

City of Lake Mary Firefighters' Retirement System
Meeting of August 9, 2013

I. CALL TO ORDER

Trustee Karen Gudinas called the meeting to order at 7:41 A.M. Those persons present included:

TRUSTEES

Shawn Anastasia, Secretary
(arrived 7:58AM)
Jeff Koltun
Karen Gudinas
Martin Bel

OTHERS

Dianne Holloway, City of Lake Mary Finance Director
Scott Christiansen, Christiansen & Dehner, PA
Audrey Ross, Pension Resource Center
Frank Wan, Burgess Chambers & Associates

II. APPROVAL OF MINUTES

The Trustees reviewed the minutes from the regular meeting on May 10, 2013.

Jeff Koltun made a motion to approval of the minutes from the regular meeting of May 10, 2013 as amended. Karen Gudinas seconded the motion and passed by the Trustees 3-0.

III. REPORTS

Frank Wan, Burgess Chambers and Associates (BCA)

Mr. Wan stated Mr. Ashworth from Eagle Asset Management could not attend today's meeting. The Board stated that they would like Mr. Wan to notify Eagle Asset Management that if Mr. Ashworth is not available to attend a future meeting, then they would appreciate if they could send another representative from Eagle in his absence. Mr. Wan noted that he will communicate this information to Mr. Ashworth.

Mr. Wan stated that at the last meeting the board had a discussion with Mr. Ashworth regarding the fees on the fixed income side of the portfolio, and in between meetings Mr. Ashworth notified the board that Eagle was able to reduce their fees. In recognition of the funds long-term relationship with Eagle, they will be reducing their fees on the fixed income portfolio by 25%. The previous fee was 40 basis points and the new proposed fee is reduced to 30 basis points. The new fee schedule is effective April 1, 2013.

Jeff Koltun made a motion to approve the revised fee addendum for Eagle Asset Management which reflects a fee decrease from 40 basis points to 30 basis points effective April 1, 2013. Karen Gudinas seconded the motion and approved by the Trustees 3-0.

Mr. Wan reviewed the plans report for the quarter ending June 30, 2013. He noted that the plan was negative and behind the index for the quarter at -0.01% versus 0.4%, but for the fiscal year to date they are up 7.4% versus the index at 8.3%. Mr. Wan reviewed the market environment and commented that the interest rates have increased from 3.25% to 4.65% over the last 6 months and unemployment is still around 7.5%. Also the 10 year Treasury yield increased from 1.9% to 2.5% because of the massive exodus in the bond market recently. Mr. Wan stated that he hopes they continue to add to their

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fiscal year performance so that the plan can meet its assumed rate of return this year of 7.8%; August has been a great months so far. He reviewed each manager's performance during the quarter and noted that I-Shares, real estate, and Eagle's fixed income accounts underperformed. Mr. Wan also reported on the plans current asset allocation and commented that they are underweighted to International at this time. He stated that this plan does not use a benchmark that includes emerging markets, which were down for the quarter anyways. The Trustees had a brief discussion on the emerging markets and how they would affect the plans portfolio (positively or negatively) if they were to be added in. Mr. Wan stated that he will bring back a list of some International Managers that do invest in emerging markets as well as an active International manager search as well. Mr. Wan reported on the plans current asset allocation and stated that they are inline with the plan policy, although he did just received notification from Ms. Ross's office that there is additional money in the plans local checking account that can be transferred out for investment.

Martin Bel made a motion to direct the Investment Consultant (in between meetings) to look at the portfolio and rebalance if needed due to the extra cash on hand by drafting a letter to the Chairman. Shawn Anastasia seconded the motion and approved by the Trustees 4-0.

Mr. Wan reviewed SSI handout that they put together which represents why they have been underperforming recently. He reminded the board that convertible bonds do not outperform when the market is up and that they were added into the portfolio for the downside protection. Mr. Wan explained that SSI is having a difficult time with their security selections.

Mr. Wan commented that American Realty will be here towards the end of the meeting to present their Real Estate product. He noted that Cornerstone did not accept the invite because their minimum funding requirement is \$25M. Mr. Wan stated that if the board does decide to move forward with investing in real estate, then he would only be recommending a 5% allocation to it.

Lastly Mr. Wan reviewed the revised Investment Policy Guidelines (IPG). He noted some of the other changes that were made, such as lowering the fixed income target rate to 25% and adding in the 5% allocation to real estate. Mr. Wan stated that he will have a clean copy for the board to review and approve at their next meeting.

