TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
May 17, 2004

James Feeney called the meeting to order at 2:16 P.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

TRUSTEES	**OTHERS**
James Feeney	Ken Harrison, Sugarman & Susskind, Fund Counsel
Nick Scopelitis	Nick Schiess, Pension Resource Center
Marc Dobin	Jose Fernandez, Mellon Consultants
Peter Alfele (6:10 P.M.)	Burgess Chambers, Burgess Chambers & Associates
	Michael Feldman, Private Capital Management
	Brigid Saia, Town of Jupiter
	Mike Simmons, Town of Jupiter
	Cheryl Grieve, Town of Jupiter
	Other Visitors

PUBLIC COMMENTS

Mr. Scopelitis invited those present to address the Board with public comments. Retired Participant James O'Connor appeared before the Board to discuss the adoption of Cost-of-Living-Adjustments for retired Participants stating that Town Manager Robert Bartolotta had indicated that this benefit would become adopted by the Plan. Mr. O'Connor stated that he was informed that COLA's were a benefit improvement currently under negotiation by the Union with the Town for active Participants and advised the Board that the retired Participants also requested to be included for eligibility for the COLA's to help offset inflation.

MINUTES

The Board reviewed the minutes of the meeting held February 23, 2004. Mr. Feeney made a motion to approve the minutes of the meeting held February 23, 2004. Mr. Dobin seconded the motion, approved by the Trustees 3-0.

TRUSTEE ELECTION

It was noted that the term of Trustee James Feeney expired on March 31, 2004 and the notification for the nomination of the position had been duly posted. Mr. Feeney was the only nomination for the position and was therefore elected by default for another two-year term commencing April 1, 2004.

ACTUARY REPORT

Jose Fernandez of Mellon Consultants presented the Actuarial Valuation as of October 1, 2003. Mr. Fernandez reported that there was a large increase in the cost of the Plan, which is the result of past negative investment returns and experience higher than Plan assumptions. He advised that the Town's funding requirements for the 2004 fiscal year is $1,279,739 versus last year's funding requirements of $889,807. This equates to 25.14% of payroll versus 19.19% last year. Mr. Fernandez noted that the average pay increase was 9.5%, which exceeded the assumption of 7%.

Mr. Fernandez then reviewed the asset smoothing technique that spreads the investment gains and losses over a five year time period, which minimizes the market volatility in the costing of the Plan. He noted that the investment return was rate of return on the actuarial value of assets was 2.39% versus the assumption of 8.5%. The 2003 fiscal year investment return was up 16.7%, but the negative experience for prior years had a negative impact on the costing of the Plan.

Mr. Fernandez reported that the timing of the Town's quarterly contributions for the 2003 fiscal year resulted in an additional liability due of $19,318.90 for which the Town was notified in a letter dated April 16, 2004. For the 2004 fiscal year, the Town's quarterly contributions for the first and second quarters were $265,691.75 each. He explained that at the required funding requirement of $1,279,739, the Town must adjust the quarterly contribution rate to the amount of $319,934.75 for the third and fourth quarters and issue payment in the amount of $112,889.38 by June 1, 2004 as an adjustment for the lower contributions for the first and second quarters. It was noted that current Actuarial Valuation is used to determine the Town's contributions for the current fiscal year. Since the Actuarial Valuation is not presented until after the fiscal year has begun, the Town is unaware of the required funding requirement until several quarters after the beginning of the fiscal year. Michael Simmons explained that the Town uses the previous year's valuation to determine the Town's contribution percentages at the beginning of the fiscal year and adjusts the contributions for the required funding and any deficits once the Actuarial Valuation was produced. Mr. Simmons notified the Board that the Town's staff had already been advised to issue payment for the adjustment and correct the contributions for the third and fourth quarter. Mr. Fernandez recommended the adoption of the projection method of determining the Town's funding requirements, which bases the funding requirements of the current fiscal year on the Actuarial Valuation of the previous fiscal year. The benefit, Mr. Fernandez added, is the that the Town gains an additional twelve months of advance notice to budget the funding requirements. After a thorough discussion, Mr. Feeney made a motion to adopt the projection method for the determination of the Town's funding requirements. Mr. Dobin seconded the motion, approved by the Trustees 3-0. Mr. Feeney made a motion to accept the 2003 Actuarial Valuation. Mr. Dobin seconded the motion, approved by the Trustees 3-0.

