

Winter Park Police and Fire Fighters' Pension Funds
Special Joint Meeting
5 May 2016
5:30 P.M.

Member: Engineer Stuart Merrick, Vice Chairman / Secretary - Fire
Mike Hlavek, Trustee - Fire
Tony Gray, Trustee – Fire

Lt. Kevin Roesner, Chairman – Police
Sgt. Scott Williams, Vice Chairman / Secretary – Police
Sandy Modell –Police Trustee
Mike Broschart –Police Trustee

Attendees: Scott Christiansen, Attorney
Burgess Chambers, BCA
Larry Wilson, GRS
Jeff Templeton, Administrator
Michael Templeton, Battalion Chief
Bryan Templeton
Wes Hamill, City of Winter Park Finance Director

Meeting called to order at 5:40 P.M. by Vice-Chairman Eng. Stuart Merrick (WPPFD) and Lt. Kevin Roesner (WPPD)

Burgess Chambers opened the meeting with recapping a program analysis that was completed and reviewed a couple of meetings ago that presented an idea of lowering the risk to the Financial Portfolios of each Board. The program analysis targeted scaling back equities to some extent and inserting a 10% private real estate allocation in attempt to reduce the risk of the portfolio and get a more predictable return that's commensurate with the actuarial rate of return (7 ¾).

Burgess Chambers introduced two firms. These firms invest in properties across America and are Asset Managers, not Brokers.

First Presenter is Cornerstone Real Estate Advisers:
Terri A. Herubin, Portfolio Manager
Pamela McKoin, Business Development

Pamela McKoin gives an overview of their firm.

Cornerstone is a global platform with local, experienced investment professionals. Active investor in private and public equity and debt, offering pricing and trend visibility. Trusted Partner in the Fiduciary culture and a history of delivering on client investment objectives. Disciplined Risk Manager with a focus on providing clients with superior risk-adjusted returns. Sponsor Commitment with stable ownership and focus on global asset management.

One of the largest diversified global real estate managers.

Focused investment and portfolio management teams operating worldwide.

Terri Herubin gives presentation

Market Environment and Economic Research

- Multidisciplinary global team
 - Eleven professionals (8 U.S., 3 Europe)
 - Daily interaction with equity, debt and securities teams
- Research drives portfolio construction
 - Fundamental analyses
 - House view, relative value, preferred strategies
 - Strategic and tactical decisions
- Full participation in the investment process
 - Voting member on all Cornerstone investment committees
 - Daily dialogue with portfolio management, regional producers, and asset management teams
- Cornerstone supports the research process
 - Proprietary database (“The Analyst”) provides company-wide access to research forecasts for all markets and property types, using “best in class” data sources and field information

US Real Estate Markets – March 2016 Outlook

- U.S. Real Estate Outlook:
 - Increasing capital flows both in the U.S. and globally
 - Pricing is supported by sound fundamentals
 - New supply is becoming more active during an extended property market cycle
 - 4Q 2015 transaction volume totals \$157 billion, up 20% over 4Q 2014
- Supply is picking up across all sectors but lags demand:

- Overall annual supply growth remains below 2% in most property sectors
- Apartment development is most active
- Local imbalances are becoming evident (Houston apartments and office, New York hotels)
- US Debt Markets:
 - Continued strong liquidity in the debt capital markets from most sources although conduits are challenged by slowing demand for bonds (lifecos, banks, conduits, private lenders)
 - Indexes are fluctuating but remain near historic lows (Treasuries, LIBOR)
 - Forecast refinancing volumes present opportunity in 2016-2018
 - CML spread movements lag those in the broader fixed income markets
 - Core mortgage spreads 180-200bps for “best in class”
- Near Term Risks to the Outlook:
 - Potential capital market shocks, China’s slowdown, oil market uncertainty
 - Fed misstep on normalizing interest rates
 - Moody’s “Risk of U.S. recession” index remains low
 - Volatile equity markets, slow global growth and strong US dollar are mitigated by low energy prices and global QE

Patriot Fund Profile

- Cornerstone Patriot Fund, a \$4.1B open-end fund, has maintained its core focus since inception in 2004, providing an attractive, risk-adjusted return
- The Fund has made a cash distribution every quarter without interruption by focusing on the creation and maintenance of well-diversified, income-producing portfolio
- The Fund’s prudent management practices offered protection in the most recent real estate downturn, as evidenced by 500 bps of outperformance of the NFI-ODCE in calendar year 2009
- The Fund restricts non-core/value-add investments to provide investors with more of a pure play on core real estate that other benchmark managers, foregoing excess returns from these assets during up cycles in favor of more stable returns over long-term periods and better downside protection in down cycles

