

**Winter Park Firefighter's Pension Trust Fund**

**Quarterly Meeting**

**February 2, 2023 at 4:00 P.M.**

**Members:**

Mike Clifford, Trustee

Wayne Kalish, Trustee

Tony Gray, Trustee

**Attendees:**

Burgess Chambers, BCA

Wes Hamill, Director of Finance

Bryan Templeton, Assistant Administrator

Stephen Hagenbuckle, Terra Cap

Ronan Burke, Terra Cap

**Call to order:**

Acting Chairman, Mike Clifford called the meeting to order at 4:23 P.M.

**Approval:**

*A motion was made* by Tony Gray and seconded by Wayne Kalish approve the minutes from November 3, 2022 and the quarterly billing for October-November-December 2022. All were in favor.

**Public comment:**

None.

**Quarterly Report:**

*Burgess Chambers, BCA, gave the Investment Summary Report:*

The Federal Reserve raised interest rates, following years of policies that lowered rates to stimulate the U.S. economy. Recent moves to address inflation have lifted interest rates, thus causing fixed income securities to fall in value, along with stocks. Historically, when the stock market experiences a significant decline, bond prices rise, and interest rates drop.

In anticipation of the adverse impact to the Plan's bond/TIPS portfolio caused by rising interest rates, the strategic bond/TIPS allocation in the IPS was decreased from 33% to 20% on 2/18/22, and Terra-Cap was added during the second quarter as an alternative manager (3% target). On 11/3/22, the bond/TIPS target allocation in the IPS was further reduced to 15%. The addition of the private credit firm Constitution (target: 5%) in January 2023 is expected further decrease volatility, while increasing expected returns.

For the quarter, the Plan earned \$3.1 million or +5.2% (+5.1% net) – behind of the strategic model (+6.0%). The top two performing asset categories were: international (+13.9%) and large cap value (+11.3%).

For the one-year period, the Plan experienced a market-based loss of \$11.0 million or -14.1% (-14.3% net). The top two performing asset categories were: private real estate (+5.7%), and cash (+1.2%).

For the three-year period, the Plan earned \$6.3 million or +3.3% (+3.0% net) per year, similar to the strategic model return of +3.8%.

For the five-year period, the Plan earned \$13.5 million, averaging +4.7% (+4.4% net) per year – similar to the strategic model (+5.1%)

In November 2023, a request to redeem \$500K was submitted to American Core Reality and \$500K to Barings.

In January 2023, \$471,546.35 was raised from Fidelity US Bonds and wired to Constitution to fund the Ironsides Opportunities Fund II (direct lender), and \$2.5 million remains to be called.

Westwood's large-cap value product was behind the benchmark for the quarter, longer term results outperformed the benchmark.

SSI's convertible bond product fell short of the benchmark for the quarter (+2.0% vs. +2.2%). The one-year return missed the benchmark (-19.6% vs. -17.6%). The product averaged +8.0% per year for the last five years and ranked in the **top 23rd percentile**.

American Funds Euro-Pacific results were behind the benchmark for the quarter (+13.9% vs. +17.4%). Five and ten-year results achieved the benchmark.

ARA American Realty and Barings private real estate both manage low leveraged commercial real estate programs throughout the U.S. During the past year results have been strong, as American and Barings earned +9.4% and +3.1%, respectively. The combined annualized five-year results of these two firms averaged +8.2% per year. Barings' lower returns reflect a decision to mark down properties ahead of 2023.

The TIPS allocation beat core bond performance for the past five years, averaging +2.1% vs. +0.0% per year. For the past three years, annualized relative performance was ahead +1.1% vs. -2.8%.

BCA invited Terra Cap to the February 2, 2023 meeting.

*Stephen Hagenbuckle and Ronan Burke, Terra Cap*

TerraCap Fund V closed to new investors on 10/1/2022 with a final capital raise of \$606,410,000 against a \$400,000,000 target. The Fund is 100% invested with 27 acquisitions and over 7 million square feet of rentable real estate. The allocation mix is approximately 70% Multifamily apartments, 20% Industrial/Flex Industrial and 10% Select office.

TerraCap remains committed to only investing in the fastest growing markets in the continental US. The current markets TerraCap invests in are Orlando, Bonita Springs/Estero, FL, Tampa, Atlanta, Charlotte, Raleigh, Cary, NC, Austin, Dallas, TX, Denver, CO and Phoenix, AZ. These markets are some of the leaders in In-Migration, Employment Growth, Corporate Relocations, Financial Growth and Affordability. These metrics create demand that in these markets have exceeded recent supply allowing TerraCap to push lease rates in Fund V ahead of business plans. In some cases, 2-4 years ahead of plan. We have also witnessed significant increases in new construction costs (up 60-70% in 7 years) which is also holding off speculative development and increasing demand in our target markets for existing well-built and located properties.

Increasing lease rates and NOI at rapid rates has allowed TerraCap to sell two (2) Fund V properties (Versol Residences and Orlando International Business Center) in only 1.5-2 years of ownership. Both sales closed in December of 2022 and returned a total of over \$60 million to investors. \$8 million of the \$60 million was from property level cash flows. The returns from these two sales were approximately 50% Net IRR and 31% Net IRR respectively with Net Equity

Multiples of 1.89-1.7X respectively. This distribution represents a return of 10.4 percent of total investor capital just 3 months after closing the fund. This along with the early significant increases in lease rates and NOI (net operating income) for substantially all the assets in this fund puts Fund V in a defensive position given the increases in inflation and interest rates. We anticipate a shorter “J” curve as a result of this.

We anticipate testing the market in Q2-Q4 2023 with some additional sales. This will depend on the buyer’s appetites given the interest rate environments at that time.

**Attorney Report:**

*Pedro Herrera*

Pedro is meeting with city to resolve the retirement calculations for the 14 Firefighters and 7 Police officers who were involve with the insurance payments. This will be resolved by May 2023.

Summary plan for WPFDF retirement fund will be updated for the May 2023 meeting

**Administrator Report:**

*Bryan Templeton*

*A motion was made* by Lt. Tony Gray and seconded by Wayne Kalish to approve the Detailed Accounting Report-Administrative Expenses for Oct 1, 2021 to Sept 30, 2022 Fiscal year. All were in favor

By the next Quarterly meeting in May the Fire Department will need to re-elect Lt. John Bonnel to the pension board or the firefighters need to elect someone else as Trustee.

By the next Quarterly meeting in May the City will need to reappoint Wayne Kalish to the Pension Board or the City Council will need to appoint someone else as Trustee.

**New Business:**

None

**Old Business:**

None

**Adjournment:**

Acting Chairman, Mike Clifford adjourned the meeting at 5:29

Respectfully Submitted,

*Stuart Merrick*  
Stuart Merrick chairman

Lt. John Bonnel, Vice Chairman/Secretary