

**COOPER CITY GENERAL EMPLOYEES PENSION PLAN
BOARD OF TRUSTEES MEETING
SUMMARY OF MEETING MINUTES
January 23, 2020**

Approved _____

Approved _____

CITY HALL

The meeting was called to order at 8:36 AM.

1. Roll Call

Barry Schinder – present
Roland Berrios – present
Kerri Anne Fisher – present
James Nacknouch – present
Vacant

Guests

John McCann – AndCo Consulting
Gregg Gosch – Sawgrass Asset Management
Margie Adcock– Pension Resource Center
Melissa Moskovitz & Piotr Krekora-GRS
Richelle Hayes - American Realty
Sherry Walker – Finance Director (9:15 AM)

2. Public Comments

There were no public comments.

4. Presentations

A. American Realty –Richelle Hayes

Ms. Hayes provided a brief background of the firm. She stated that nothing has changed with the firm. They are headquartered in Los Angeles with 7 offices in the United States. They are 100% employee owned and have 90 employees. They continue to grow in assets and have \$10.2 billion in assets under management. She said they had a routine SEC Audit about three months ago. They are still working on things and it should be final in about a month.

Ms. Hayes reviewed the performance. The total market value as of September 30, 2019 was \$4,351,441. She reviewed performance as of September 30, 2019. She stated that the total return was 1.16% net of fees for the quarter ending September 30, 2019 while the benchmark was up 1.08%.

Ms. Hayes reviewed the portfolio. She stated that it was a very diversified portfolio. The American Core Realty Fund is the largest fund that they have. It is an open-end fund. As of September 30, 2019 the gross asset value was \$7.11 billion. There are 70 investments and the leased percentage is 95.2. They have no queue to get in or to get out. There are currently 447 investors. They have 6 properties in Florida.

Ms. Hayes reviewed the portfolio management team. She stated that they focus on income which is the most important part of the fund. They are increasing their exposure to the multifamily and industrial sectors while decreasing their exposure to the office and retail sectors. She reviewed their target markets noting that they have a lot in port cities. Ms. Hayes reviewed the top ten properties as of September 30, 2019. They have strong current occupancy levels. She stated that they have stable and diverse tenancy. She discussed the property they have in Delray Beach with the IPIC movie theater. She stated that there were some recent issues where IPIC filed for bankruptcy. She stated that this is more of a tenant concern and not a building concern. She

stated that they are managing the property and are looking for other possible tenants if necessary.

Ms. Hayes reviewed the portfolio composition. She reviewed the most recent core transactions, noting there were four new properties. She reviewed the diversification across target markets and property types. She stated that the portfolio is set very well.

B. Sawgrass Asset – Gregg Gosch– Quarterly Presentation

Mr. Gosch appeared before the Board. He provided a brief firm update. There have been no changes on the investment team. There have been no significant changes to the portfolio.

Mr. Gosch reviewed the market environment. He stated that there are good things going on with low interest rates, low inflation and significant increases in wages in the last two years. He stated that historically the market is due for a recession at some point, but fundamentally it is unlikely in the next year or two. He stated that there were some concerns though. He stated that in 2018 the Fed raised interest rates but by the 4th quarter the stock market sold off and the Fed started lowering rates. He thinks there will be a hold on rates or there might be one more rate decline this year. With low interest rates, corporations are using leverage to buy back their stock to make more gains. He stated that 51% of the lowest grade bonds should be junk bonds but are rated BBB. He stated that they are rated higher because of anticipated growth rates but he does not think it is warranted. The other concern is liquidity issues with hedge funds. He noted that JP Morgan was using overnight lending to artificially increase the value.

Mr. Gosch reported on performance for the quarter ending December 31, 2019. The total market value of the portfolio was \$18,001,345 as of December 31, 2019. The portfolio was up 5.12% net of fees for the quarter while the benchmark was up 6.75%. The Diversified Large Cap Growth portfolio was up 8.61% while the S&P 500 was up 9.07%. The Diversified Small Cap Growth portfolio was up 6.20% while the Russell 2000 Growth was up 11.39%. The Fixed Income portfolio was up .09% while the benchmark was up .37%.