Mr. Fernandez reported that there were four new disabilities during fiscal year 2003, which is more than what is expected in one year. He stated that they anticipate one disability every two or three years. The Board questioned Mr. Fernandez on this assumption in light of the recent number of disability applications approved by the Board. Mr. Fernandez stated that this assumption was based on a long-term horizon and could be adjusted by the Board if necessary. He noted that increasing the assumption would also increase the Town's funding requirements. A discussion arose regarding the assumption and it was decided not to adjust the assumption at this date.

Mr. Fernandez provided the Board with a draft copy of the revised Summary Plan Description and the Board thoroughly reviewed the language therein. A discussion arose to the page that lists the pay types that were considered as pensionable earnings. Mr. Fernandez discussed the reporting of pensionable earnings by the Town, noting that the Actuary was dependent upon accurate information for the determination of benefits. It was stated in the prior Summary Plan Description that overtime was included as pensionable earnings for the calculation of disability benefits but not for normal retirement benefits. It was then noted that the Ordinance specifies that "gross base pay" was used to calculate retirement benefits and "compensation" was used to calculate disability benefits yet neither term was clearly defined in Ordinance. A question arose whether the overtime was erroneously included in the language of the prior Summary Plan Description and Mr. Harrison noted that the language of the Ordinance always prevails. A question then arose as to what has been reported by the Town as pensionable earnings for the purposes of determination of benefits. Cheryl Grieve reported that all pay types listed in the Summary Plan Description as pensionable earnings were reported except overtime for disability pensions. A lengthy discussion ensued and Mr. Harrison agreed to further research the issue of overtime and render an opinion at the next meeting. Mr. Fernandez agreed to amend the Summary Plan Description pursuant to the Board's recommendations and then provide it to the Attorney for final review.

Mr. Fernandez stated that there appeared to be conflicting language in the Ordinance as to whether the calculation for retirement benefits was based upon the highest three of the last ten years of salary or the last three years of salary history. It was determined that the definition was the highest three years of salary history.

Mr. Fernandez provided the Board with a cost study for the each of the three remaining Chapter 185 minimum benefits not yet provided by the Plan. Mr. Fernandez noted that the cost studies were based upon a retroactive effective date of October 1, 2003. It was noted that all the minimum benefits could be funded at no cost to the Town with the use of the Chapter 185 annual revenues and the balance of the reserve account. After the purchase of the minimum benefits, Mr. Fernandez explained that a balance of $24,000 per year would be remaining from the annual Chapter 185 revenues. A question arose as to whether any DROP members were included in the cost study and Mr. Fernandez replied that the only DROP member had retired prior to October 1, 2003 and therefore was not included. A lengthy discussion arose as to the selection of a retroactive effective date for the proposed benefit improvements. It was noted that the Board originally submitted an Ordinance with all three minimum benefit improvements with an effective date of January 1, 2003, which the Town did not adopt because of concerns that Chapter 185 revenues would not be consistently fund the cost of the improvements. The Board directed Mr. Fernandez to revise the cost study with an effective date of January 1, 2003. Mr. Fernandez advised that the Chapter 185 reserve account of $24,000 would not be sufficient to purchase the cost of the benefits retroactive to January 1, 2003. Mr. Harrison was questioned whether the Board would be liable for not adopting the minimum benefits retroactive back to January 1, 2003. Mr. Harrison advised that the Board would not be liable as the Board has repeatedly attempted to adopt the minimum benefits and the Chapter 185 funds are not sufficient to purchase the benefits retroactive to January 1, 2003. Ken Harrison then noted that the Plan was not in compliance with Chapter 185 minimum requirements and advised the Board to direct him to draft a proposed Ordinance for the minimum benefits, and the Board agreed.

Mr. Fernandez provided the Board with two separate calculations for the purchase of prior service credit for Officer John Kowalski, who was present and appeared before the Board. It was noted that Mr. Kowalski formerly opted out of the Plan and was seeking to re-enter the Plan. Mr. Fernandez explained that one calculation was prepared at the direction of the Chairman, which calculated the employee and employer contributions for Mr. Kowalski's pensionable earnings to be the amount of $101,357. Mr. Fernandez calculated the interest rate based upon the Plan's investment earnings for the same period to be the amount of $15,043 and thus the total amount to purchase the service credit of $116,400. Mr. Fernandez then provided a second calculation, which was based upon the actuarial accrued liability for increase in the cost of the Plan for Mr. Kowalski's service. He calculated this to be the amount of $134,867 as of June 1, 2004 including interest at the Plan's assumption rate of 8.5%. He then discussed the assumptions and compared the methodology used to determine both calculations. A discussion arose as to which calculation was most appropriate and the Board determined that the calculation based upon the actuarial accrued liability was most appropriate as it was cost-neutral for the Town. Mr. Harrison recommended that the Board direct him to draft an Ordinance amendment allowing the purchase of prior service credit. After a thorough discussion, Chairman Scopelitis passed the gavel to Mr. Feeney and made a motion to adopt an Ordinance allowing the buy-back of prior service. Mr. Dobin seconded the motion, approved by the Trustees 3-0. The Board recommended that the proposed Ordinance be drafted by Mr. Harrison and placed upon the Town's agenda as soon as possible.

