ 184,591
- Interest \$ 53,242 \$ 56,817
- Total Required Contribution \$1,634,103 \$1,694,204
- Expected Member Contribution \$ 36,135 \$ 42,366
- Total Remaining Required City Contribution \$1,597,968 \$1,651,838
- Page 20 Schedule of Funding Progress
- The Actuarial Valuation Date of 10/1/21 the Funded Ratio is 75.0% this is due to lowering the amortization period and lowering the investment return assumption from 6.6% to 6.4%.
- GRS will monitor this every year to see if the investment return assumption can be lowered
- Trustee Aron said let's assume this year's market closes in September down \$3M would that make the contribution we are required to fund rise in the subsequent years? Melissa said if we are not smoothing it would if it's for one year it wouldn't make a big difference. If it's over the next few years then it would cause huge fluctuations.

Melissa said \$2 million would have no effect on the required contribution because of the cushion we have already. That's what the smoothing is designed to do, to help in the years there are losses.

Attorney Levinson asked the board to turn to page 43, development of funding value of assets and Melissa went over the information on that page with the board.

- Attorney Levinson asked if you need to be an active member to be on the Board? Chairman Balistreri said he would like to discuss with Commissioners first. He did mention there were 2 active general employees and 2 active police participants, and it was already discussed they were going to let retirees apply.

There were no further questions, but Trustee Mays had a comment. Trustee Mays wanted to thank Melissa and Theora for their work on the valuation and said the Plan is working like it is supposed to.

Chair Balistreri asked for a motion to approve the Valuation. Trustee Mays made the motion to approve the Actuarial Valuation, seconded by Trustee Farrell. Approved Unanimously

Garcia Hamilton 1st quarter Portfolio March 31, 2022

Not Present

Southeastern Advisory Services 1st Quarter Ending March 31, 2022

Kurt Lofters was via phone (conference call) to give his report.

- For the quarter down -3.4%
- Mainly by the war in Ukraine, Higher Inflation & Higher Interest Rates
- For Year to Date the fund was up 2.1%
- Equities and Fixed Income were down
- Two Active Managers
- Garcia Hamilton Fixed Income down -2.9% for the quarter & FYTD down -3.1%
Bloomberg Intermediate down -4.69% for the quarter & FYTD down -5.05%
- Eaton Vance Atlanta Capital SMID Cap down -4.71% for the quarter & FYTD up 4.58%
Russell 2500 Index down -5.82% for the quarter & FYTD down -2.2%
- Even though the Funds had negative return, those negative returns held up better or didn't decline as much as the respective peers.
- The fund continues to do relative to peers.

Asset Allocation

- They suggested the last time expanding the asset class exposure beyond the two (2) asset classes, Equities & Fixed Income to Real Estate and the Board since voted to allocate \$2 million within the Core Real Estate phase to the American Realty Advisors.
- Later we will hear from Principal and JP Morgan pertaining to their Core+ strategies
- Kurt said it will be a beneficial diversifier to the fund.

Chair Balistreri asked Kurt if he would be attending the meetings? Kurt said he will be attending future meetings.

Chair Balistreri said paperwork for ARA was complete except for some tax information that Judy will finish up and scan and e-mail to Kurt to look over.

Presentations – Core + Managers

Principal Real Estate – Gregory Pittenger & Brent Heemsker – in attendance at meeting

Gregory Pittenger

- A top 10 global real estate manager
- Assets under management \$106.2 billion
- 550 clients from 31 different countries
- 40 Plans
- Private Equity-Core, Value-add, and Opportunistic Strategies \$46.4 billion

Brent Heemskerk

- Principal Enhanced Property Fund, LP is an open-end, commingled fund sponsored and managed by Principal Real Estate Investors. Features and objectives of the Fund include:
 - Diversified portfolio of high-quality assets
 - Pursues and “enhanced” or “core plus” investment strategy
 - The Fund historically has paid a 5% annual dividend yield and seeks to provide market competitive total returns.
- **Fund profile** - gross has set value \$5.22 billion, net asset value \$3.21 billion, Investments 60, Investors 133, Leverage ratio 33%, Portfolio occupancy 93%, Occupancy of stabilized assets (80% leased) 97%
- **Market diversification** – PEPF gateway market exposure 15%
- **Multifamily sector** - Current position - Portfolio allocation 38% - Strategic range: 35%-40%
- **Industrial sector** - Current position - Portfolio allocation 33% - Strategic range: 30%- 35%
- **Office sector** - Current position - Portfolio allocation 17% - Strategic range: 15%- 20%
- **Retail sector** - Current position - Portfolio allocation 8% - Strategic range: 5% - 10%
- **Other sector** - Current position - Portfolio allocation 4% - Strategic range 5%- 10%
- **Development summary** - Under Construction-Total development activity \$489.3 million
- **Fund performance summary** - PEPF total return (net) 1st quarter 7.18%
 PEPF dividend yield 1st quarter 1.00%
 PEPF income return (gross) 1.05%
 NFI-ODCE Income return 0.93%
- **Same property net operating income growth** - PEPF annual average: 10.6%
 NSI-ODCE annual average 3.8%
- **Debt Summary** - availability online of credit \$160 million
 fixed interest rate obligations -interest rate 3.2% -- % of total debt 69%
 floating interest rate obligations - interest rate 3.1% -- % up total debt 31%
 Total obligations - interest rate 0.1% -- % of total debt 100%
- **Why invest in PEPF** - Performance track record – Research-driven positioning
 Strong alignment with stable sponsor- Over 20 years on average
- **Fee structure** - Asset management fee Based on current NAV of each investor's interest in the Fund, payable quarterly in arrears.

