

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 13, 2024

The meeting was called to order at 10:03 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 (10:32 A.M.)
Burgess Chambers, Burgess Chambers & Associates
Scott Reynolds, Town Finance Director
Scott Ohm, Eagle Capital
Sam Oppe & Rana Pritanjali, Polen Capital
Brain Kendall, Pete Mitchell & Art Penn, Pennant Park

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held February 5, 2024.

- Michael Salvemini made a motion to approve the February 5, 2024 minutes. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT – EAGLE CAPITAL MANAGEMENT (SCOTT OHM)

Scott Ohm appeared before the Board. He stated that he would be taking over for John Johnson who would be retiring at the end of the year. He reviewed the market environment for the quarter ending March 31, 2024. He stated that their mission is to achieve superior returns over the long term. They focus on buying high quality businesses opportunistically and focus on if time is an asset for them to use. The portfolio was up 13.1% for the quarter ending March 31, 2024 while the benchmark was up 9.0%. Since inception of March 19, 2013 the portfolio was up 13.3% while the benchmark was up 10.2%. Mr. Ohm stated that they do not chase growth and will not pay up for growth stocks. He stated that valuations make a lot of sense to them and they monitor it consistently

INVESTMENT MANAGER REPORT – POLEN CAPITAL MANAGEMENT (SAM OPPE AND RANA PRITANJALI)

Sam Oppe and Rana Pritanjali appeared before the Board. Mr. Oppe stated that he was the senior relationship associate on the client service team and Ms. Pritanjali was a research analyst. Their firm ownership has not changed. They are 72% employee owned. There have been no changes to their employee ownership structure. They have 261 employees with 53 investment professionals.

Ms. Pritanjali discussed their investment process and investment philosophy. She stated that their mission is to preserve and grow client assets to protect the present and enable the future. She reviewed the investment performance. The total market value as of March 31, 2024 was \$6,306,382. The portfolio was up 8.25% net of fees for the quarter ending March 31, 2024 while the benchmark was up 11.41%. She reviewed the portfolio activity. She stated that Amazon is their largest position and was their best performing stock in 2023. The Index is as concentrated as the Index has ever been. She stated that the quality of their portfolio is much better than that of the Index.

Chad Little entered the meeting.

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 13, 2024

Ms. Pritanjali stated that the portfolio has become a little more on the expensive side than last year. Their goal is to create a balanced portfolio that can do well in all time periods. There is a lot of optimism around AI. It has been a difficult couple of years. They are excited about the prospect of the next 5 years. They think the portfolio is positioned well.

Scott Ohm, Sam Oppe and Rana Pritanjali departed the meeting.

INVESTMENT MANAGER PRESENTATION – PENNANT PARK (BRIAN KENDALL, PETE MITCHELL AND ART PENN)

Brian Kendall, Pete Mitchell and Art Penn appeared before the Board. Burgess Chambers stated that Pennant Park was a private credit manager. This asset class is growing in favor in the institutional world. He stated that he does not consider it a bond substitute. The bonds the Fund has are in a liquidity bucket that is used to pay expenses. This would have no liquidity. It really competes with equity returns but the correlation is really indifferent to equities.

Brian Kendall stated that he was the marketing manager for Pennant Park. He joined the firm about 1 ½ years ago. He stated that he was a police officer for the City of Plantation and was on their Pension Board for 15 years. He introduced Art Penn as the founder and managing partner and Pete Mitchell as the managing director. Mr. Mitchell provided a brief overview of the firm. He stated that it was founded as an independent middle market credit platform in 2007. They have assets under management of \$7.2 billion. They are headquartered in Miami Beach with 5 other offices and 75 employees. Mr. Penn discussed what private credit really is. They conduct rigorous due diligence and negotiate deal pricing and loan terms. It is a very well protected investment. They are conservative about their assumptions. They typically deal with companies that are profitable, growing, and have \$10 to \$50 million in earnings. The five key industries they deal with are healthcare, government services, service organizations, software and technology, consumer and business services. They are primarily in North America with a skew mostly toward the southern part of the US. They try to partner with high quality partners and co-partners. He reviewed their organization and leadership team. They have an extensive sourcing network. Since 2018 over 75% of their deals have been with repeat sponsors. He discussed their underwriting process. He reviewed the portfolio as of December 31, 2023. Mr. Mitchell reviewed the terms of Fund IV. They launched that fund in late December 2022 and have been raising money since then. Their manager fee is 1.5% with an incentive fee of 15% after an 8% return. They aim to give back 8% to 10% annually as a target after the fund has closed. The minimum commitment is \$5 million. They are closing in on 28 investors with 14 being Florida public pension plans. There was a lengthy discussion. The Board decided to discuss this further later in the meeting.

Brian Kendall, Pete Mitchell and Art Penn departed the meeting.

ATTORNEY REPORT

Madison Levine appeared before the Board. She presented an Ordinance Amendment for the SECURE Act. She stated that the SECURE Act passed in 2022. It is standard for all plans and the Ordinance Amendment incorporates the required language of the SECURE Act.

- Nick Scopelitis made a motion to approve the Ordinance Amendment for the SECURE Act. The motion received a second by Mark Ahern and was approved by the Trustees 4-0.

There was discussion regarding the necessity to hold back funds for full DROP distribution requests. It was noted that there has been a policy to hold back 10% of the DROP amount for those seeking a full distribution of their DROP Account. This was originally done to account for a possible negative return. However, the DROP Accounts no longer can earn negative interest, so

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 13, 2024

it appears that there is no reason to hold back any funds when a member is requesting a full distribution of their DROP Account. It was also noted that the current Administrative Rule does not specifically require holding back in such circumstances. Mr. Little noted that up until a couple years ago, if someone entered the DROP before 2012 they still received the market return and could end up with a negative return. However, the parties have since bargained for a floor and the DROP accounts do not earn a negative return.