Patriot Fund Performance

The Fund’s objective is to exceed the CPI by 500 basis points and outperform the NFI-ODCE benchmark

- As of March 31, 2016, for the 10-year period, the Fund’s total return is within 22 bps, respectively, of the NFI-ODCE Index return on a gross, capital-weighted basis
 - The Fund is ranked by NCREIF based on performance in the 46th percentile for the 10-year period with Sharpe Ratio in the 69th percentile
 - The Fund is ranked by NCREIF in the 85th percentile for Beta and Standard Deviation for the 10-year period
- The Fund’s 1Q16 return was 2.95%, compared to 2.18% for the NFI_ODCE Index on a gross basis; the 1-year return was 14.35% versus 13.67% on a gross basis

Asset Management Fees

- First \$15 million 1.10%
- Next \$10 million 1.00%

Patriot Fund Valuation Policy

- All properties are valued internally every quarter
- All properties are appraised externally once annually
 - Approximately 25% of the properties are valued externally every quarter
 - Appraisal companies with knowledge of the product and region are selected
- Property-level liabilities (debt) are appraised externally every quarter
- All property valuations and appraisals are reviewed quarterly by Altus
 - Altus provides consistency and feedback as the outside consultant to most ODCE funds
 - Altus may prepare a restricted appraisal or engage another appraiser as needed
- The property and liability valuation and appraisal process is conducted under the supervision of Cornerstone's Vice President and Head of Valuation, Tyler Brown, MAI
 - Mr. Brown is a certified appraiser and Member of the Appraisal Institute
 - Cornerstone's Valuation Committee reviews all values quarterly
 - Mr. Brown certifies the final values to Accounting

Second Presenter is American Realty Advisors:

Richelle Hayes, Director, Marketing and Client Service

Jeff Miller, Director, Marketing and Client Service

Richell Hayes gives an overview of their firm:

- One of the largest privately-held real estate investment managers in the US.
- Seasoned professionals with an average of 23 years of investment management experience
- Over \$7.3 billion in assets under management
- 154 properties primarily in major MSAs across the US
- 399 institutional investors trust American to invest their capital
- Ten offices nationwide providing ability to meet investor needs

Core Investment Strategy

- Leverage
 - 15%-25% initially
 - Increase to 20%-30% in a recovery
- Occupancy
 - 80% + occupancy

- Strong credit tenancy

Two primary sources of Return

- Income derived from rents paid by tenants
- Appreciation in the value of the property

The American Core Realty Fund is a diversified open-end commingled fund that invest primarily in high-quality core income-producing office, industrial, retail and multi-family properties that are well located in or near major metropolitan markets/submarkets nationwide.

Jeff Miller gave an overview of Core Fund

Highlights

• Gross asset value (millions)	\$5,012.9
• Net Asset Value (millions)	\$4,088.8
• Number of Properties	80
• Cash Position (GAV)	1.47%
• Debt to Total Assets	17.7%
• Total Square Footage	16,265,004
• Total Commercial Tenants	844
• Units (multi-family)	3,484
• Leased	92.5%
• Gross annual Distribution	6.0%
• Fund Age	14 years

Fundamental Principles – Core Real Estate Strategy

- Focus on Income
- Invest in Significant Innovation Hubs/Growth Clusters
- Target Supply Constrained Markets
- Capture Economic Diversity to Reduce Risk

Debt Maturity

- Integration of leverage with asset management strategy – use debt enhances return in a recovering market
- 84.9% of the Core Fund's long-term debt is fixed rate
- Staggered Debt Maturities
 - No significant debt maturity in any one year and all future maturities are expected to be refinanced or repaid with projected fund cash flow

Core Fund: Current Investment Strategy

- Market Diversification with an outlook of moderate economic growth, low interest rates, increasing secondary market pricing, and potential for financial instability events

- Property Sectors with an outlook of increasing supply in multi-family and industrial, with retail and office increase in the coming year
- Lease Exposure with an outlook of space demand and rents continuing to grow in primary markets
- Build to Core with an outlook of key markets selling well-above replacement cost present barriers to entry

