

**COOPER CITY GENERAL EMPLOYEES PENSION PLAN
BOARD OF TRUSTEES MEETING
SUMMARY OF MEETING MINUTES
July 27, 2023**

Approved _____

Approved _____

The meeting was called to order at 8:40 AM.

1. Roll Call

Barry Schinder – present
Roland Berrios – present
Van Szeto - present
Jason Chockley – present (8:45 AM)
Vacant

Guests

Brad Hess – AndCo Consulting
Margie Adcock– Pension Resource Center
Anthony Brooks – Sawgrass Asset Management
Richelle Cook – American Realty
Karen Russo – Salem Trust Company

2. Public Comments

There were no public comments.

4. Presentations

A. American Realty –Richelle Cook

Ms. Cook provided a brief background on the firm. She stated that there have been no major updates in the structure of the firm and no personnel changes. They are headquartered in Los Angeles with 5 offices in the United States. They are 100% employee owned and have 80 employees. They have 600 institutional investors.

Ms. Cook reviewed the performance of the American Core Realty Fund. This is their open-end flagship fund. She stated that the fund has \$8.26 billion in gross asset value as of March 31, 2023. The total market value of the Fund's portfolio as of June 30, 2023 was \$6,401,851. Ms. Cook reviewed performance as of June 30, 2023. The portfolio was down 2.48% while the benchmark was down 2.84%. Since inception of January 3, 2011 the portfolio was up 8.45% while the benchmark was up 8.68%.

Jason Chockley entered the meeting.

Ms. Cook stated that the American Core Realty Fund is a very diversified portfolio. There are 90 investments. The leveraging is about 21.7%. She stated that right now there is not a lot of buying and selling going on in the market. She reviewed the four sectors they invest in: industrial, residential, office and retail. She stated that office is the most expired of all of real estate. They only have 10 properties in the office sector. They are doing good with all of the office properties they have except for one in Seattle. The geo-political issues in Portland have caused issues with one building. They sold the property when they could and broke even with the sale. She reviewed their debt profile. She stated that 82% of the fund assets have no debt. She stated that they have diversification across markets and property types. Their highest weighting is in the West at 40.4%, followed by 27.7% in the South, 26.9% in the East, and 5% in the Midwest. She reviewed the 2022 and 2023 investment activity.

Ms. Cook discussed alternative properties, such as data centers which fall under industrial. She stated that industrial is doing fantastic although it is starting to

moderate. They are also investing in single family residential communities, both by building them and buying them. They have 18% of residential in single family residential communities. Ms. Cook stated that they are staying the course. This is still a very conservative core fund.

B. Sawgrass Asset – Anthony Brooks– Quarterly Presentation

Mr. Brooks stated that he was an equity portfolio manager and the co-manager on the diversified large cap growth portfolio. He reported on performance for the quarter ending June 30, 2023. The total market value of the portfolio was \$14,189,307 as of June 30, 2023. The total portfolio was up 5.71% net of fees for the quarter while the benchmark was up 6.29%. The large cap growth portfolio was up 10.27% while the benchmark was up 10.78%. The small cap growth portfolio was up 7.52% while the benchmark was up 7.05%. The fixed income portfolio was down .71% while the benchmark was down .81%. Mr. Brooks stated that he thinks the market is getting into a period that will really benefit their style. He is excited for what is likely to come for the portfolio.

Mr. Brooks discussed the large cap growth portfolio. He reviewed the performance attribution by sector. He stated that consumer discretionary, technology, and healthcare hurt performance. He stated that it had more to do with stock selection. He reviewed the contributors to return. He reviewed the top ten and bottom ten performing stocks. He stated that most of the contribution came from technology and most of the detractors came from healthcare and defensive stocks. He stated that their good absolute returns for the year were overshadowed by strong performance in a concentrated number of stocks. Market concentration continues to be at historically high levels. It was noted that 7 stocks made up about 70% of returns for the first half of the year. They have barely recovered from the 2022 decline. Mr. Brooks reviewed their portfolio posturing. He explained how some holdings have less concentration among larger weights, some have more attractive valuations, some have higher estimated long term earnings growth, and some have higher demonstrated long term earnings growth. He reviewed the portfolio characteristics, noting there were 49 stocks in the portfolio.

Mr. Brooks discussed the fixed income portfolio. He stated that they have a neutral duration. They believe at some point rates will stabilize. They are underweight credit risk given the challenging macro backdrop. They focus on high quality issuers with attractive relative value. The Fed indicated yesterday that they did not think the market would head into a recession.

