

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**  
**MINUTES OF MEETING HELD**  
**November 24, 2003**

Chairman Nick Scopelitis called the meeting to order at 1:10 A.M. at the Town Council Chamber, Jupiter, Florida. Those persons present were:

**TRUSTEES**

Nick Scopelitis  
James Feeney  
Marc Dobin  
Peter Alfele  
Todd Wodraska

**OTHERS**

Ken Harrison, Sugarman & Susskind, Fund Counsel  
Margie Adcock & Nick Schiess, Pension Resource Center  
Burgess Chambers & Duncan DeWahl, Burgess Chambers & Assoc.  
Paul McKean, Private Capital Management  
Earl Smith, Participant and Legal Counsel Frank Albear  
Steve Settle, Participant  
Timothy Saunders, Participant  
Mike Simmons, Town of Jupiter  
Brigid Saia, Town of Jupiter

**PUBLIC COMMENTS**

Mr. Scopelitis invited those present to address the Board with public comments. There were no public comments.

**MINUTES**

The Board reviewed the minutes of the meeting held October 20, 2003. Mr. Dobin made a motion approve the minutes of the meeting held October 20, 2003. Mr. Feeney seconded the motion, approved by the Trustees 5-0.

**INVESTMENT MONITOR REPORT**

Burgess Chambers appeared before the Board to discuss on the investment performance of the Fund for the quarter ending September 30, 2003. Mr. Chambers reported that the Fund was up 3.4% for the quarter ending September 30, 2003 compared to the benchmark of 2.5%, which ranked the Fund in the top 10<sup>th</sup> percentile. Private Capital Management was up 6.6% for the quarter while the Russell 3000 was up 3.4%. Sawgrass Asset Management was down -.3% and trailed the benchmark of .2%. Mr. Chambers stated that there was some cost associated with making the shift to the intermediate strategy and that he had no problem with their performance. Mr. Chambers reported that \$1,000,000 was transferred to the real estate portfolio on August 7, 2003. From August 7, 2003 until September 30, 2003 that portfolio was up 4.5%. The total market value of the Fund as of September 30, 2003 was \$12,439,997. Mr. Chambers noted that roughly one-third of that performance occurred in the recent quarter. With respect to asset allocation of the managers, Sawgrass had 40% of the Fund, PCM had 46.7%, Lend Lease Rosen had 8.8% and there was 4.4% in cash.

Mr. Chambers reviewed compliance issues stating all items were in compliance with the Fund's investment objectives with the exception of the fact that the Fund has not achieved a three-year rolling return of 8.0% and noting that no other public pension fund has met either. For the fiscal year ending September 30, 2003, the investment gain was \$1,470,465 and net contributions were \$740,112.

Mr. Chambers discussed hiring an investment manager for international equities. He stated that he saw good reason to have exposure in this asset class. He noted that the Board had previously adopted the inclusion of international equities in the investment policy at a maximum of 10% of the total Fund's portfolio. Mr. Chambers discussed the international equity market in great detail concluding that there was opportunity for growth and recommended the implementation of an international equity portfolio as soon as possible. The Trustees discussed the value and risk of international equities at great length. Mr. Chambers recommended C.S. McKee and provided the Board with a report of their historical investment performance. He noted that it was an independent firm located in Pittsburgh, Pennsylvania with \$1.6 billion under management. He then discussed their investment performance noting a strong outperformance of the benchmark. Mr. Harrison raised issues of concern with respect to mutual funds and the currency manipulation that has been going on in the industry recently. Mr. Chambers stated that he did not see any such problem with C.S. McKee and recommended that they be retained as soon as possible. Due to the recent reports of problems with mutual funds, Mr. Harrison recommended that Mr. Chambers provide monthly updates to the Board on any potential problems with this Investment Manager. The Trustees further discussed the value of international equities and the performance of C.S. McKee. Mr. Wodraska made a motion to accept the recommendation of Burgess Chambers to enter into an Agreement with C.S. McKee as the International Investment Manager not to exceed \$750,000. Mr. Feeney seconded the motion, approved by the Trustees 5-0.

Mr. Chambers discussed risk versus investment return and the Board requested an enhancement to the quarterly report to include risk versus return since the inception of Private Capital Management. Mr. Chambers discussed asset allocation and rebalancing noting that the only limitation in the Investment Policy was that investments in equities should not exceed 60% of the Fund's assets at cost value. He then discussed establishing additional guidelines for rebalancing using a minimum and maximum range for each class of assets. Mr. Chambers agreed to provide the Board a recommendation for these additional guidelines at the next quarterly meeting.

Mr. Chambers noted that the trading study was reviewed at the last meeting. He noted that he believes that Invesco went to more of a core management right when the Fund hired them. This was a matter of bad timing.

There was then a discussion on a stated sell discipline. It was noted that a stated sell discipline is not normally found in institutional investors policies. The Board asked Paul McKean of Pacific Capital Management about his firm's sell discipline. Mr. McKean appeared before the Board and discussed the firm's sell discipline for equities. He noted that the Investment Policy limits the portfolio to 5% of any single equity. Mr. McKean then discussed the importance of fundamental research in stock selection and determining when to sell individual equities. He further noted that the portfolio contained over 60

different equities, which limits the Fund's exposure to any single poorly performing equity. Mr. Chambers recommended that Pacific Capital Management provide a detailed report to the Board listing the individual equities at cost and their percentage gain or loss and Mr. McKean agreed.

