

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

February 5, 2024

The meeting was called to order at 10:01 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES PRESENT

Jason Alexandre
Mark Ahern
Nick Scopelitis
Michael Salvemini

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Madison Levine, Sugarman & Susskind P.A.
Chad Little, Freiman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates (10:10 A.M.)
Scott Reynolds, Town Finance Director
Rob Rossi & Brian Allen, C.S.McKee
Eric Leventhal, KSDT
Branden Zesut, PBA Union Representative

2023 AUDITED FINANCIAL STATEMENT

Eric Leventhal of Kabat Schertzer De La Torre & Taraboulos appeared before the Board. He presented the draft Annual Audit as of September 30, 2023. He stated that it was in draft form as he was still waiting on the GASB information, as well as the DROP and Share Account allocations from the Actuary. He stated that the numbers in total are not anticipated to change. Mr. Leventhal stated that they were issuing a clean unmodified opinion. He reviewed Management's Discussion and Analysis. He reviewed the Statement of Net Fiduciary Position as of September 30, 2023. The total assets were \$94,501,705 with most of the money in investments. Total liabilities were \$213,603. Total net position restricted for pensions was \$94,288,102. Mr. Leventhal reviewed the Statement of Changes in Net Fiduciary Position. He stated that there were total additions of \$12,400,210 and total deductions of \$5,547,944 leaving an increase in the Plan net position of \$6,852,266.

Burgess Chambers entered the meeting.

Mr. Leventhal reviewed the schedule of investment and administrative expenses. He stated that the expenses went down from the prior year. Out of 15 other public pension plans he has completed audits for so far, this is 5th lowest for expenses. He stated that there were no substantive changes to any of the disclosures. He stated that he found no significant internal control issues. He received full cooperation from management and the service providers. There were no significant deficiencies or material weaknesses.

- Michael Salvemini made a motion to approve the 2023 Audited Financial Statement as presented subject to the GASB information being included. The motion received a second by Mark Ahern and was approved by the Trustees 4-0.

Mr. Leventhal stated that in going through the minutes for the prior year for the Audit he noticed that there was a conversation on possibly going out for a RFP. He stated that he would be more than happy to answer any questions about any issues there might be. Scott Reynolds inquired about the team and noted that the Town is required to rotate the people doing the audit every 5 years. Mr. Leventhal stated that there has been nothing that has changed in his firm. He has a consistent team and there are 3 managers. He stated that there is no legal statute that requires the auditor to be rotated every 5 years but stated that they have begun rotating the managers internally on each account every 5 years.

Mr. Leventhal presented the Management Representation Letter.

- Mark Ahern made a motion to authorize the Chair to sign the Management Representation Letter. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

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Eric Leventhal departed the meeting.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held November 13, 2023.

- Nick Scopelitis made a motion to approve the November 13, 2023 minutes. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT – CS McKEE (ROB ROSSI)

Rob Rossi and Brian Allen appeared before the Board. Mr. Rossi provided a brief introduction noting that Mr. Allen was the CIO and senior portfolio manager on the fixed income team. Mr. Rossi discussed the market environment for the quarter ending December 31, 2023. He stated that 2023 turned out to be a great year, especially with the 4th quarter rebound. He stated that the 4th quarter turned a negative year to a positive one. October was a horrendous month but there was a rally in the last two months of the year and the last two months were the strongest two months in bond market history. He noted that inflation is down. The momentum is there for a decent 2024.

Mr. Allen reviewed performance. He stated that the total market of the portfolio as of December 31, 2023 was \$28,307,628. The portfolio was up 7.21% for the quarter while the benchmark was up 6.82%. He stated that last year the market was forecasting a recession. The Fed Funds Rate was higher than expected in 2023. He stated that they now believe there will be rate cuts in 2024. The primary reason the market skirted a recession last year and maybe this year is because of consumers. Consumers are increasing credit card debit with delinquencies and charge off rates trending higher. This is particularly due to the gap between mortgage refinance rates and the average outstanding loan rates. Consumers remain optimistic as shown with a pronounced increase in the holiday season. Mr. Allen stated that with inflation at 3% they expect returns in fixed income to continue much like they did last year. The markets expect the yield curve to normalize as lower Fed Funds Rates are realized. They are neutral on the portfolio duration but with an underweight to the long end.

