

CITY OF VERO BEACH POLICE OFFICERS' RETIREMENT TRUST FUND

Minutes: Meeting of February 17, 2016

1. CALL TO ORDER

Chair Matt Harrelson called a meeting of the Board of Trustees for the Vero Beach Police Officers' Retirement Trust Fund to order at 12:20 PM in the Council Chambers at City Hall. Those persons present included:

TRUSTEES

Chairman Mat Harrelson
Ann Thompson, Secretary
David Puscher
Harry Offutt
Greg Budde

OTHERS

Scott Baur & Brittany Park, Resource Centers
Ken Harrison, Dustin Sugarman & Susskind
Chad Little, Freiman Little Associates
David West, Bogdahn Consulting
Karen Russo & Mindy Johnson, Salem Trust (Departed 1:37pm)
Cindy Lawson- City Finance Director
Heather McCarty- City Clerk
Tom Anathan, UBS
Richelle Hayes, American Realty Advisors

2. APPROVAL OF AGENDA

Ann Thompson made a motion to approve the Agenda as amended and furthermore to amend as a normal course of business. David Puscher seconded the motion, passed by the Trustees 5-0.

3. APPROVAL OF MINUTES

The Board reviewed the Minutes for the meeting of November 18, 2015.

David Puscher made a motion to approve the Minutes of November 18, 2015. Ann Thompson seconded the motion, approved by the Trustees 5-0.

4. PUBLIC COMMENT

No members of the public addressed the Board.

5. REPORTS

Tom Anathan, Investment Manager (UBS)

Tom Anathan introduced himself as a managing director with UBS and offered some background information on the firm. He described UBS as a small dedicated manager focused on strong performance which began in 1978 with their primary office in Hartford Connecticut. He discussed the real estate investment and noted that there are \$30.3 billion in gross assets assets for over 500 clients. The TPF net returns for the one year and three year periods which ended on December 31, 2015 was 11.83% and 10.57% and the net return since inception was 10.10%. Mr. Anathan stated that the equity markets are doing well as opposed to other asset classes with 12.8% as of December 31, 2015.

Mr. Anathan reviewed the mission as a fund which is known as the 'TPF mission.' The TPF (Trumbull Property Fund) is a major large asset exposure market which has access to high-quality core private real

estate. As of December 31, 2015 there was \$22.3B in assets and a total return of 9.12% since inception. Mr. Anathan additionally reviewed the TPF strategy noting that income is where the main focus is and it is low leverage multi- family based and 'built to core.'

Mr. Anathan discussed the portfolio positioning indicating that 95% is leased with a 2nd ranking in sustainability. He reviewed the ten largest assets in the fund and stated that no one particular property represents more than 4% of the portfolio. He felt it was important to note that assets cannot be held forever and provided some additional backup examples.

Mr. Anathan reviewed the performance returns and noted that the 20 year basis was the lowest risk fund. The Trumbull underperformed for the quarter which was positive for the fund. Outperformance results when the market goes down which is not so positive.

Dave West had some additional questions for Mr. Anathan; one being the current que to enter the fund which he responded was a quarter billion and a \$265M que for deposit. He additionally asked him if he could communicate to the Board what inning the real estate cycle falls in. Mr. Anathan explained that real estate markets are well leased however he is not expecting strong numbers for 2016. He advised that if the economy slows down, this is the fund you ideally want to be in.

Chad Little, Actuary (Freiman Little Actuaries) - Actuarial Valuation 2015

Chad Little presented the Actuarial Valuation for 2015. He discussed the changes which occurred during the year and noted that there was a gain on the asset and demographic side. The funded percentage has fluctuated between 84-87% for the year. Mr. Little explained the payroll process indicating it is reflected over a 27 week period. The assumption over the past 10 years is 6% and 4.8% is based on peoples ages and years of credited service. The unfunded liability decreased by \$200K and last year's assets went up more than anticipated. The liability did not go up however both of these added together result in a gain. Mr. Little discussed the normal operations of the plan and noted that the contribution went down and not a lot of activity has taken place during the year.