Trustee Farrell & Trustee Mays both complimented on the illustrations in the brochure that was given to the Board.

The Board took a break to connect with JP Morgan to join the meeting via phone.

J. P. Morgan Asset Management – Kate Hurley & Matt Jaffe – via Phone (conference call)

Kate Hurley said in Florida they have 44 public funds that represents almost \$3 billion in assets.

They have almost \$2 billion invested in Florida itself.

Matt Jaffe started on page 8-

- **Real Estate Americas** - Scale, stability and strength: USD 72 billion, over 50 years of real estate investment, 180 plus professionals in six offices
Capabilities and experience: Global platform of real estate, disciplined investment process, expertise across strategies sectors and regions
Information advantage: JPMAM's size provides access to outstanding proprietary an external data sources, Dedicated research team, roughly USD 8 billion of annual acquisition activity.
Client focus: 800 HNW/institutional clients worldwide, Trusted partnership, focus on open communication, transparency and shared information
- **Depth of real estate America's platform creates differentiated information advantage**: Dedicated development and engineering team of five individuals to oversee development projects
 Average annual transaction volume of \$12.1 billion per year
- **Portfolio Management**: Special Situation Property Fund,
 Craig Theirl 23 years of experience & Steve Zaun, CFA 22 years of experience
- Page 13 shows Illustrative Properties

- **How does SSPF create value?**
Develop to Core Residential, Redevelop Mixed-Use, Lease-up opportunity/below replacement cost Industrial
- **A leading open end, value add US real estate fund with mid risk execution**
- Value-add strategy with mid-risk execution – Open-end direct real estate structure - Return Profile – ESG+R (Environmental Social, Governance & Resilience)
- **Portfolio highlights**
Assets: high quality assets and major U.S. markets
Asset age: 39.3% of the portfolio is less than five years old
Risk mitigation: limited near term lease roll over and office and industrial assets
74.7% of the portfolio is stabilized
Leasing: SSPF stabilized assets are currently 92.9% leased
- **Performance overview:** Annualized returns as of June 30, 2022
Three months - income 0.6% - appreciation 2.6% - **SSPF total gross 3.2%**
SSPF total net 2.8%
Year-to-Date – income 1.2% - appreciation 9.2% - **SSPF total gross 10.5%**
SSPF total net 9.6%

Fees are 160 basis points
Inception - January 1, 1998

Trustee Mays asked about leverage, Matt said it is 43% & interest rates will continue to increase.

Attorney Levinson asked what the projection looks like and what are in flows & out flows looking like? Matt said they are looking at about 13% for the year.

Trustee Mays - Would like to hear from Kurt on the two managers.

Kurt Lofters

- Both managers did well
- JP Morgan is a bit riskier 43% leverage and Principal 33% leverage
- JP Morgan heavily weighted in office 20% and Principal is at 12%
- JP Morgan 3% yield and Principal 5% yield you can't go wrong, JP Morgan is a little riskier than the Principal fund.

Trustee Mays - both speakers explain the excess of redirection to investors on rebalancing, is that legitimate?

Kurt - yes, it is

Trustee Mays - How do the incentive fees work that Principal has?

Kurt Lofters

They have to beat the target rate 11% when they get over the 11% within the time. Then it will be a 50% cut over that target rate.

Trustee Aron - commented that the JP Morgan presenter said they have more outflows than inflows and Principal has more inflows than outflows. Are people changing from JP Morgan to Principal?

Kurt - feels there is rebalance going on.

Chairman Balistreri - Thought that Principal did a better job with their presentation.

At the risk rewards, he thinks Principal has it, but it was up to the board to decide.

Trustee Mays - Agrees that of the two presenters he would go with Principal.

Question to Kurt - Could you compare Principal and TA Realty, the Core Manager that the board did not choose?

Kurt - in the standpoint of Principal, from the risk return standpoint they have done well and utilizing moderate leverage on the return day captured and the ability to allocate the value-added sectors they have done a really good job. Other managers have been slow to move to the more favorable or valued sectors. Principal does their due diligence and research.

Trustee Mays - At the last meeting the board voted to go with core strategy. Trustee Mays made the motion to reduce fixed assets by \$2 million and invest that with Principal, seconded by Trustee Farrell. Approved unanimously. Chairman Balistreri asked Kurt to get the paperwork from Principal and fill out as much as he could and then send it to him and Judy to finish & sign. Attorney Levinson said they will prepare a side agreement/letter for the board.

ATTORNEY REPORT

Reminded the board to fill out their form 1 disclosures.

Trustee Mays said Regions Bank will be making a brief presentation at the September meeting. There was a discussion about John Pilch leaving and Attorney Levinson asked about filling the position with another person outside the plan. Nothing has been decided. Pennie Zuercher, Finance Director said the City Manager instructed her to reach out to other cities like ours to see how their structures are set up. Chairman Balistreri - The City Clerk's office reached out to the two active employees and neither one wanted to join, Judy gave the City Clerk a list of Retiree names, addresses, emails and phone numbers for all the retired members. Trustee Mays - The way the ordinance is now we can have a retiree? Attorney Levinson - if we want to extend to residents, we can add that to the ordinance because we are not subject to chapter 185, we no longer receive money from the state of Florida. We do have that flexibility if the city wanted to change the ordinance.

Chairman Balistreri thanked John Pilch for his six years on the Pension Board.

Attorney Levinson asked to follow up with John Pilch filing his form F1.

ADJOURNMENT

Trustee Farrell made a motion to adjourn the meeting.

Respectfully submitted,

Judith A. Hoekstra
Recording Secretary