Mr. Gosch reviewed the Diversified Large Cap Growth portfolio. He stated that stock concentration is at an all-time high. He stated that 30% of the weight of the top five largest companies (Apple, FaceBook, Google, Microsoft, and Amazon) was in the Russell 1000 Growth Index. The crowding effect hurts active managers. He stated that they did not have the higher weights like the Index due to the Fund's investment constraints. He stated that not having the proper weighting hurt performance.

Mr. Gosch reviewed the Diversified Small Cap Growth portfolio. He reviewed the portfolio holdings and reviewed the portfolio characteristics. He reviewed the sector breakdown and contributions to return.

Mr. Gosch reviewed the fixed income portfolio. He reviewed the Treasury yield curve.

Sherry Walker entered the meeting. Gregg Gosch departed the meeting.

D. GRS – Actuarial Valuation- Melissa Moskovitz and Piotr Krekora

Ms. Moskovitz and Mr. Krekora appeared before the Board to present the Actuarial Valuation as of October 1 2019. Ms. Moskovitz stated that Mr. Krekora has been with GRS since 20006 and would be taking over as the main Actuary for the Fund. She noted that she would still be a backup though.

Mr. Krekora stated that the Valuation sets forth the employer contribution for the fiscal year ending September 30, 2021. The total required contribution is \$973,885 with \$773,105 from the City and \$200,780 from BSO. He noted that BSO used up almost their entire pre-paid contribution amount which was being used to offset future BSO required contributions. He stated that the increase in contribution was mainly from the change in the assumed rate of return which was reduced from 6.8% to 6.7%. He noted that the investment assumption will be reduced by .1% each year until the rate reaches 6.5%. It was noted that the amortization of the unfunded actuarial accrued liability was reduced from 20 years to 19 years as of October 1, 2019. This amortization period will continue to be reduced by one year each year. The combined assumption changes increased the total required contribution by \$58,057 or 2.05% of the contribution requirement. He stated that they expect this same type of increase of the actuarially determined employer contribution for the next several years.

Mr. Krekora discussed the actuarial experience. He stated that there was a net actuarial gain of \$150,668 which was primarily due to lower than expected salary increases, fewer than expected retirements, and a recognized investment return above the assumed rate. The investment return was 6.9% based on the actuarial value of assets versus the assumed rate of 6.8%. The funded ratio was 86.7% versus 86.4% last year. Mr. Krekora reviewed the Plan maturity measures. He stated that the ratio of net cash flow to the market value of assets was -3% compared to -2.4% last year. He stated that they will just need to keep an eye on the liquidity but there is a while to go before there needs to be any changes made to adjust for the growing maturity of the Fund.

Mr. Krekora reviewed the history of the investment rate of return since the fiscal year ending September 30 1981. He reviewed the reconciliation of Plan assets and membership data. He reviewed the unfunded actuarial accrued liability from October 1, 1993 to October 1, 2019. He reviewed the liquidation of the unfunded actuarial accrued liability and stated that it is assumed it will be paid off completely in 20 years. It was noted that FRS has adopted a new mortality table which should help next year. The new mortality table creates a separate assumption for teachers. .

Ms. Fisher made the motion to approve the Actuarial Valuation as of October 1, 2019. The motion was seconded by Mr. Berrios and approved unanimously by voice vote.

Mr. Krekora discussed the ability to prepare the Valuation in ADA format. He stated that they can use a third party to convert the document to ADA format. He stated that he was not sure but thought it would probably cost about \$500.

Melissa Moskovitz, Piotr Krekora and Richelle Hayes departed the meeting.

C. AndCo Consulting – John McCann

1. Quarterly Investment Report

Mr. McCann provided an update on the firm. He stated that the firm is celebrating their 20 year anniversary. They have six offices with 89 employees. They have \$92 billion in client assets under advisement. In 2019 they hired nine new team members and added two more partners for a total of ten partners.

Mr. McCann reviewed the market environment for the quarter ending December 31, 2019 was \$38,040,797. The Fund was up 4.65% net of fees for the quarter while the benchmark was up 5.86%. Total equities were up 8.52% for the quarter while the benchmark was up 9.36%. Total fixed income was up .29% for the quarter while the benchmark was up .37%. Total real estate was up 1.18% for the quarter while the benchmark was up 1.53%.