Core Fund Investment Structure and Terms

- Fund Structure: The American Core Realty Fund is an open-end diversified core commingled real estate fund that invests in private real estate.
- Minimum Investment: \$1 million.
- Investment Objective: 8-10% annual leveraged total gross return over a full market cycle, with majority of return from income.
- Leverage: Target leverage ratio 10-30% in aggregate with a maximum of 40% of gross market value in aggregate at the portfolio level.
- Typical Transaction Size: \$20-\$400 million (gross value)
- Distribution: Current annual gross distribution payment is 6%.
- Valuation: Quarterly independent appraisals managed by Fund's independent Valuation Manager
- Reporting: American claims compliance with the Global Investment Performance Standards
- Redemption: Quarterly liquidity subject to available cash flow
- Asset Management Fee: Based on Net total Investment Commitment, 1.10% - commitment up to \$25 million
- No other fees

Boards

General discussion about Investment Policy and the possibilities of diversifying to a lower risk portfolio with Realty Investments.

Burgess making a recommendation of a 10% investment into private real estate with money coming out of equities.

From the Fire Board, A motion was made by Stuart Merrick and seconded by Tony Gray to invest an equal amount with Cornerstone Real Estate Advisers and American Realty Advisers. All were in favor

From the Police Board, A motion was made by Kevin Roesner and seconded by Sandy Modell to invest an equal amount with Cornerstone Real Estate Advisers and American Realty Advisers. All were in favor

After deciding to invest in private real estate, the Scott Christiansen (Attorney) addressed that the Investment Policy need to be amended to allow this investment. The Board discussed options with Burgess Chambers.

From the Fire Board, A motion was made by Tony Gray and seconded by Mike Hlavek to revise the Investment Policy Approach to pull 6% from certain target allocations and applying that 6% to Private Real Estate. 2% from Large Cap Core, 2% from International equity, 1% from TIPS and 1% from Fixed Income (bonds).

All were in favor

Police board tabled any further discussion in relation to their Investment Policy to their regular scheduled meeting, following this meeting.

Meeting adjourned at 7:25 P.M.

Respectfully submitted,



Engineer Stuart Merrick, Secretary

Respectfully submitted,



Scott Williams, Secretary

Winter Park Fire Fighters' Pension Trust Fund
Quarterly Meeting
5 May 2016
4:00 P.M.

Member: Engineer Stuart Merrick, Vice Chairman / Secretary
 Mike Hlavek, Trustee
 Tony Gray, Trustee

Attendees: Scott Christiansen, Attorney
 Burgess Chambers, BCA
 Larry Wilson, GRS
 Jeff Templeton, Administrator
 Michael Templeton, Battalion Chief
 Jim White, Fire Chief
 Pat McCabe, Deputy Chief
 Wes Hamill, Winter Park Finance Director

Vice Chairman Stuart Merrick called the meeting to order at 4:06 P.M.

A motion was made by Mike Hlavek and seconded by Tony Gray to accept the minutes of the meeting dated 4 February 2016 and Quarterly Financial Report Jan-Feb-March 2016. All were in favor.

No public input.

No Old business

New business:

Garry Mitchell was reelected to the board.

A motion was made by Mike Hlavek and seconded by Tony Gray to reappoint Garry Mitchell as Chairman of the Winter Park Fire Fighters' Pension Trust Fund Board.
All were in favor.

A motion was made by Mike Hlavek and seconded by Tony Gray to reappoint Stuart Merrick as Vice Chairman / Secretary of the Winter Park Fire Fighters' Pension Trust Fund Board.
All were in favor

Burgess Chambers gave the Investment Summary Report:

For the quarter, the Plan earned \$440K or +1.1% (+1.0% net), ahead of the strategic model (+0.8%), ranking in the top 36th percentile. The top three performing categories were: passive TIPS (+4.6%), passive mid-cap core (+3.8%), and passive fixed income (+3.0%).

Fiscal year-to-date, the Plan had earned \$1.6 million +3.6% (+3.5% net), ahead of the strategic model (+3.2%). The top three performing categories were: passive large-cap core (+8.5%), passive large-cap growth (+8.2%), and Westwood large-cap value (+7.9%).

For the four-year period, the Plan earned \$10.0 million, averaging +6.4% (+6.1% net).

In February 2016, the portfolio was rebalanced for quarterly pension expenses with sources of funding from TIPS (\$1M) and fixed income (\$300K).