The meeting was adjourned at 4:15 P.M. and reconvened at 4:29 P.M.

A discussion arose regarding two benefits, a COLA and a buy-back, that were under negotiation by the Union with the Town. Mr. Feeney made a motion to authorize the Actuary to prepare a cost-study for a COLA. Mr. Dobin seconded the motion, approved by the Trustees 3-0.

Jose Fernandez departed the meeting.

APPOINTMENT OF FIFTH TRUSTEE

Mr. Scopelitis opened the floor for nominations for the position of the 5th Trustee. It was noted that each Trustee received the applications of Anthony Lourido, Gary Husel, Edmund Hunter, Joel Paraungao, Raymond Montrois, and Jack Forrest for review prior to the meeting. The Board discussed the background and qualifications of the individuals who submitted applications to serve on the Board. The Board discussed in detail the qualifications of Jack Forrest noting that he was a retired police officer with a medical background. Mr. Feeney made a motion to appoint Jack Forrest. Mr. Dobin seconded the motion, approved by the Trustees 3-0. A question arose as to the process of how the position of Fifth Trustee was advertised and Brigid Saia noted that the position was posted on the Town's bulletin board. A discussion arose regarding the receipt and handling of applications for the position of Fifth Trustee and the Board directed the Administrator to maintain a file of all applicants submitted for the position of Fifth Trustee.

INVESTMENT MANAGER REPORT

Michael Feldman appeared before the Board to discuss the investment performance of Private Capital Management for the period ending March 31, 2004. The total portfolio was up 5.5% for the quarter. The equities in the portfolio were up 6.4% compared to the S&P 500, which was up only 1.8% and the Russell 2000, which was up 6.0%. The market value of the portfolio was $7,188,042.25 as of March 31, 2004. He reported that as May 14, 2004, the market value had decreased to $6,936,454.40 and attributed the recent losses to market conditions resultant from the geopolitical climate.

Mr. Feldman discussed the individual holdings 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 discussed the individual stocks within the portfolio with Mr. Feldman in great detail.

INVESTMENT MONITOR REPORT

Burgess Chambers appeared before the Board to discuss the investment performance of the Fund for the quarter ending March 31, 2004. Mr. Chambers reported that the Fund was up 4.2% for the quarter March 31, 2004 compared to the benchmark of 3.2%, which ranked the Fund in the 5^{th} percentile. Investment earnings for the quarter ending March 31, 2004 were $572,856.00 and the total market value of the Fund as of March 31, 2004 was $14,269,892.00. He reported that the fiscal-year-to-date earnings were $1,234,688, an increase of 9.6%.

Mr. Chambers then discussed the performance of the individual investment managers for the quarter ending March 31, 2004. Lend Lease Rosen REIT performance was up 11.7% as compared to the Wilshire REIT index of 12.1%. Sawgrass Asset Management was up 1.8% trailing the benchmark of 2.3%. Mr. Chambers explained that the underperformance was due to the bond portfolio's defensive posture. He noted that while although this conservative position was appropriate due to the anticipation of rising interest rates, the strategy had been implemented prematurely. He discussed market conditions with regards to bond performance and anticipated losses in the near future but also expected the losses to be lower than the index. He reported that the C.S. McGee international allocation was funded March 9, 2004 with $750,000.

Mr. Chambers reviewed the asset allocation of the portfolio. He then reviewed the compliance checklist noting that all items were in compliance with the Plan's investment objectives with the exception of the fact that the Plan has not achieved a three-year rolling return of 8.0%.