Mr. Chambers stated that at the last meeting he advised that he would like to find something specific for this Plan for the long-term fixed income portfolio model. He stated that right now the return on assets are the driver of the program. The Fund is 90% funded. The assumed rate of return is 7%. If the assumed rate of return is lowered to 6% the funded ratio will come down. Rates are close to a 20-year high so it is good to talk about this now. He stated that he was looking at ways to derisk the portfolio while taking stress off the Town and creating a more predictable future. The disadvantage would be that the return on the asset profile would decline. He is looking at ways to lock up a predictable stream of income in fixed income. It would not hurt anyone who is currently a retiree. For those going into retirement, nothing would change. The real shift would be to the Town. The Town would have to put more money in to kick this off, but it would stabilize and derisk the portfolio and include a sense of predictability. There was a lengthy discussion. Mr. Chambers stated that he would work with Mr. Little and C.S. McKee on options and bring back a plan to the Board for consideration.

INVESTMENT CONSULTANT REPORT – BURGESS CHAMBERS & ASSOCIATES (BURGESS CHAMBERS)

Burgess Chambers appeared before the Board. He reported on the performance for the quarter ending December 31, 2023. He stated that the Fund earned \$8.6 million or 9.1% net of fees for the quarter. He stated that REITS was the best performer at 16.6%. He stated that most of the stocks in the S&P have been unimpressive. He noted that the Plan has a full redemption in place

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with American Realty. The Plan has received some partial payments of \$772,000 through January 2024. The next couple of years will be particularly rough in real estate, especially for the office sector. There was a lengthy discussion on the real estate market and the outlook. The total market value of the Fund as of December 31, 2023 was \$102,382,958. He stated that Eagle is doing an outstanding job. They are a value manger but own growthy stocks. The total Fund was up 9.1% net of fees for the quarter ending December 31, 2023 while the benchmark was up 8.7%. For the quarter, total equities were up 11.6; domestic equities were up 12.3%; international equity was up 10.4%; REITS were up 16.5%; and fixed income was up 7.2%. There was discussion on international and the concern that all of the investments in international are with one manager. Mr. Chambers stated that the international portfolio could be split by putting half into an Index which would reduce fees as well. There was further discussion.

- Mark Ahern made a motion to move \$5 million of the international portfolio with EuroPacific to a corresponding Index. The motion received a second from Nick Scopelitis and was approved by the Trustees 4-0.
- Michael Salvemini made a motion to accept the Investment Consultant Report. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

OTHER BUSINESS

DISCUSSION ON PENSION BENEFITS (MICHAEL SALVEMINI): Mr. Salvemini stated that the collective bargaining agreement is set to expire on September 30, 2025. During the last contract negotiations the discussion of pension benefits came up but was not pursued. The Union has approached the Town and they both want to see what some benefit changes might look like and have discussed a few studies they would like to have the Actuary do so the parties can explore the options. He reviewed the studies that the parties would like to have the Actuary do. The Town stated that they would split the cost of the study as it will result in negotiations. Both parties are trying to get ahead of the upcoming collective bargaining negotiations and have the information prior to negotiations beginning. It was noted that the parties have split the cost of such studies in the past when both parties approach the Board and agree. Scott Reynolds stated that he would like a RFP for a third party to do the actuarial valuation and findings. It was noted that the Board had an issue with using a third-party Actuary. The Board believed the Fund's Actuary should have an opportunity to bid. Mr. Little suggested that the parties provide an outline of specifically what they are looking at before issuing a RFP. He stated that typically it is always cheaper for the Plan Actuary to do the studies as they have all of the information. It was noted that a representative of the PBA was present at this meeting. Branden Zesut stated that he agreed with the request for the studies discussed and asked for the Board's consideration. The parties will submit in writing the studies they are requesting and provide same to Mr. Little to so he can present a cost estimate at the next meeting.

