

**TOWN OF JUPITER
POLICE OFFICERS' RETIREMENT FUND**

MINUTES OF BOARD MEETING

MARCH 26, 2003

A regularly scheduled meeting of the Pension Board was called to order at 2:36 P.M., by Chairman Scopelitis in the Town Council Chambers. Those Board Members present were: Agruso, Alfele, Dobin, Feeney and Scopelitis. Also present were: Robert A. Sugarman, Board Counsel; Margie Adcock, representing Pension Resource Center and Joseph E. Mastrangelo, representing Administrative Services, Inc.

Chairman Scopelitis advised that the first order of business was to duly welcome and seat Peter Alfele, a new Board Member who has been designated to replace David Baker. The Board duly welcomed and seated Mr. Alfele.

Chairman Scopelitis then advised that Officers Donald Kowalski and Pamela Winegard had been invited to attend this meeting predicated on their request to participate in the Pension Plan and the Board was advised that Ms. Winegard is at a deposition and cannot attend and Officer Kowalski will attend at some time during the meeting.

Burgess Chambers was then asked to present his first quarterly report to the Board.

Mr. Chambers presented to the Board a quarterly report for the period ending December 31st, 2002, which reflected a total portfolio return of 3.4%, but which return lagged the benchmark objective return of 5.7% due to under-performance from both asset classes. The equity portfolio returned 6.8% compared to the S&P 500 Index return of 8.4%. Poor stock selection within the healthcare sector was the main contributor to the under-performance during this quarter.

The fixed income portfolio return of 1.3% trailed the benchmark Merrill Lynch Domestic Master Bond Index return of 1.6% and which under-performance was attributable to under-allocation in the credit sector and under-allocation in the Baa/BBB investment grade classification.

Mr. Chambers' reviewed the compliance checklist with the Board confirming that the new Investment Policy provides for equities to be valued on a cost basis rather than market value basis and how that would impact on an asset reallocation in the future.

In addressing the ranking compared to a balanced universe, the total Fund return ranked in the ninetieth percentile for the quarter and one-year period and for the two year-period in the eighty-ninth percentile. The Board expressed their concern with respect to the information provided by the prior investment monitor that their returns were average by

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comparison to other Plans. In addressing the Board's concern with the severe under-performance by Invesco, Mr. Chambers outlined for the Board the transition from Invesco's value discipline to the National Asset Management discipline which is more of a Core, however in the transition and market changes National Asset Management moved into technology too late and severely under-performed and beyond that drifted more towards growth.

The style drift contributing to the under-performance was of concern by the Board and discussed whether or not a study should be performed to determine if in fact Invesco/National Asset Management did an adequate job of advising the Board Members at that time as to this change and whether or not the Board approved same.

Board Member Dobin reported that he had received from the Town's Finance Director, Michael Simmons a great deal of investment information which he is analyzing and a determination will then be made in the future as to what action may or may not be taken against Invesco/National Asset Management.

In continuing his report to the Board they were advised that the Investment Policy is being reviewed by Board Counsel and once all of the recommended changes have been incorporated will be ready for execution.

In addressing the contracts with the new Investment Managers, Mr. Chambers recommended that the Board act quickly in addressing and entering into these contracts so that the new Investment Managers may proceed with investing in their respective disciplines.

Chairman Scopelitis then asked Mr. Paul F. McKean of Private Capital Management to introduce himself and address the Board.

Mr. McKean thanked the Board for engaging Private Capital Management and discussed briefly with the Board the various items pending consideration under the contract, one of which is the brokerage direction and the other is attorney's fees under litigated matters. The Board concurred to address these items when Board Counsel was present.

The Minutes of the meeting held on February 27th, 2003 were presented to the Board for their approval. Mr. Agruso offered one correction to the Minutes, whereby his remarks relating to the litigation required clarification in that he had not as yet been provided with a copy of the lawsuit despite numerous requests. Mr. Agruso also expressed his concern with respect to the cost of having Board Counsel present at an hourly rate at these depositions and his preference was to have a public deposition at a time when no attorney's fees would be incurred. Chairman Scopelitis provided Mr. Agruso with a copy of the lawsuit. A motion was then made by Mr. Agruso, seconded by Mr. Dobin and unanimously carried to approve the Minutes of the meeting held on February 27th, 2003 as

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corrected to reflect Mr. Agruso's request for a public deposition without Counsel being present and incurring a cost of \$200.00 per hour for that purpose.

Mr. Sugarman entered the meeting at 3:30 P.M.

