

PLEDGE OF ALLIGENCE

CALL TO ORDER

Chairman Balistreri call the May 2, 2022 Special Board Meeting to order at 2:00 pm.

ROLL CALL

Present at Meeting: Trustee Aron, Mays, Pilch & Chairman Balistreri, Attorney Levinson and Pennie Zuercher, Finance Director

Virtually Present: Trustee Farrell, Theora Braccialarghe, Actuary and Kurt Lofters, Southeastern Advisory Services

COMMENTS FROM THE PUBLIC

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

None

PRESENTATIONS

Gabriel, Roeder, Smith & Co. – Theora Braccialarghe
Presentation of Assumption Rate Study

Theora went over what would happen if we changed our Investment Return Assumption.

- Market Value went up from about \$27.6 million to \$32.2 million for the combined General and Police Fund.
- The rate of return was about 20.6%
- When you compare that to the assumption that means there was an additional 14% over and above the assumption which was \$3.8 million.
- There are two levels of smoothing and she will be addressing the first level.
- They do not use the market value when they do the valuation, they use valuation assets and that is taking whatever the differences with what you assumed and spreading that over 5 years. Instead of using a \$32.2 million fund to determine the contribution they used a \$29.2 million fund. \$3 million is not being recognized yet in the process

Contribution Summary

- Last year 10/1/2020/21 at 6.6% \$1,651,838
- Using the same assumption rate as last year 6.6% contribution would be \$1,527,016
- changing the assumption rate to 6.5% the contribution would be \$1,562,346
- changing the assumption rate to 6.4% the contribution would be \$1,597,968
- GRS also prepared preliminary calculations using an investment return assumption of 6.3% the contribution would be \$1,633,882
- There still is a cushion, the \$3 million we have not brought into the valuation process yet that would be used towards absorbing losses. If we don't get our assumption this year or the year after that.
- Whenever you reduce your assumption that means automatically that your target is a little bit lower and future gains will be greater, and losses will be a little bit less.
- Having a lower assumption puts you in that position where future gains will be a little bit larger and future losses will be a little bit less.
- This is the background we should have when looking at these assumptions.

Trustee Mays asked when they will receive the full valuation report? Theora said they have most of it ready based on the old assumption and after the board makes their decision, hopefully tonight, then they will reflect that decision and get the report finished and get it out to the board. Trustee Mays asked if the \$3 million will be factored into the full valuation report? Theora said the \$3 million is being held aside so you have a market value at \$32.2 million because they smooth in the excess, they use the \$29.2 million. They are using about three quarters of a million dollars of our excess money this year and then we'll have another three quarters of a million in each of the next four years, to help boost our earnings.

Trustee Mays said he understands it now it's part of the smoothing process which has been in place for a number of years.

Trustee Aron asked does the investment return assumption just include what we are going to earn in securities or does that include market value gains? Theora said it includes gains as well.

Trustee Farrell asked Kurt Lofters if he had October to date where the fund was at? Kurt said he did not have that information with him.

Chairman Balistreri ask the board for their input on the investment return assumption. After a brief discussion on which investment return to select, Trustee Farrell said he was in favor of the 6.3% investment return assumption. Trustee Aron and Trustee Pilch both agreed with Trustee Farrell. Chairman Balistreri said he would like to hear from everyone on the board before a motion was put in place. Trustee Mays went over what the city's contribution was last year and what the contribution would be at 6.3% and 6.4%. Trustee Mays said he would like to hear from the finance director. Pennie said they can't come in and say what they want, but they try to encourage the board to keep in mind what the city's doing. They want to maintain a physically stable pension. The city has several things they want to do but with inflation and a huge hit from FRS which is the cities current plan. From the city's point of view she is hoping that the board would not go below 6.4%. Chairman Balistreri gave his input on which investment return assumption he would consider, which is the 6.4%. He asked Trustee Farrell if he would like to withdraw his motion for the 6.3% and Trustee Farrell said after hearing the finance director he would withdraw his motion for 6.3% and if any other board member would like to make a motion that would be fine with him. Trustee Pilch made the motion for the 6.4% investment return assumption seconded by Trustee Mays. Approved Unanimously

In Person Presentation: ARA – AMERICAN REALTY ADVISORS

Todd Fowler

Real Estate - Introduction to the Asset Class

Chairman Balistreri asked Kurt Lofters, Investment Consultant to give the board an overview on the asset class - real estate.

They think they're going to get negative returns in both fixed income and equity, where can we turn from a risk standpoint and a return standpoint that we can offset those negative returns that we are expecting within asset classes and they feel that asset class is real estate.

The two managers that are speaking today will be talking about core real estate. The risk in this class is lower.

Attorney Levinson asked how much we would be allocating and where would the money be coming from fixed income or equity? Kurt said it would be \$4 million and it would come from fixed income.