- Nick Scopelitis made a motion to authorize the Fund's Actuary permission to communicate with the Town to obtain the details of the studies requested so he can provide a cost estimate. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

Branden Zesut departed the meeting.

ACTUARY REPORT

Chad Little appeared before the Board.

2023 ACTUARIAL VALUATION REPORT: Mr. Little presented the Actuarial Valuation as of October 1, 2023. This Valuation determines the minimum funding requirements for the plan year ending September 30, 2025. He stated that the total employer expected contribution requirement is \$3,695,569. With the expected State contribution of \$611,245, the Town's contribution increased from \$2,545,418 in the last Valuation to \$3,084,324. He stated that the funded ratio

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was 89.96% compared to 93.11% last year. The assumed investment return remained at 7.0%, although he encourages the Board to lower it further at some point.

Mr. Little reviewed the participant data. While the market value of assets was a 9.15%, the return on the actuarial value of assets used for funding purposes was 3.45%. There were no changes in methods since the prior Valuation. Mr. Little reviewed the historical investment returns since October 1, 1981. It was noted that they are required to include certain examinations of risk in the Valuation. He reviewed the assessment and disclosure of risks. He reviewed new reporting requirements related to the low-default- risk obligation measure. He reviewed the historical asset values. Mr. Little reviewed the minimum required contribution breakdown.

- Michael Salvemini made a motion to approve the Actuarial Valuation as of October 1, 2023. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

ANNUAL DECLARATION OF EXPECTED RATE OF RETURN: It was noted that the Board needed to formally determine the expected rate of return for the short term and long term, as is required by the State. The Board stated that they would like to see it match the Valuation, which is 7.0%.

- Michael Salvemini made a motion to determine the expected rate of return using the rate of 7.0%. The motion received a second from Mark Ahern and was approved by the Trustees 4-0.

ATTORNEY REPORT

Madison Levine appeared before the Board. She provided a Memorandum dated January 29, 2024 regarding the filing of the annual Form 1 disclosure, noting that it can only be filed electronically now.

OTHER REPORTS

It was noted PomTrack and Robbins Geller monitoring reports were in the Trustee packets for informational purposes and there were no recommendations for action.

APPROVAL OF DISBURSEMENT

The Disbursement list was presented for consideration.

- Michael Salvemini made a motion to approve the disbursements as presented. The motion received a second from Nick Scopelitis and was approved by the Trustees 4-0.

It was noted the financial statement through December 31, 2023 was included in the Trustee packet for review. The Trustees accepted the financial statement.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit Approvals were presented for consideration.

- Nick Scopelitis made a motion to approve the Benefit Approvals as presented. The motion received a second from Michael Salvemini and was approved by the Trustees 4-0.

FEBRUARY 2024 SUBMISSION OF BOARD'S GOAL AND OBJECTIVES: It was noted that the Town Council previously requested to be provided with the Board's goal and objectives twice a year. Ms. Adcock provided the Board with the memorandum that was sent to the Town based on discussions at prior meetings.

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HOUSE BILL FILING (COMPLETE): Ms. Adcock reported that the comprehensive report that was required to be filed by House Bill 3 was filed prior to the December 15th deadline.

RESOURCE CENTERS SOC 1 TYPE 2 REPORT: The Board was provided with certification from the Resource Centers that they successfully completed their SOC 1 Type 2 Audit and received a clean opinion as of September 30, 2023.

OTHER BUSINESS (CONTINUED)

There was no other business.

PUBLIC COMMENTS

There were no public comments.

With there being no further business, the meeting adjourned.

Respectfully submitted,

Michael Salvemini, Secretary