C. AndCo Consulting – Brad Hess

1. Quarterly Investment Report

Mr. Hess reported on the performance for the quarter ending June 30, 2023. The total market value as of June 30, 2023 was \$41,804,884. He reviewed the asset allocation. Domestic equities was at 60.2%; domestic fixed income was at 20.5%; real estate was at 15.3%; and cash was at 3.9%. He noted that the Fund has a redemption request of \$900,000 with American Realty and has received \$175,000 so far.

Mr. Hess reported on the performance for the quarter ending June 30, 2023. The Fund was up 3.37% net of fees for the quarter while the benchmark was up

4.29% net of fees. Total equities were up 6.80% for the quarter while the benchmark was up 7.40%. Total fixed income was down .51% for the quarter while the benchmark was down .81%. Total real estate was down 2.49% for the quarter while the benchmark was flat at 0.00%.

Mr. Hess reviewed the specific performance of the managers for the quarter ending June 30, 2023. The total Highland Capital portfolio was up 3.19% net of fees for the quarter while their benchmark was up 3.48%. The total Sawgrass portfolio was up 5.67% net of fees for the quarter while their benchmark was up 6.29%. With respect to equities, Highland Capital was up 4.66% while their benchmark was up 5.61%; Sawgrass was up 9.66% while their benchmark was up 10.04%; and Clarkston was up 5.22% while their benchmark was up 5.22%. With respect to fixed income, Highland Capital was down .14% and Sawgrass was down .81% while their benchmarks were down .81%. American Realty was down 2.49% for the quarter while the NCREIF was flat at 0.00%. Mr. Hess stated that the quarter produced solid returns. For the long term, returns are fantastic.

2. Discussion on Strategic Asset Allocation

Mr. Hess reviewed the capital market assumption changes from JP Morgan from 2020 to 2023. He stated that it is a forecast for the next 10 to 15 years. He stated that fixed income targets have been low in the past because there was no way to make money in fixed income. However, now with the increase in interest rates and the fact that this is a closed plan, he thinks it is prudent to increase the target to fixed income. He reviewed various asset allocation scenarios. He stated that he liked Mix 2 which would provide an estimated return of 7.20% with a risk of 9.32%. As such, he recommended decreasing the target for equities from 60% to 50% and increasing the target for fixed income from 23% to 33%. He suggested taking \$1 million from Clarkston and giving half to Highland and the other half to Sawgrass, and then taking \$1.5 million each from the equity portfolios of Highland and Sawgrass and having them invest the money in fixed income. He would have Highland and Sawgrass reduce their equity by \$1.5 million and move that to fixed income. Mr. Hess stated that the bottom result would be to add \$4 million to bonds by reducing \$4 million in equities. Mr. Hess stated that this capital market assumption is looking out for at least 10 years. He stated that he was making such a recommendation here because this is a closed plan, noting that he was not recommending this for all of his clients. There was a lengthy discussion.

Mr. Chockley made the motion to reduce the equity target from 60% to 50% and increase the fixed income target from 23% to 33% which would be implemented by a rebalance whereby Clarkston would raise \$1 million and give half to each Highland and Sawgrass, and then Highland and Sawgrass would reduce their equity by \$1.5 million each and put it in fixed income. The motion was seconded by Mr. Berrios and approved unanimously by voice vote.

2. Investment Policy Statement

Mr. Hess provided an updated revised IPS. The revision included language required by House Bill 3. He stated that he did not update the targets but given the motion that was just passed, he will change the targets as well.

Mr. Chockley made the motion to approve the updated revised Investment Policy Statement as amended to include the update with respect to the new targets. The motion was seconded by Mr. Berrios and approved unanimously by voice vote.

D. Salem Trust Company – Karen Russo

1. Retiree Online Pensioner Portal

Ms. Russo stated that they would be sending out letters to the retirees at the beginning of August regarding the pensioner portal.

2. Money Market Fund Summary Prospectus

Ms. Russo provided information on the money market options available. She stated that Highland currently uses the Goldman Sachs Money Market Fund while the other 3 managers are using the Treasury Obligation Fund.

3. Announcement of Merger with Argent Financial

Ms. Russo stated that TMI announced on May 30, 2023 a merger with Argent Financial. She stated that Argent is an independent financial group headquartered in Louisiana. She stated that TMI will change to Argent Institutional Trust Company. She stated that Salem Trust Company will remain the same. This merger should have no impact on their clients. She stated that she understands that there will be no conversion of their accounting system. It was noted that Highland Capital is also part of Argent. Mr. Hess stated that he has no issue with this merger. The biggest issue would be if there was a system conversion.

Brad Hess, Karen Russo, Richelle Cook, and Anthony Brooks departed the meeting.

3. Approval of Minutes Summary for Meeting of April 27, 2023.

The minutes of the meeting of April 27, 2023 were reviewed.