Dave Puscher made a motion to approve the 2015 Actuarial Valuation. Ann Thompson seconded the motion, approved by the Trustees 5-0.

Mr. Little additionally discussed the 2015 Annual Report. Ms. Thompson had some questions for Mr. Little prior to the meeting in regards to peoples' names indicated on the report. Mr. Little clarified that correspondence for any changes go to the City as well as the Chairman on the Board. Mr. Little discussed expenses and advised that in regards to administrative expenses, Trustees would be included in these expenses. Mr. Harrison suggested replacing Trustee with custodian and going forward these specific fees will be labeled as custodial fees.

Ann Thompson made a motion to approve the 2015 Annual Report with the amendment to replace Trustee with Custodial. Dave Puscher seconded the motion, approved by the Trustees 5-0.

Mr. Little reviewed the GASB67 and GASB68 provisions. The GASB68 measurement date fell on September 30, 2014. Ms. Lawson expressed some of her concerns regarding the measurement date and Mr. Little indicated that the financial statements can be produced after GASB68. September 30, 2015 is the recommended measurement date with no additional cost to change the date; however GASB requests that this must be consistent going forward. The funded percentage is \$5m which is the unfunded liability and Mr. Little explained what would change in regards to the roll forward of liability

and assets. Benefit changes would also change as well as assumptions and Mr. Little provided some additional examples of modifying the multiplier. He explained the 5 year smoothing of assets and presented the schedule of contributions.

David Puscher made a motion to incorporate the necessary information into the GASB statements. Ann Thompson seconded the motion, approved by the Trustees 5-0.

Mr. Little also announced that the annual employee benefit statements are complete and ready to be distributed to the members.

Karen Russo and Mindy Johnson (Salem Trust)

Karen Russo introduced herself as well as Mindy Johnson and thanked the Board for having them at the meeting. Ms. Russo presented the Salem class action report and explained what each item relates to.

Ms. Johnson presented Globe Tax which is a new service Salem Trust is offering to their pension plans. Salem Trust has teamed up with Globe Tax who specializes in the reclaiming on taxes. She explained that there will be no fee until a recovery has been made and there will be a \$200 annual maintenance fee after a collection of \$400. Ms. Johnson addressed the required documents the Board will need in order to incorporate Globe Tax. She also stated that Salem Trust will come to represent at the meetings on behalf of Globe Tax. The contract is between Salem and Globe Tax, no contract is necessary from the Board.

Ann Thompson made a motion to approve Globe Tax. Harry Offutt seconded the motion, approved by the Trustees 5-0.

Richelle Hayes, (American Realty Advisors)

Richelle Hayes introduced herself as a marketing and client service director with American Realty Advisors and stated they have worked with the fund since 2011. She offered some background on the firm and described it as as one of the largest money manager firms. There is over \$7.4B in assets under management with 157 properties in the United States. They work with a total of 379 institutional investors only investing within the US and 84 clients in Florida. Ms. Hayes reported that there have been zero cases of litigation within the firm.

Ms. Hayes referred to the fund as being well diversified investing in high-quality properties, industrial, retail and multi-family properties that are located near metropolitan areas nationwide. She noted that it is particularly risky to purchase hotels which they do not do.

The net contributions decreased from \$1,250K in 2011 to \$375K in 2015 resulting in a total of \$1,675,000 and the portfolio is valued at \$2M. Most of the returns resulted from income with a 1 year gross return of 15.31% which is very good as the ideal number is 8%. Ms. Hayes indicated that income is a good source of return. She reviewed the fund snapshot and stated the fund has a total of \$5B in assets with no intentions of closing. The que which is valued at \$171M continues to increase throughout the years. Ms. Hayes discussed leverage and the current 20.3% and indicated that some companies have high leverage which is only beneficial during a time of recession. She advised that they are not taking on a lot of risk in this fund. The sharp ratio is what is measured and that is the risk taken and the best sharp ratio for the 3 and 5 year number was what resulted in a high return.