- Michael Salvemini made a motion to remove the policy of holding back 10% on full DROP distribution requests. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

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

Burgess Chambers appeared before the Board. He reported on the performance for the quarter ending March 31, 2024. He stated that the total market value of the Fund as of March 31, 2024 was \$106,363,954. The Fund was up 4.8% net of fees for the quarter while the benchmark was up 4.7%. He stated that Eagle has done a phenomenal job. He noted that there are about 5 or 6 names that overlap with Polen. He stated that the overlap does not bother him at all. This is not a new issue; rather it has been around for a long time. The Board expressed concern with Polen. Mr. Chambers stated that preemptive measures have been taken. He stated that the reason to keep Polen is for their conservative approach. The only reason to get rid of Polen is that they are not keeping up with the Index. He stated that he can do a search to replace them but the only other managers that are attractive will be just like the Index. There is a lot of risk in the market and Polen does not want to be a part of it. It was noted that Polen's underperformance relates to about 3 stocks. Mr. Chambers stated that he does not see a recession this year, although there could certainly be one next year. He stated that if the Board wanted to move money away from Polen, he would recommend moving it to Eagle. It was noted that both Polen and Eagle are concentrated managers. He would recommend moving \$3 million from Polen and allocating \$1.5 million to Eagle and \$1.5 million to the Large Cap Growth Index. He stated that there would be a noticeable tilt toward value although he does not see a problem with that at this time.

- Nick Scopelitis made a motion to move \$3 million from Polen and allocate \$1.5 million to Eagle and \$1.5 million to the Large Cap Growth Index. The motion received a second by Mark Ahern and was approved by the Trustees 4-0.

Madison Levine departed the meeting.

Mr. Chambers reviewed the rest of the Fund's portfolio. For the quarter, total equities were up 7.7%; domestic equities were up 9.9%; international equity was up 7.4%; REITS were down .5%; and fixed income was down .4%.

There was further discussion on Pennant Park. Mr. Chambers stated that he thought it would be a good idea for the Board to hear from them. He witnessed their operation and was impressed. He has inserted them in portfolios with a few of his other plans. He stated that he brought them more as an education and was not trying to push or rush the Board to make a decision. He stated that if the Board wanted to go into private credit, he would take the money from equities and not fixed income. There is stress in this space right now. Banks are scared and interest rates are high so there are limited options for companies to finance. There was a lengthy discussion. The Board asked if Pennant Park would lower their minimum contribution requirement from \$5 million to \$3 million. Mr. Chambers called Pennant Park during the meeting and Pennant Park stated that they would accept anything over \$2 million. There was discussion on eliminating infrastructure. There was discussion on revising the Investment Policy Statement to add 5% target to alternatives and removing the 5% target to infrastructure.

- Michael Salvemini made a motion to change the Investment Policy Statement by eliminating the 5% target allocation to infrastructure and creating a 5% target allocation to

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 13, 2024

alternatives. The motion received a second by Mark Ahern and was approved by the Trustees 4-0.

- Mark Ahern made a motion to terminate Cohen & Steers upon receipt of a capital call by Pennant Park. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.
- Michael Salvemini made a motion to authorize the Attorney to negotiate a contract with Pennant Park for a \$3 million investment and upon successful review, authorize the Chair to execute all documents necessary. The motion received a second by Mark Ahern and was approved by the Trustees 4-0.

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.

ACTUARY REPORT

Chad Little appeared before the Board. There was discussion at the last meeting regarding actuarial studies that were requested by the Town and the PBA. Mr. Little presented a cost estimate for preparing these studies. He stated that in order to keep the costs low, he would interpolate the estimate for other outcomes. It would not be dollar for dollar but it is great for ballparking the numbers. He stated that he did not recommend tying the 13th check to benchmarks of performance, but to have one just built in. Scott Reynolds stated that he would not recommend such a 13th check then. If it is not tied to performance, it does not make any sense and would rather the Actuary not spend his time on it. Mr. Little explained that a 13th check based on performance could put Board members in a difficult position. There was a lengthy discussion. Mr. Little stated that he would continue with the study as presented and work with Mr. Reynolds and Mr. Salvemini on any clarifications needed.

APPROVAL OF DISBURSEMENT

The Disbursement list was presented for consideration.

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

It was noted the financial statement through March 31, 2024 was included in the Trustee packet for review. The Trustees accepted the financial statement.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit Approvals were presented for consideration.

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

ANNUAL FORM 1 FINANCIAL DISCLOSURE FILING REQUIREMENT: The Board was reminded to file the Form 1 Financial Disclosure by July 1st.

STATUS OF ELECTION FOR MICHAEL SALVEMINI: It was noted that it was time to hold an election for the position held by Mr. Salvemini. It was noted that Mr. Salvemini was interested in serving for another term.

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 13, 2024

FIFTH TRUSTEE: It was noted that the term for the 5th Trustee that is currently held by Nick Scopelitis is up for reappointment.

- Michael Salvemini made a motion to reappoint Nick Scopelitis as the 5th Trustee for another term. The motion received a second by Mark Ahern and was approved by the Trustees 3-0.

EMPLOYEE PENSION WORKSHOPS SCHEDULED: It was noted that the Administrator would be holding employee pension workshops next Thursday and Friday for the members of the Plan.

OTHER BUSINESS

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