Winter Park Police Officers' Pension Trust Plan

Quarterly Meeting

May 5, 2022 at 4:00 PM

Members:

Lt. Kevin Roesner, Chairman

Russell Allen, Trustee

William Deuchler, Trustee

Tony Gray, Trustee

Attendees:

Pedro Herrera, Attorney via ZOOM
Burgess Chambers, BCA
Wes Hamill, Director of Finance

Chief Tim Volkerson, Chief of Police

Shelly Jones, GRS

Jen Maier, City Procurement Manager

Jeff Templeton, Administrator

Bryan Templeton, Assistant Administrator

Call to Order:

Chairman, Kevin Roesner, called the meeting to order at 4:02pm.

Approval:

A motion was made by Tony Grey and seconded by William Deuchler to approve the minutes of the quarterly meeting dated February 3, 2022, minutes from Special meeting dated February 18, 2022, and the quarterly billing for January-February-March 2022. All were in favor.

A motion was made by Tony Grey and seconded by William Deuchler to elect Lt. Kevin Roesner Chairman of the Board. All were in favor.

A motion was made by Lt. Kevin Roesner and seconded by William Deuchler to elect Scott Williams Vice-Chairman of the Board. All were in favor.

Quarterly Report:

Burgess Chambers, BCA, gave the Investment Summary Report:

For the quarter, the Plan experienced a market-based loss of $3.4 million or -4.6% (-4.7% net), behind the strategic model (-3.7%), and ranked in the 56th percentile. The major detractors were mid-cap equity, convertible bonds and international equity. The best three performing asset categories were: private real estate (+7.6%), infrastructure (+3.5%), and cash (+0.0%).

For the one-year period, the Plan earned $2.6 million or +4.2% (+3.9% net). The best four performing asset categories were: private real estate (+27.7%), infrastructure (+16.9%), large-cap core (+15.6%), and large-cap core value (+15.0%).

For the three-year period, the Fund earned $18.7 million, averaging +11.3% (+10.9% net) per year – outperforming the strategic model (+10.3%), and ranked in top 31st percentile.

For the five-year period, the Fund earned $25.1 million, averaging +9.6% (+9.2% net) per year, ranking in the top 36th percentile.

For the ten-year period, the Plan averaged +8.6% (+8.3% net) per year, ranking in the top 43rd percentile.

In March, a new IPS was signed and it went into effect 1 April. The Plan is in the process of being rebalanced to the new IPS targets. $6.5 million was raised from Fidelity US Bond, $500K from Westwood, $800K from EuroPacific Growth and was allocated as follows: $1.0 million to Fidelity Mid Cap, $1.0 million to SPDR Convertibles, $1.0 million to Advent Convertibles, $700K to iShares TIPs, and $399K to cash for future expenses. The remaining $3.7 million is earmarked for Terra-Cap Real Estate, pending a capital call expected in the second quarter of 2022.

Manager Reviews

Westwood's large-cap value product was ahead of the benchmark for the quarter (-0.4% vs. -0.7%). The product's three, five and 10-year results were ahead of the benchmark.

Advent’s convertible bond product was ahead of the benchmark for the quarter (-4.2% vs. -4.8%), and the one-year period (-0.1% vs. -0.7%). The SPDR convertible index product was behind Advent for the quarter (-6.9% vs. -4.2%) and one-year period (-5.5% vs. -0.1%).

Cohen & Steers Global Infrastructure earned +3.5% during the quarter, and close behind the benchmark (+3.9%), but ranked in the top 24th percentile. Results were ahead of the benchmark for the 12-month period (+16.9% vs. +15.3%, top 31st). Three-year performance averaged +9.3% net per year.

American Funds Euro-Pacific underperformed the benchmark for the quarter (-12.1% vs. -5.8%), but out-performed for the three, five and 10-year periods.

ARA American Realty and Barings private real estate’s combined results were similar to the benchmark for the quarter (+7.6% vs. +7.4%) and behind for the one-year period (+27.7% vs. +28.5%). The 12-month return was well ahead of expectations, as rising material costs, supply chain problems, and labor shortages drove commercial property replacement costs higher.

Actuarial Valuation

Shelly Jones, GRS

The October 1, 2021 Actuarial Valuation determines the minimum required contribution for fiscal year ending September 30, 2023.

The minimum required contribution for fiscal year ending September 30, 2023 is $2,835,032 – 49.6% of covered annual payroll (non-DROP) projected for fiscal year ending September 30, 2023 based upon projected covered annual payroll (non-DROP) - $5,711,954.

Member contributions will be 6.0% of covered payroll (non-DROP) for fiscal year ending September 30, 2023 - anticipated to be $342,717. Anticipated allowable State contributions will be 5.7% of covered payroll (non-DROP) for fiscal year ending September 30, 2023 ($328,348) leaving a City requirement of $2,163,967 – 37.9% of covered payroll (non-DROP) for fiscal year ending September 30, 2023. If total State contributions are less than $388,107, the City will be required to make up the shortfall. Allowable State contributions are based upon the dollar amount ($268,589) under Subsection 2 of Ordinance Section 74-205.

There are 73 active members and 92 inactive members (including DROPS) as of October 1, 2021.

The net smoothed value of assets as of October 1, 2021 is $63,895,915. The net market value of assets as of October 1, 2021 is $69,770,663. Smoothed value net investment return was 10.32% (greater than the assumed rate of 7.50%) - market value net investment return was 21.20% for fiscal year ended September 30, 2021.

Total System expenses (investment and administrative) were 42 basis points of the mean invested market value of assets during fiscal year ended September 30, 2021.

The System experienced an actuarial gain of $843,669 during fiscal year ended September 30, 2021. The main source of the actuarial gain was investment return (smoothed value) experience.

The actuarial assumptions relating to future investment return, salary increases and rates of retirement are based upon an Experience Study for the five-years ended September 30, 2017. The mortality assumptions are the same as the Florida Retirement System (FRS) as required under F.S., Chapter 2015-157 based upon the July 1, 2021 FRS Actuarial Valuation.

The October 1, 2021 Actuarial Valuation Report includes a discussion and metrics related to risks associated with measuring the actuarial accrued liability and actuarially determined contribution.

Government Accounting Standards Board (GASB) Statements No. 67 and No. 68 actuarial information is included. GASB Statements No. 67 and No. 68 actuarial information must be *trued-up* as of September 30, 2022.

Required valuation information will be uploaded to the State portal as required by the Department of Management Services.

A motion was made by Lt. Kevin Roesner and seconded by William Deuchler to approve the Actuarial Valuation Report of the WPPD pension fund from GRS. All were in favor.

A motion was made by Lt. Kevin Roesner and seconded by Russell Allen to keep the pension fund assumption rate at 7.5% for today, the rest of the year and the near future. All were in favor.

Attorney Report: None

Pedro Herrera

Administrator Report:

Jeffrey Templeton

All retires have been verified to continue to receive benefits.

All Form 1 financial reports for the board are due to the State by July 1, 2022.

Old Business: None

New Business:

Jen Maier from the city procurement office offered their services to go out on RFPs for the Board. The Board discussed this and decided to table it until a later date.

Adjournment:

Chairman, Kevin Roesner, adjourned the meeting 6:15 pm.

Respectfully Submitted,

Scott Williams, Vice Chairman/Secretary