Dave West, Investment Consultant (Bogdahn Group)

Dave West reported that there were a lot of strong numbers overseas due to the equity market. The interest rates rose and it has been a very narrow market where active managers struggled in this environment. The total net for the quarter in regards to performance was 3.42% and a year over year basis of 1.16% and the peer group ranking is in the top 10 percentile.

Mr. West reviewed the Investment Managers' performance for the quarter. He explained that Wells Capital was his biggest concern in regards to performance. He recommends keeping them under watch however he remains confident in the management team. Mr. West explained that the real estate managers are positioned defensively with the managers in the fund. He described REITS indicating that they are the highest dividend paying stock.

Mr. West reviewed the cash flow and noted that -\$472,824 was due to distributions and other expenses totaled at -\$6,873 for the quarter ending December 31, 2015. Mr. West additionally distributed an asset allocation report noting that this does not incorporate the cash flow. He suggested moving \$1M back into equity in order to keep equity allocation on target at 60%. He reminded the Board that the best time to fund a manager is when they are at the very bottom with the expectation of recovery.

Mr. West recommended a rebalance by raising a total of \$900k in Garcia Fixed Income. \$300K will be transferred from Garcia Hamilton Fixed income account to Wells Fargo equity account and \$600K from Garcia Hamilton to \$200K Harding Loevner equity account.

Ann Thompson made a motion to approve the recommendation from Mr. West to move \$900K from Garcia Hamilton to the Wells Fargo and Harding equity accounts. Dave Puscher seconded the motion, approved by the Trustees 5-0.

David Puscher made a motion to accept the Consultant Report. Ann Thompson seconded the motion, approved by the Trustees 5-0.

Ken Harrison, Attorney (Sugarman and Susskind)

Ken Harrison reviewed the proposed 2015 CBA ordinance with the Board. Mr. Puscher expressed some of his concerns regarding the language not mirroring the contract comparing it to the current DROP language. Mr. Little added to the discussion and the Board agreed to defer any further actions on this topic until the next meeting.

Chair Matt Harrelson called a 5 minute break.

The meeting was called back to order at 2:55pm.

Administrator Report (Scott Baur and Brittany Park, Resource Centers)

Scott Baur wished to extend his apologies to the Board on behalf of some of the recent issues that have occurred within the 3 month period. He assured the Board that the invoices will be paid monthly prior to meetings. He additionally discussed the SunTrust issue with the credit cards not being paid in a sufficient manner and he explained that when the authorization was sent to Salem Trust there was some confusion as to where the statements would be delivered to. The issue has been resolved and the March statement has furthermore been received and paid. Mr. Puscher emphasized the importance of

record keeping and documentation coming into the office. He wants to be clear that these issues will not reoccur and Mr. Harrelson would also like to confirm no issues will be coming up going forward.

6. PLAN FINANCIALS

The Board reviewed the current Warrant for payment of plan expenses dated February 17, 2016.

Ann Thompson made a motion to approve the Warrant dated February 17, 2016. Harry Offutt seconded the motion, approved by the Trustees 5-0.

The Board reviewed the previously paid Warrants dated February 5th and February 8th.

Ann Thompson made a motion to approve the Warrants dated February 5th and February 8th. Dave Puscher seconded the motion, approved by the Trustees 5-0.

7. OTHER BUSINESS

NCPERS will be on the next meeting agenda.

8. NEXT MEETING DATE

The Board previously scheduled the next quarterly meeting for Wednesday, May 18, 2016 at 12:20 PM.

9. ADJOURNMENT

There being no further business, the Trustees adjourned the meeting at 3:26 PM.

Respectfully submitted,

Ann Thompson, Secretary