Scott Christiansen, Christiansen & Dehner

Mr. Christiansen noted that all Trustees' Annual Form 1 Disclosures were filed with the State on time.

Mr. Christiansen passed out the updated Summary Plan Description. Ms. Ross noted that she will get the documented distributed to all the active members as required.

Mr. Christiansen stated that the IRS notice was passed on 1st reading and the 2nd reading is scheduled for next month.

Audrey Ross, Pension Resource Center

IV. PLAN FINANCIALS

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Disbursements

The Trustees then reviewed the Warrant dated August 9, 2013 for payment of invoices.

Jeff Koltun made a motion to approve the Warrant dated August 9, 2013 for payment of invoices. Karen Gudinas seconded the motion and approved by the Trustees 4-0.

Financial Statements

Ms. Ross provided an interim financial statement for the plan through June 2013. She noted that, as required by GASB, the financial statement reported the investments on a trade-date basis rather than settlement date for securities transactions in the portfolio.

The Trustees received and filed the interim financials statements through the month of June 2013.

V. NEW BUSINESS

Ms. Ross presented the board with the proposed fee increase letter from Regions Bank. The board had a discussion on what is being proposed in the letter and also on the fees that are currently being charged to the account. The Trustees directed Ms. Ross to invite Regions Bank to the next meeting to present their proposed fee increase, and that why a representative from Regions Bank will be there to answer the Trustees' questions as well. Ms. Ross concurred.

Richelle Hayes, American Realty (Joint Real Estate Presentation with the Police Board)

Ms. Hayes introduced herself to the board and stated that American Realty offers a private commercial real estate fund. American Realty has 80 employees with a total of \$5.7B in assets. American Realty has 8 locations with their headquarters in California, although Ms. Hayes office is located literally just down the street in Lake Mary. American Realty is a very adverse firm as the CEO is also a real estate attorney. They do not have any debt on their balance sheets and they have never had any litigations or changes to the structure of their firm since it was established in 1988.

Mr. Hayes reviewed what type of real estate fund their firm offers. The American Core Realty product is a diversified open-end real state commingled fund. There are 60 properties held in the portfolio with 280 institutional client investors. American Realty only purchases Class A properties in this portfolio and they meet with all their properties on a monthly basis. There is no property management in place for any of their properties and they have the lowest leverage compared their competitors at 24.4%. Ms. Hayes reviewed their client listed and noted that there are a lot of Florida Police and Fire Defined Benefit plans, just like this plan, invested with them. She reported on why a plan would want to invest in real estate and what effect it has on a portfolio similar to this plans. Real estate adds diversification to the portfolio as well as providing income to the plan. She explained that most of the income is derived from the rents that are paid by the tenants and the board can choose to get that dividend paid out to them on a quarterly basis, or they can choose to reinvest it as well. All properties in the portfolio are appraised by an outside company on a quarterly basis, and a full appraisal is competed one a year on all the properties as well. Ms. Hayes commented that all their property values have come back and are inline with the appraisals. She noted that they recently sold off one property in the portfolio and that was the first one since 2003. American Realty only purchases developed properties in the following sectors; office, retail, multifamily, and industrial. Ms. Hayes reported that they like to keep their

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occupancy rate around 92% and they never invest more than 5% in any one property or building. She briefly discussed any risks that are associated with investing in real estate such as the interest rates and unemployment. Ms. Hayes reviewed an example of some of the properties that are held in the portfolio and noted that the funds performance for the quarter ending June 30, 2013 net of fees was 3.10%, and for 1 year they are up 10.28%.

Lastly Ms. Hayes stated that the fund does have a \$183M entry queue, which will take about 2-3 quarters for the fund to be completely invested with them. American Realty does a capital call at the beginning of each quarter and will call for a portion of the investment until the entire initial investment amount has been invested. The fee for this product is a flat 110 basis points annually; noting that there is no performance fee or any other "tack on fee".

Board Discussion:

The Trustees had a lengthy discussion on the real estate asset altogether as well as American Realty's presentation. They noted that they were very impressed with the fund, its performance, and the presentation.

Martin Bel made a motion to hire American Realty with a 5% asset allocation to Real Estate and directing the Chair to authorize all necessary agreements/documents in between meetings for an October 1, 2013 capital call. Jeff Koltun seconded the motion and approved by the Trustees 4-0.

Adjournment

There being no other business and the next meeting having previously been scheduled for Friday November 8, 2013 the meeting adjourned at 10:09 AM.

Respectfully submitted,

Shawn Anastasia, Secretary