Manager Reviews

Westwood's large-cap product has shown strong improvement during the past two years, beating its benchmark for the three and five-year periods, and ranked in the top 30th and 41st percentiles, respectively.

Advent's convertible bond product trailed the benchmark for the three and five-year periods, but SSI was ahead for the three-period and ranked in the top 13th and 32nd percentile, respectively.

American Funds EuroPacific beat its benchmark for the three and five-year periods and ranked in the top 38th and 50th percentile, respectively.

Burgess discussed MLP correlations and spread from December 2013 to March 2016. Correlations with oil prices vs. the Alerian Index. The spread with oil prices vs. the US High Yield Energy CDS Index.

Larry Wilson gave Actuarial Valuation:

The October 1, 2015 Actuarial Valuation determines the minimum required contribution for fiscal year ending September 30, 2017.

The minimum required contribution for fiscal year ending September 30, 2017 is \$2,230,695. 52.2% of covered annual payroll (non-DROP) projected for fiscal year ending September 30, 2017 based upon projected covered annual payroll (non-DROP) - \$4,275,632.

Member contributions will be 6.0% of covered payroll (non-DROP) for fiscal year ending September 30, 2017 - anticipated to be \$256,538. Anticipated allowable State contributions will be 7.5% of covered payroll (non-DROP) for fiscal year ending September 30, 2016 (\$320,410) leaving a City requirement of \$1,653,747 – 38.7% of covered payroll (non-DROP) for fiscal year

ending September 30, 2017. If State contributions are less than \$320,410, the City will be required to make up the shortfall.

The smoothed actuarial value of assets as of October 1, 2015 is \$49,902,483. The market value of assets as of October 1, 2014 is \$46,938,709.

There are 56 active members and 56 inactive members (including DROPS) as of October 1, 2015. Smoothed actuarial value net investment return was 8.22% - more than the assumed rate of 7.75%. Market value rate of return was -2.98%.

System expenses were 48 basis points of the mean invested market value of assets during fiscal year ended September 30, 2015.

The System experienced an actuarial loss of \$390,712 during fiscal year ended September 30, 2015. Salary increases and employee turnover were generally sources of actuarial loss – investment return (smoothed actuarial value) was an offsetting source of actuarial gain.

Government Accounting Standards Board (GASB) Statements No. 67 and No. 68 actuarial information is included and must be *trued-up* as of September 30, 2016.

State mandated mortality assumptions will be included in next year's actuarial valuation.

A motion was made by Tony Gray and seconded by Stuart Merrick to accept the Actuarial Valuation. All were in favor.

Larry Wilson addressed that now that the Valuation is approved, a compliance report needs to be completed within 60 days and be reported to the State.

Discussed Valuation report and that the board needs to set the assumption rate for the fund.

A motion was made after the advice of the investment consultant by Mike Hlavek and seconded by Stuart Merrick to approve 7.75% as the assumption rate for the next year, the next several years, and the long-term thereafter. Motion failed 2-1 with Tony Gray opposing.

Motion did not pass, therefore, the Assumption rate needs to be added to the agenda for the next meeting, for discussion and to allow the board to set the rate.

Scott Christiansen, attorney, gave his report:

The Legislation that was pending in Tallahassee in reference to adding different types of cancers to the list of presumptive diseases for firefighters, did not pass.

No legislative changes that amended chapters 175/185.

Only thing that did pass in Legislation affects the public records side. It set requirements for contracts with outside vendors. Moving forward a paragraph has to be added to contracts that they agree to assist the board in responding to public records request if in fact we get a request for a record that only that vendor has. Old contracts do not need to be addressed, this is just for new contracts.

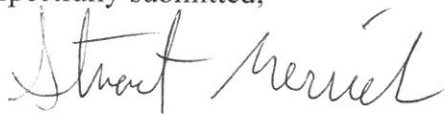
Summary Plan got approved last meeting and it was distributed to all Firefighters.

Financial Disclosure forms should be mailed to the members by the state soon and everyone should get them returned by 1 July 2016. Forms are available at myflorida.com. Administrator also provided copies of the form to help speed up the process.

Revised Internal Revenue Code Ordinance (without the share plan) was sent to the City for approval. Unknown if it has been approved or not at this time. Administrator will follow up with the City to determine the Status of this Ordinance.

A motion was made by Tony Gray and seconded by Mike Hlavek to adjourn. All in favor.
5:09 P.M.

Respectfully submitted,

 8/4/16

Engineer Stuart Merrick, Secretary