Winter Park Police Officers' Pension Trust Plan

Quarterly Meeting

February 2, 2023 at 6:00 PM

Members:

Lt. Kevin Roesner, Chairman

Lt. Scott Williams, Vice Chairman/ Secretary

Russell Allen, Trustee

William Deuchler, Trustee

Tony Grey, Trustee

Attendees:

Pedro Herrera, Attorney via Zoom
Burgess Chambers, BCA
Bryan Templeton, Assistant Administrator
Stephen Hagenbuckle, Terra Cap
Ronan Burke, Terra Cap

Call to Order:

Chairman, Kevin Roesner, called the meeting to order at 6:02pm.

Approval:

A motion was made by William Deuchler and seconded by Russell Allen to approve the minutes of the quarterly meeting dated Nov 3, 2022, 2022 and the quarterly billing for October-November-December. All were in favor.

Public Comment:

None

Quarterly Report:

Burgess Chambers, BCA, gave the Investment Summary Report:

The Federal Reserve raised interest rates during 2022, 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 rates, the target allocation in the IPS was decreased from 27% to 20% on 2/18/2022, and Terra-Cap was added as an alternative manager (3% target). On 12/3/2022, the bond/TIPS target allocation was lowered further in the IPS to 15%. The January 2023 the addition of the private credit firm Constitution (target: 5%) further diversifies the Plan from volatility.

For the quarter, the Plan earned $3.4 million or +5.9% (+5.8% net), in line with the strategic model (+6.0%) and ranked in the **52nd percentile**. The top two performing asset categories were: international (+13.9%) and large cap value (+11.3%).

For the one-year period, the Plan was down $9.8 million or -13.2% (-13.5% net). The best two performing asset categories were: real estate (+6.2%) and cash (+1.4%).

For the three-year period, the Fund earned $7.2 million, averaging +4.4% (+4.0% net) per year – outperforming the strategic model (+3.6%), and ranked in the **top 34th percentile**.

For the five-year period, the Fund earned $14.1 million, averaging +5.5% (+5.1% net) per year, ranking in the **top 33rd percentile**.

For the ten-year period, the Plan averaged +7.2% (+6.9% net) per year, ranking in the **top 43rd percentile**.

In November 2023, a request to redeem $800K was submitted to American Core Reality and $800K to Barings.

In January 2023, $471,546.30 was raised from Fidelity US Bonds and wired to Constitution to fund the Ironsides Opportunities Fund II (direct lending fund), and $2.5 million remains to be called.

Westwood's large-cap value product was behind the benchmark for the quarter, but has out-performed its benchmark 2022 during the three, five and 10-year periods.

Advent's convertible bond product was ahead of the benchmark for the quarter (+4.0% vs. +2.2%, **top 31st**), and the one-year period (-16.9% vs. -17.6%). The SPDR convertible index product fell short of Advent for the quarter (+2.8% vs. +4.0%) and one- year period, but was ahead for the three and five-year periods.

Cohen & Steers Global Infrastructure earned +9.2% during the quarter. Results were ahead of the benchmark for the 12-month period (-4.1% vs. -4.2%, **top 15th**). Three-year performance averaged +2.8% net per year.

American Funds Euro-Pacific was behind the benchmark for the quarter (+13.9% vs. +17.4%), but achieved or beat the benchmark for the five and 10-year periods.

ARA American Realty's private real estate's results were behind the benchmark for the quarter (-5.4% vs. -5.0%), but ahead for the 12-month period (+9.3% vs. +7.5%).

Barings Core Property real estate results were ahead of the benchmark for the quarter (-3.1% vs. -5.0%), but behind for the 12-month period (+3.1% vs. +7.5%) – due in large part to writing down property valuations ahead of 2023.

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

Stephen Haganbuckle and Ronan Burke:
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 buyers appetites given the interest rate environments at that time.

Administrator Report:

Bryan Templeton

A motion was made by Lt. Kevin Roesner and seconded by Lt. Scott Williams 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 Police department will need to re-elect Lt. Kevin Roesner to the pension board or the police officers need to elect someone else as Trustee.

By the next Quarterly meeting in May the City will need to reappoint Russel Allen to the Pension Board or the City Council will need to appoint someone lese as Trustee.

Attorney Report:

Pedro Herrera

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

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

New Business:

None

Old Business:

None

Adjournment:

Chairman, Kevin Roesner, adjourned the meeting 7:28 pm.

Respectfully Submitted,

Scott Williams, Vice Chairman/Secretary