Mr. Chockley made the motion to approve the minutes of the meeting of April 27, 2023. The motion was seconded by Mr. Berrios and approved unanimously by voice vote.

4A. Bills and Warrants

- A. GRS – For actuarial services for the quarters ending 6/30/23 - \$6,814.00
- B. Pension Resource Center–For administrative services for May, June and July 2023 - \$8,776.54
- C. Klausner Kaufman Jensen and Levinson – For legal services for April, May and June 2023 - \$2,707.50
- D. AndCo – Quarterly Fee for period ending 6/30/23 - \$10,958.08
- E. Clarkston Capital – Quarterly Fee for period ending 6/30/23 - \$12,315.00
- F. Highland Capital Management – Quarterly Fee for period ending 6/30/23 - \$15,666.72
- G. Sawgrass Asset Management–Quarterly Fee for period ending 6/30/23- \$19,510.30
- H. FPPTA – Conference Registration for J. Chockley - \$875.00
- I. Rosen Shingle Creek – Hotel Reservation for J. Chockley for attendance at FPPTA Conference - \$495.00

J. J. Chockley – Reimbursement for Expenses for FPPTA Conference (mileage, meals, tolls) - \$457.62

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

4B. Benefit Approvals

A. DROP Distributions –Steve Younghans 4/1/23 final balance (\$253.57)

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

B. DROP Distributions –Roland Berrios 3/31/23 balance less 10% holdback (\$35,110.85)

Mr. Chockley made the motion to approve item B. Mr. Szeto seconded the motion, which passed unanimously by voice vote.

6. Report on Fund Activity as of June 30, 2023.

The Board was provided an unaudited financial statement as of June 30, 2023. The Board reviewed the Balance Sheet as well as the Income and Expense Sheet.

7. Plan Administrator –Margie Adcock

A. It was noted that the term for Mr. Chockley was up and an election would need to be held.

B. Mr. Schinder advised that he would like to resign from the Board after the January 2024 meeting. It was determined that the Administrator would advise the City of Mr. Schinder's impending departure and request the City begin the process of selecting a replacement.

8. Old Business

A. Attorney Opinion Regarding Ability to Serve out Trustee Term After DROP Exit

It was noted that Mr. Berrios recently separated employment with the City and left the DROP. The Board was provided with an opinion from the Attorney regarding the ability of a Trustee to serve out their term after they exit the DROP. The Attorney opined that since the Ordinance is silent on the matter, Mr. Berrios may serve out his term.

B, Attorney Opinion Regarding Timing of the Payment of Pre-Retirement Death Benefits

It was noted that at the last meeting, the Board was presented with a question from a member regarding death benefits. The question concerned if a vested member were to die before they reached normal retirement age when would the benefit begin. It was noted that there was no past practice for this particular issue. It was determined that the language of the Ordinance was somewhat vague on this. Since there have been several members that have asked about this issue, the Board authorized for an opinion to be obtained from the Attorney. The Board was provided with the opinion from the Attorney. After discussion, the Board decided to interpret the Plan consistent with the Actuary's current valuation methodology that unreduced benefits are only available at normal retirement eligibility.

C. GRS Letter Outlining Options for Level Funding

It was noted that at the February 2023 meeting, the Actuary discussed the issue where there will be a shortfall in ten years based on the current pattern of contributions. He discussed possible ways to prevent a spike in contributions. He was going to prepare a short letter outlining the issues for this meeting. The Board could then present the letter to the City and move forward from there. It was noted that the asset recovery process has changed the Actuary's view on this issue. At this time he would like to see how the investments are going to end the year before taking any further steps.

D. Discussion on Class Actions and Proof of Claim Filings

The Board noted that Salem Trust attended a prior meeting and discussed their process regarding class actions and proof of claim filings. It was further noted that Saxena White advised that they would not file proof of claims for the Board. The Board decided that they wanted Trustee Szeto to be in attendance to make any changes or decisions regarding this matter as he was the person that raised the issue of looking into pursuing securities monitoring. Mr. Szeto stated that he was agreeable to not pursuing this any further.

9. New Business

A. Attorney Correspondence and Proposed Agreement Regarding Fee Increase

The Board was presented with correspondence from the Attorney and a proposed agreement incorporating a fee increase. It was noted that the Attorney was increasing their fee to \$350 a hour. They stated that they have not increased their fee in 15 years. There was a lengthy discussion.

Mr. Chockley made the motion to approve the proposed agreement with the Attorney. Mr. Berrios seconded the motion, which passed unanimously by voice vote.

B. Attorney Memorandum Regarding House Bill 3 dated May 31, 2023

The Board was provided with a Memorandum from the Attorney dated May 31, 2023 regarding House Bill 3.

11. Adjournment

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