Todd Fowler gave some background information about American Realty Advisors:

- 82% of the pension plans in the country have real estate in their portfolio as a diversifier.
- 100% employee-owned private firm
- Real estate investment management is our only business
- active product offerings in core, core-plus and value-add strategies
- 32 years operating history as a real estate investment management fiduciary
- They have six offices nationwide and their headquarters is in Los Angeles CA
- 550 + institutional investors
- \$11.4 billion in assets under management
- 80 + employees dedicated to delivering results for our investors

ARA Core Property Fund

- Fund-Type Open-End
- Gross AUM \$7.65B Gross
- Return Target 7- 9% gross
- Liquidity Quarterly

ARA has committed \$511 million of capital in the state of Florida

- Jacksonville, Delray Beach, Weston, Doral and Miami

Real Estate is an established part of a diversified portfolio

- stocks, bonds, real estate and other asset classes

Equity real estate has two primary sources of return

- income derived from rents paid by tenants - Rents are fixed over specific time periods and are predictable (similar to a bond)
- appreciation based on the value of the property - Value driven by current/future rental income - values adjust in response to value of other competitive assets (similar to a stock)

The benefits of commercial real estate in a pension portfolio

- Returns, cash flow, diversification, low volatility & inflation hedge

Fund snapshot - As of March 31, 2022

- number of investments/buildings 73/163
- cash 1.63%
- Leverage ratio 16.8 %
- total commercial SF 14.5 million
- total commercial tenants 457
- units (residential) 3511
- leased percentage 92.9%
- inception date 4Q 2003

Capital Flows

- Number of investors 451
- Commitments called in 2021 \$285.7 million
- Contribution Queue \$166.5 million
- Redemption Queue \$0.0 Million

- It's a quarterly distribution
- Self-Storage will be about 1%-2% of the portfolio
- Don't have to put much capital back into self-storage like you would an office building

- Putting new dollars to work - any new capital delivered today will be put to work in two to 3 quarters as soon as you sign your documents we call capital the first day of each calendar quarter.
- This fund has been around for 19 years

In Person Presentation: TA Realty Core Property Fund

Devin Sullivan & Jake Maliel form TA Realty based out of Boston MA

- They have offices in Dallas, Texas - Newport Beach CA and Palm Beach Gardens, FL
- Private real estate investing since 1982
- Their Core Fund has been around for about 5 years
- They are heavy in industrial
- We are heavy in multifamily
- They are underweight in office
- They are significantly underweight in retail
- 100 professionals out of the 100 there are 25 partners at TA Realty

Jake Maliel continued giving the presentation.

Core Property Fund Overview

- Fund gross asset value \$6,958M
- Fund net asset value \$5,445.1M
- Leverage Ratio 21.1%
- Portfolio Occupancy 94%
- Portfolio Commercial SF 17,884,583
- Portfolio multifamily units 1112
- average investment size \$99.5M
- number of investments 69
- number of investors 195
- entrance Queue \$411.4M
- Redemption Queue \$0.0M

Fund objective

- Build and operate a first class portfolio of institutional quality core real estate assets
- Generate consistent outperformance versus industry benchmarks
- Provide outstanding client service to investors

Investment Strategy

- Focus on property types & markets that can deliver outsized long term cash flow growth
- Invest in desirable assets at attractive prices
- Proactively manage assets to drive incremental cash flow
- Actively evaluate portfolio level concentration risks
- Dispose of assets before they become uncompetitive

Investment parameters

- Sectors: industrial, multifamily, office, retail (grocery anchored)
- Geographies: major US metropolitan areas
- Leverage: 20-30% target based on current market conditions, 35% cap(At the fund level)
- Deal size: \$25 million to \$300 million
- Liquidity: open ended, quarterly
- tax structure: designed to be flexible for US and non US investors
- Core investments (> 80%); Non-Core Investments (< 20%)

BOARD OF TRUSTEES DISCUSSION

How many pension funds do they have in Florida & what is there management fee?

Jake said the management fee tiers down 100 basis points at the first level

They work for about 50 in this fund

Trustee Mays asked where are we in the market cycle in general but mainly real estate?

Jake said he thinks 2022 will be a little choppy

Kurt asked what are their minimums? Jake said 1,000,000 - quarterly reductions

Distributions 4% net annual dividend

Attorney Levinson said that the last quarter was one of the worst fixed income quarters.

Is this the right time to be selling fixed income

What you are losing in fixed income you would more than make up with a real estate investment.

Trustee Mays made a motion that the board reduces our position with fixed income by \$2 million and invest that \$2 million with American Realty Advisors Core Realty Fund, Seconded by Trustee Farrell. approved unanimously

Trustee Mays requested that the next two presenters please get an electronic copy of their presentations to the board for them to review before the June Meeting.

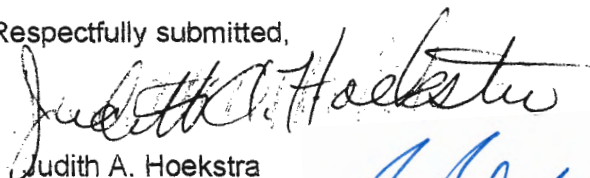
Kurt was asked to inform the core plus managers that will be presenting at the June meeting that the board has been briefed on real estate investments.

Attorney Levinson said that the next meeting is June 7th at 5:30 and it will be and in person meeting not a virtual meeting.

ADJOURNMENT

Trustee Aaron made a motion to adjourn the meeting seconded by Trustee Pilch

Respectfully submitted,



Judith A. Hoekstra
Recording Secretary