### **INVESTMENT MANAGER REPORT**

Paul McKean discussed the investment performance for the period ending September 30, 2003. He noted that small cap did very well compared to large cap. He reported that the portfolio contained about 12% in cash because they were cautiously looking for investment opportunities. He stated that this percentage was similar with respect to the other funds managed. The total market value of the portfolio was \$6,219,274.95 as of September 30, 2003. The total portfolio was up 6.6% for the quarter. The equities in the portfolio were up 8% compared to the S&P 500 which was up only 2.6% and the Russell 2000 which was up 8.8%. Mr. McKean discussed the individual holding of the portfolio in detail. He then discussed the industry sector allocations, the sector percentages versus the weightings of the index, and the performance of each sector. The Board directed Mr. McKean to provide an enhancement to the future quarterly reports listing the portfolio's industry sectors as compared to the benchmark along with the performance of each industry sector.

Margie Adcock reported that the Lend Lease Rosen account did not have enough cash to pay the custodial fee to Salem Trust. She advised that the fee was deducted from the Fund's R&D account with Salem Trust so that they did not have to ask the Manager to liquidate assets just for the payment of custodial fee. She noted that generally, the custodial fees for each Investment Manager are paid directly from each Manager's account. Ms. Adcock questioned the Board on the procedure for payment of future custodial fees for Lend Lease Rosen. Mr. Chambers advised the Board the Lend Lease Rosen was fully invested and as such did not maintain a cash balance. A discussion arose as to the procedure for payment of the custodial fees for all of the Managers. Mr. Alfele made a motion to pay all custodial fees for each Investment Manager from the Fund's R&D account. Mr. Dobin seconded the motion, approved by the Trustees 5-0.

### **TIMOTHY SAUNDERS DISABILITY APPLICATION**

The Board reviewed the information provided to them regarding the Disability Application for Timothy Saunders. Mr. Saunders was present and appeared before the Board. It was noted that this was an application for a service related disability. Mr. Saunders stated that his actual last day of service was November 24, 2003. The Trustees, having reviewed the medical evidence individually prior to the meeting, discussed Mr. Saunders' medical condition, physician's evaluations, Independent Medical Evaluation, and other factors regarding the Disability Application of Mr. Saunders. It was noted that the report provided by Dr. Fernando Branco, who performed the Independent Medical Examination, was very conclusive with regards to Mr. Saunders' disability. Mr. Feeney made a motion to grant a service related disability to Timothy Saunders. Mr. Wodraska seconded the motion, approved by the Trustees 5-0.

### **EARL SMITH DISABILITY APPLICATION**

Frank Albear entered an appearance on behalf of Earl Smith. Mr. Albear provided the Board with notice that the workers' compensation carrier had denied the claim for pain management based upon the medical opinion of Dr. Louis Rasso. Mr. Albear then discussed the workers' compensation laws. He noted that he is only entitled to one IME in the entire life of the workers' compensation claim. If he was to allow his client to use his one IME for the issue of pain management, he could be subject to malpractice because he would not be able to get any other IMEs. The best he could do was to discuss this matter with the attorney for the City to see if they would voluntarily agree to pain management. The City declined to provide pain management. A discussion arose and Mr. Harrison recommended that this notice and medical opinion from Dr. Rasso be provided to Dr. Sherman for further review. Mr. Dobin made a motion that the additional information presented be provided to Dr. Sherman asking him to update his IME. Mr. Feeney seconded the motion, approved by the Trustees 5-0.

### **STEVEN SETTLE DISABILITY APPLICATION**

Steven Settle was present and appeared before the Board. Mr. Harrison stated that a report of Mr. Settle's MRI had been provided to Dr. Sherman for review as had been requested at the last meeting. Mr. Harrison reported that his office had not yet received a revised report from Dr. Sherman. The Board requested that Mr. Settle's Disability Application be placed on the agenda for the next meeting. Mr. Harrison agreed to follow up with Dr. Sherman's office regarding the revised report.

### **ATTORNEY REPORT**

Mr. Harrison discussed a Partial Lump Sum Distribution option as an alternative to the DROP option currently offered to Participants. It was noted that no employees are currently taking advantage of the DROP that is in place. Mr. Harrison noted that this option was generally cost-neutral. He stated that if the Board was interested in this, there would need to be a discussion on the concept and the overall program. It was noted that if the membership is not currently using the DROP, then it would be hard to believe that this could be any more enticing.

Mr. Harrison reported that he was still working out the details of the contract with Buck Consultants for actuarial services. He anticipated a final contract would be ready before the next meeting.

### **ADMINISTRATIVE REPORT**

Each Board Member was provided a Trustee Reference Handbook as requested at the last meeting. A discussion arose to the republication of Summary Plan Description in May 2004 and who would be responsible for the preparation of the SPD. It was determined that this would be discussed with the Actuary.

Nick Schiess provided the Board with information and quotes on shirts for the Trustees labeled with the name of the Fund. The Trustees discussed the matter further. The Board

provided Mr. Schiess with the information necessary to order the shirts as had been previously authorized at the last meeting.

### **DISBURSEMENTS**

Margie Adcock reviewed the disbursement list. There was a discussion on the invoice from Invesco. Mr. Dobin made a motion to table the invoice from Invesco. Mr. Feeney seconded the motion, approved by the Trustees 5-0. Mr. Dobin made a motion to approve the listed disbursements with the exception of the invoice from Invesco. Mr. Alfele seconded the motion, approved by the Trustees 5-0.

### **OTHER BUSINESS**

Mr. Schiess provided the Board with information and quotes on general liability insurance and travel accident insurance. He also provided a notice received from Brigid Saia that the Town's general liability insurance did cover the Board Members. Mr. Harrison requested a copy of the Town's policy from Ms. Saia for review to ensure that the Board Members were indeed covered.

There being no further business and the next regularly scheduled meetings being set for Wednesday, December 17, 2003 at 1:00 P.M and Wednesday, January 21, 2004 at 1:00 P.M., the meeting was adjourned at 4:05 P.M.

Respectfully submitted,

James Feeney, Secretary