Mr. Chambers discussed investment return versus risk characteristics of the portfolio. He noted that the beta measurement of Private Capital Management was a conservative 0.78 for the prior one-year period. He reported that the one-year return for Private Capital Management was up 42.3% and anticipated an 8-10% growth in equities for the near future. The Board questioned Mr. Chambers whether he was concerned with any item within the portfolio and Mr. Chambers replied that he had no concerns with any holdings within the portfolio. Mr. Chambers provided the Board with information regarding the new Securities Exchange Commission's rules regarding the regulation of mutual fund companies.

ATTORNEY REPORT

As a legislative update, Mr. Harrison reported that the House Bill 330 passed defining the use of Chapter 185 contributions as defined in Statue 99-1. This mandates the Town to use the excess monies to purchase additional benefits or risk loosing future State contributions. In addition, the Bill specifies the creation of a database to accurately track premium tax revenues and permits deductions from pension payments for insurance premiums.

Mr. Harrison discussed the Louisiana Attorney General's opinion regarding DROP accounts noting that the opinion was significant given that the Florida Statutes oftentimes follows changes in Louisiana law. The Attorney General's opinion was that DROP accounts cannot diminish in value and therefore are not subject to market risk. Consequently, a DROP account with a fixed interest rate of return equal to the earnings assumption would no longer be cost-neutral if the investment earnings of the Plan were less than the earnings assumption. Mr. Harrison anticipated that in the future interest earnings credited to DROP accounts would likely be less the earnings assumption.

Mr. Harrison was requested to review the Town's long-term disability policy as it relates to the exclusion of benefits for disability applicant Dominck Barbanera. Mr. Barbanera was denied benefits for the reason that he has other income outside of employment with the Town. Mr. Harrison advised that the policy contained exceptions that may apply to Mr. Barbanera and it is possible that he is not eligible for benefits from the Town's long-term disability policy.

Mr. Harrison provided the Board with a draft Affidavit to be sent to Retirees and Beneficiaries to confirm that they are still living and eligible for benefits. He also provided the Board with a draft Certificate of Medical Examination to be sent to disability retirees to be completed by a Physician attesting that the retiree is still disabled. Mr. Harrison advised that the Board has an obligation to periodically evaluate disability retirees' medical conditions and their eligibilty for continuing benefits under the Plan. Mr. Feeney made a motion to set forth a policy of requiring annual Affidavits from normal retirees and annual Certificates of Medical Examination for disability retirees. Mr. Dobin seconded the motion, approved by the Trustees 3-0. A discussion arose regarding the medical conditions of the various disability retirees and whether the permanence of many of their conditions warranted an exclusion from the requirement of the Certificate of Medical Examination. It was determined that the requirement would apply to all disability retirees.

DISBURSEMENTS

Mr. Schiess reviewed the disbursement list. The Board discussed the invoice from Invesco and the Board directed the Administrator to contact Invesco with an offer for the settlement of the invoice at 50% of the original amount. The invoice from Gabriel, Roeder, & Smith in the amount of $200 for the transfer of actuarial information to Mellon was discussed and Mr. Dobin made a motion to table the invoice from Gabriel, Roeder, & Smith until additional information was obtained from the services provided by the Administrator. Mr. Feeney seconded the motion, approved by the Trustees 3-0. The invoice from Mellon was discussed and a question arose whether the itemized services appropriately reflected the contractual fees of the new Actuary. Mr. Dobin made a motion to table the invoice from Mellon until the Administrator reviewed the contractual fees set forth in the agreement with the Actuary. Mr. Feeney seconded the motion, approved by the Trustees 3-0. Mr. Dobin made a motion approve the remaining disbursements. Mr. Feeney seconded the motion, approved by the Trustees 3-0.

Peter Alfele joined by teleconference.

Mr. Harrison reported that there was no change in the status of the pending lawsuit filed by several disability retirees claiming that their pensions were incorrectly calculated.

ADMINISTRATIVE REPORT

Mr. Schiess provided the Trustees with Financial Disclosure Forms and advised that the Forms were required to be filed with the Supervisor of Elections in their county of residence by July 31, 2004.

A discussion arose as to the effective date for the proposed Ordinance adopting the Chapter 185 minimum benefits. The Board determined that the $24,000 annual surplus of Chapter 185 revenues would likely not be sufficient to purchase the benefits to retroactive date of January 1, 2003. The Board decided to amend the cost study for the minimum benefits to the furthest retroactive date that could be purchased using the $24,000 annual surplus of Chapter 185 revenues. The Board then directed the Administrator to notify the Actuary of the change.

There being no further business, the meeting was adjourned at 6:32 P.M.

Respectfully submitted,

James Feeney, Secretary