Mr. Sugarman was introduced to new Board Member, Peter Alfele and Mr. Sugarman reminded Mr. Alfele of the requirement to complete and submit a financial disclosure form. The Town representatives presented to Mr. Alfele the Financial Disclosure form for his completion and submission.

Michael Simmons, the Town Finance Director, requested the opportunity to address the Board and questioned whether or not the ordinance relating to the types of investment which the Pension Fund could make would have to be amended to include the REIT investment which the Board has authorized. Mr. Sugarman's opinion was that as long as the REIT investment was the equivalent of an equity or bond even in a commingled Fund, that it would be acceptable. Mr. Chambers confirmed that the investment is organized as a commingled private Trust and therefore would meet that definition. After a discussion relating to the specific investment under consideration, Mr. Sugarman felt that it would be a good idea to amend the ordinance in any event since he is in the process of doing an overall review of the Pension ordinance and further that the contract with this manager will provide that participation is authorized only in a commingled Fund.

The Board then requested Mr. Sugarman to address with Paul McKean, the contract points relating to the contract with private Capital Management. After a lengthy and thorough discussion relating to the points under consideration, it was concurred that the attorneys' fees would be awarded to the prevailing party and additionally to ensure best execution, Mr. Chambers will provide Private Capital Management with a listing of four commission recapture agents through whom Private Capital Management can execute their trades on the best execution basis.

One final item which Mr. Sugarman discussed with the Board relating to this contract provided that if the Investment Manager goes outside the Board's Investment Guidelines that the manager will promptly dispose of that equity and reimburse both the principal and return to the Fund. Mr. McKean advised that that provision was acceptable and based on the agreement of the outstanding issues, Mr. Sugarman concurred that the contract with Private Capital Management will be re-drafted and will be ready for execution by the Chairman.

Chairman Scopelitis then asked Joe Beattie of Sawgrass Asset Management to address the Board.

Mr. Beattie introduced himself to the Board and thanked the Board for their consideration in hiring Sawgrass Asset Management, duly noting that the contract is in final form as

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requested by Board Counsel and ready for signature. In reviewing the Invesco portfolio, Mr. Beattie confirmed that he is comfortable with all but one of the small bonds which Invesco has and which can be promptly liquidated by them. Mr. Beattie briefly reviewed Sawgrass Asset Management's performance.

Mr. Chambers then requested the Board's consideration to authorize him to send a letter to Invesco Capital Management relating to their termination and the distribution of assets to the new managers noting that he feels the liquidation and reinvestment can be accomplished by April 1st or 2nd. A motion was made by Mr. Agruso, seconded by Mr. Feeney and unanimously carried authorizing Mr. Chambers to prepare said letter to Invesco Capital Management.

Chairman Scopelitis advised that Officer Donald Kowalski was present to address the Board.

Prior to Officer Kowalski addressing the Board, Mr. Sugarman reviewed the buy-back provision in the Code and the facts relating to the ten (10) day window provided for participation in the Plan. Additionally, Mr. Sugarman pointed out that there are serious questions with respect to the employee and employer contributions and how they are funded and also whether or not participation is retroactive or prospective. It was Mr. Sugarman's opinion that the employees should take this matter to the Union and the Union in turn address it with the Town.

Officer Kowalski then addressed the Board, advising that he had never been informed that he could buy-back into the Plan at the time that there was a window provision and further than an officer, at that time Sergeant Miller had been advised that he could participate in the Plan and actually submitted a letter two (2) days before the ordinance was passed. Officer Kowalski advised that he had not learned about this opportunity until approximately one year later.

The Board duly noted that Agendas for Town Council meetings are posted and that information would have been available to the public. In conclusion, Mr. Sugarman advised Officer Kowalski that the request should be presented to the Union and in turn to the Town on behalf of he and Officer Winegard and further that the Board would make available to Board Counsel and their actuary for any information that may be required.

Officer Kowalski thanked the Board and was excused.

Mr. Mastrangelo was requested to send to Officers Kowalski and Winegard a letter advising them to address their request to the Union and through the Union to the Town on their behalf.

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In continuing his report, Mr. Sugarman advised that the processing of the disability application on behalf of Jill Rosco is still pending and will be scheduled for hearing as soon as all the documentation is perfected.

The Board was advised that the disability application of Ray Montrois had been put on hold at the request of Mr. Montrois. Mr. Montrois was present and addressed the Board, advising that he is prepared to go forward with the processing of his disability Pension application and Mr. Sugarman confirmed that the file will be re-activated and put in process.

