TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
August 2, 2004

Chairman Nick Scopelitis called the meeting to order at 4:16 P.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

TRUSTEES	**OTHERS**
James Feeney	Bob Sugarman, Sugarman & Susskind, Fund Counsel
Nick Scopelitis	Nick Schiess, Pension Resource Center
Jack Forrest	David Furfine, Sawgrass Asset Management
Peter Alfele (4:30 P.M.)	Burgess Chambers, Burgess Chambers & Associates
	Brigid Saia, Town of Jupiter
	Dominick Barbanera
	Other Visitors

PUBLIC COMMENTS

Chairman Nick Scopelitis invited those present to address the Board with public comments. There were no public comments. A City official swore in Jack Forrest for the position as Trustee.

DOMINICK BARBANERA DISABILITY APPLICATION

Dominick Barbanera was present and appeared before the Board. Bob Sugarman advised Mr. Barbanera that he was entitled to hearing in front of a full Board and since several Trustees were not present, he could elect to postpone the hearing until later date when a full Board was present. Mr. Barbanera elected to proceed with the hearing. Mr. Sugarman advised the Board that this disability hearing was an informal review of the medical evidence and that the Board had three choices. The Board could grant the request for a disability pension, deny the request for a disability pension and the Participant could request a formal hearing, or defer the determination of disability and request additional information or medical evaluations. Mr. Sugarman further advised the Board that the disability applicant must meet the qualifications of disability as set forth in the Ordinance. He reviewed the specific questions that the Board would need to answer. If all the qualifications have been met and all the questions were answered in the affirmative, then the Board could grant the disability.

Peter Alfele joined the meeting.

Mr. Barbanera explained the circumstances of his injuries and medical treatments received for the injuries. Mr. Sugarman explained to the Board that Mr. Barbanera had filed applications for both a service-related and non-service-related disability pension and noted that the Plan does not discriminate between the types of disability pension with respect to the amount of the actual pension benefit. The Trustees, having reviewed the medical reports individually prior to the meeting, discussed in great detail Mr. Barbanera's medical condition, physician's evaluations, Independent Medical Evaluation, and other factors regarding the Disability Application of Mr. Barbanera. Mr. Feeney made a motion to award a service related disability pension to Dominick Barbanera. Mr. Forrest seconded the motion, approved 4-0. It was noted that Mr. Barbanera's pension commenced on the date of termination from the Town, which was January 1, 2004.

Mr. Sugarman was questioned on the course of action in the event that a Participant that was formerly awarded a disability pension recovers from their injury or an additional medical report indicates that the Participant is not permanently and totally disabled. Mr. Sugarman advised that in the event of recovery disability pension benefits would terminate.

A City official returned to the meeting to swear in Peter Alfele for the position as Trustee. The official noted that the procedure had been inadvertently overlooked when Mr. Alfele originally took office.

MINUTES

The Board reviewed the minutes of the meeting held May 17, 2004. Mr. Feeney made a motion to approve the minutes of the meeting held May 17, 2004. Mr. Alfele seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT

David Furfine appeared before the Board on behalf of Sawgrass Asset Management to discuss the investment performance for the period ending June 30, 2004. Mr. Furfine reported that the return for the quarter ending June 30, 2004 was –1.8% versus –2.0% for the Leehman Intermediate Index. He discussed market conditions and anticipated a further rise in interest rates. Mr. Furfine explained that the fixed income portfolio was defensively postured with shorter maturity and an overweight of corporate bonds. He explained that the investment policy's limitation of only A, AA, & AAA grade bonds hurt performance as the greatest return was achieved in BBB bonds, which were absent from the portfolio. He noted that BBB bonds historically did not add significant return over a complete market cycle but did increase volatility. Mr. Furfine explained that an additional index, the Lehman Intermediate Aggregate Index which was comprised of only A, AA, and AAA bonds, was added to the Performance Report and noted that since inception the portfolio's return was 2.7% versus 2.5% for this index.

Mr. Furfine continued his report with a review of the portfolio allocation by sector. Burgess Chambers questioned Mr. Furfine whether Sawgrass Asset Management could have managed the portfolio differently resulting in greater returns. Mr. Furfine responded that the defensive posture of the portfolio was implemented prematurely.