The total Highland Capital portfolio was up 5.21% net of fees for the quarter while their benchmark was up 5.72%. The total Sawgrass portfolio was up 5.12% net of fees for the quarter while their benchmark was up 6.75%. With respect to equities, Highland Capital was up 8.75% while their benchmark was up 8.41% and Sawgrass was up 8.32% while their benchmark was up 9.98%. With respect to fixed income, Highland Capital was up .50% and Sawgrass was up .06% while their benchmarks were up .37%. American Realty was up 1.18% for the quarter while the NCREIF was up 1.53%.

There was discussion on the underperformance of Highland Capital. Mr. McCann stated that Highland is a good fit for Sawgrass. He stated that he is not concerned with performance at all. He always keeps an eye on the managers. He stated that the managers do things differently. Highland has international which has not done well, while Sawgrass has small cap growth. He stated that Highland had a great quarter

3. Agreement with Clarkston Capital Partners

Mr. McCann stated that the Agreement has been reviewed by the Attorney and all is in order to be signed by the Board. He stated that Clarkston will be funded from both Highland and Sawgrass. The Chair signed the Agreement.

2. Revised Investment Policy Statement

Mr. McCann provided a draft revised Investment Policy Statement. He stated that the revision is effective April 1 2020 with the addition of Clarkston Capital. He stated that he will let Highland and Sawgrass know their allocation will be changing. He stated that he will get all of the managers to sign the revised Investment Policy Statement.

Mr. Berrios made the motion to approve the revised Investment Policy Statement. The motion was seconded by Ms. Fisher and approved unanimously by voice vote.

4. Proposed Agreement for Investment Performance Monitoring Services

Mr. McCann presented a proposed agreement for investment performance monitoring and advisory services. He stated that their fee is going up due to the addition of Clarkston. He stated that their fee will increase \$5,000 a year He stated that the last time they asked for a fee increase was nine years ago when American Realty was added as a manager. There was a lengthy discussion. The

Board asked that the Attorney review the proposed agreement prior to execution. Mr. McCann also provided and reviewed AndCo's ADV Part 2A and their Privacy Notice.

5A. Bills and Warrants

- A. Pension Resource Center—For administrative services for November, December 2019 and January 2020 -\$8,088.40
- B. Klausner Kaufman Jensen & Levinson – For legal services for October, November and December 2019 - \$4,018.50.
- C. AndCo – Quarterly Fee for period ending 12/31/19 - \$8,196.14
- D. Highland Capital Management – Quarterly Fee for period ending 12/31/19 - \$19,545.71
- E. Sawgrass Asset Management—Quarterly Fee for period ending 12/31/19- \$24,751.85
- F. K. Fisher – Reimbursement for Expenses for October 2019 FPPTA School - \$140.89
- G. R Berrios – Reimbursement for Expenses for October 2019 FPPTA School- \$471.08

Mr. Nacknuck made the motion to approve items A-G. Mr. Berrios seconded the motion, which passed unanimously by voice vote.

5B. Benefit Approvals

- A. DROP Distributions – Gregory Butler 9/30/19 final balance (\$18,301.70); James Bowman monthly recurring distribution (change to \$1,600.00 beginning January 1, 2020 forward)

Mr. Berrios made the motion to approve item A. Mr. Nacknuck seconded the motion, which passed unanimously by voice vote.

6. Report on Fund Activity as of December 31, 2019.

The Board was provided an unaudited financial statement as of December 31, 2019. The Board reviewed the Balance Sheet as well as the Income and Expense Sheet.

7. Plan Administrator –Margie Adcock

- A. The Board was provided with the Salem Trust Service Report as of September 30, 2019.
- B. The Board was provided with Salem Trust Company SSAE 16 SOC 1 Audit as of June 30, 2019 and September 30, 2019.
- C. The Board was provided with a Memorandum from the Attorney dated November 2019 regarding the Uniformed Services Employment and Reemployment Rights Act of 1994. It was noted that it was not a new law but the Attorney's office was receiving quite a bit of questions so they wanted to provide an educational memo. It sets forth the rights and responsibilities of employers and retirement plans to protect the rights of those who have served or will serve in the United States Armed Forces.

3. Approval of Minutes Summary for Meeting of October 24, 2019.
The minutes of the meeting of October 24, 2019 were reviewed.
Mr. Nacknouch made the motion to approve the minutes of the meeting of October 24, 2019. The motion was seconded by Mr. Berrios and approved unanimously by voice vote.

8. Old Business

9. New Business

10. Adjournment
There being no further business before the Board, motion was made and seconded, and the meeting was adjourned.