The final application to be addressed was that of Earl Smith and the Board was advised that that application is presently in progress and the Board will be kept apprised as to when that is ready to be acted upon.

Mr. Sugarman then expressed to the Board the outstanding concerns with the Westwood International contract which have been for the most part resolved with only one issue left and that is what State law prevails in the case there is litigation with Westwood International's contract stating Texas law prevails. The Board expressed their concern in dealing with a Trust and not directly with a manager, however Mr. Sugarman advised that Boards do often deal with Trusts, however this is an unusual set of circumstances involving an international component.

Based on the nature of their concern, the Board inquired of Mr. Chambers as to whether or not he had an alternative choice to recommend to the Board with the Board being advised by Mr. Chambers that Caterpillar, Inc. would be his second recommendation. After a thorough discussion with respect to the Board's concerns relating to Westwood International and the legal entities involved, a motion was made by Mr. Agruso, seconded by Mr. Feeney and unanimously carried to not go forth with an investment contract with Westwood International, but rather engage Caterpillar, Inc. utilizing their foreign equity mutual fund.

Ann Thompson of Salem Trust Company was asked to address the Board at the time.

Mrs. Thompson in addressing the Board, outlined the various services which Salem Trust Company performs for the Board and had performed since 1999 and noting that a fee increase is being requested at this time predicated on the additional workload being imposed by the utilization of four investment managers rather than the one manager previously handling the Plan's portfolio.

Mrs. Thompson presented to the Board, two fee bases for their consideration, one being a fee of six basis points and the alternative which would be an itemized fee arrangement providing for a rate of five point five basis points including five-hundred free trades per year and a fee of \$10.00 per trade in excess of five-hundred per year, a fee of \$3.00 per benefit

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payment and a \$10.00 payment per invoice. Mr. Sugarman noted that in the field of custodians there are fewer and fewer to select from based on the nature of the work involved. Mr. Burgess responded to the Board's inquiry relating to the fee structure advising that he feels it is reasonable. Mr. Mastrangelo noted that recent requests for proposals sent for custodial services has substantiated that Salem Trust Company is very competitive in their fee scheduling.

A motion was made by Mr. Alfele, seconded by Mr. Dobin and unanimously carried to accept the itemized fee schedule proposed by Mrs. Thompson for Salem Trust Company effective April 1, 2003.

Mrs. Thompson thanked the Board and was excused from the meeting.

Following up on other items which he has addressed since the last regularly scheduled meeting, Mr. Sugarman had provided a response to Mr. Mastrangelo regarding any outstanding items which the Errors and Omissions' carrier should know about in providing a quotation. Mr. Mastrangelo confirmed that Pension Resource Center has a brokerage outlet and will be seeking a quote on Errors and Omissions' coverage, however the litigation presently in effect may have some bearing on a carrier quoting.

In reviewing the matters relating to the O'Connor lawsuit, Mr. Sugarman advised that former Board Counsel, Ron Cohen had not sent to the Town a letter previously drafted advising the Board's consideration to allow Mr. O'Connor the opportunity to exercise his right to a joint and survivor benefit. Mr. Sugarman requested the Board's authority to send that letter at this time and the Board unanimously concurred.

In addition to a legislative update on current events, Mr. Sugarman inquired as to whether or not any of the officers had been military reservists and been called to active duty with the Board responding that there was one officer called to active duty. Mr. Sugarman reviewed the Town's obligations in this matter and requested that they advise both the actuary and the administrator as to the name and activation date so that the actuary may continue to include this liability in the Plan.

Chairman Scopelitis then opened the meeting to other business.

Mr. Agruso, on behalf of the Board expressed to Mr. Mastrangelo their thanks for the service which he has rendered as their Administrative Manager.

Chairman Scopelitis advised that the next regular scheduled meeting would be subject to call during the month of April pending Mr. Sugarman's schedule and that the Board would be advised of that date. Additionally, Chairman Scopelitis requested Mr. Sugarman to review whether or not the definition of compensation for disability pension benefits had

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been established and if not that the matter should be addressed at the next regularly scheduled meeting.

A motion was then made by Mr. Agruso, seconded by Mr. Feeney and unanimously carried to follow Robert's Rules of Order in the Agenda and meeting proceedings henceforth.

There being no further business to come before the Board the meeting was duly adjourned at 6:00 P.M.

Respectfully submitted,

JAMES FEENEY
Secretary