Mr. Scopelitis reported that an investment vehicle discussed at a recent educational conference was a blended fixed income product, which had outperformed traditional fixed income portfolios. The product was a blend of high yield and high quality bonds. Mr. Scopelitis noted that achieving the actuarial assumption was becoming increasingly difficult with traditional investment vehicles, as bond returns have been low. Mr. Chambers noted that a REIT asset class was added to the portfolio to offset low fixed income returns. He noted high yield is essentially a form of equity and that within a market cycle can perform well but also perform poorly and as such the returns are very volatile. Mr. Chambers did not recommend high yield due to this volatility and also because of limitations in the Statutes. Mr. Sugarman advised that the State Statutes permit a local Ordinance to opt out of the top three categories of bonds, however, the Town's Ordinance specified that the bond portfolio must contain only the top three categories of bonds. Mr. Chambers defined the top three categories of bonds as A, AA, and AAA grade. Mr. Furfine noted that investment grade bonds include A, AA, and AAA grade bonds and also BBB grade bonds. He noted that high yield would be categorized as below BBB grade. Mr. Furfine reported that Sawgrass Asset Management managed only investment grade bonds including the BBB grade. He noted that the additional return of BBB bonds was low over a complete market cycle and the addition of BBB grade bonds in the portfolio would have added the marginal performance of only .6% for the last year and .1% for the last 3 years. Mr. Chambers offered to review the high yield asset class. Mr. Scopelitis noted that high yield was an asset class itself and blended fixed income was actually a blend of investment grade and high yield based upon the risk tolerance of the client. Mr. Chambers believed that similar performance would likely be achieved with the retention of Sawgrass Asset Management and a separate high yield income asset class. He noted that the performance of high yield is tied to the market cycle and if the Board desired to proceed with blended fixed income product, it would be important to find a manager with a bond strategy that would actively reallocate the bond portfolio within the market cycle. Mr. Sugarman advised that the addition of BBB bonds, high yield bonds, or a blended fixed income product to the portfolio would require an Ordinance Amendment. Mr. Scopelitis recommending inviting SMH Capital Advisors, a blended fixed income manager, to a future Board meeting for a presentation. Mr. Chambers agreed to research the addition of BBB grade bonds to the Sawgrass Asset Management portfolio and the performance of SMH Capital Advisors prior to a presentation to the Board. Mr. Burgess discussed real estate as an asset class noting that it had afforded considerable appreciation, however, was not a liquid investment.

INVESTMENT MONITOR REPORT

Burgess Chambers appeared before the Board to discuss the investment performance of the portfolio for the quarter ending June 30, 2004. Mr. Chambers discussed the changes within the asset allocation since Burgess Chambers & Associates became the Plan's investment consultant effective March 28, 2003. He noted that international equity and REIT's asset classes have been added to the portfolio along with the hiring of an all-cap equity manager. The investment return for the quarter ending June 30, 2004 was -.5% versus -.7% for the index, which he attributed to losses in the REIT portfolio. Investment earnings for the quarter ending June 30, 2004 were –$58,989 and the total market value of the Fund as of June 30, 2004 was $14,821,609. He reported that the trailing one-year return was 12.8% versus the benchmark of 12.1%, which ranked the Plan in the 40th percentile.

Mr. Chambers then discussed the performance of the individual investment managers for the quarter ending June 30, 2004. Lend Lease Rosen REIT performance was -5.3% as compared to the Wilshire REIT index of –5.4%. The return for Sawgrass Asset Management was -1.98% versus the benchmark of –2.0%. He reported that the C.S. McGee international equity portfolio was up 1.5% versus .4% for the index. The return for Private Capital Management was up 1.2% versus the index of 1.3%. Since inception, the return for Private Capital Management was up 44.1% versus the index of 40.1%.

Mr. Chambers reviewed the asset allocation of the portfolio and recommended increasing the allocation of international equities to 10% versus the present allocation of 5.1%. 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 was questioned regarding the anticipated performance given the upcoming elections. Mr. Chamber responded that the influence of the elections was minimal and market sentiment was tied more directly to the geo-political climate especially the situation in Iraq. Mr. Chambers was questioned whether he recommended any changes in Investment Managers and responded that he did not recommend any changes at this date.

BENEFIT IMPROVEMENTS

Mr. Sugarman provided the Board with three proposed Ordinance Amendments. The first Ordinance amendment provided for the purchase of prior service credit for military service and prior law enforcement service before employment with the Town. He explained that the Participant would incur the full actuarial cost of the additional service, the service credit did not count towards vesting, and service as a correctional officer did not qualify. The second Ordinance Amendment brought the Plan into compliance with State Statues effective April 27, 2004. The third Ordinance Amendment provided for minimum benefits under Chapter 185 of the State Statues. The Board reviewed a cost impact study dated July 30, 2004 prepared by the Plan's Actuary. Mr. Sugarman noted that legislation had passed defining the use of Chapter 185 contributions as defined in Statue 99-1, which mandates the Town to use the excess monies to purchase additional benefits or risk loosing future State contributions. Mr. Sugarman recommended that the Board adopt all three Ordinance Amendments and forward them to the Town for consideration. Mr. Feeney made a motion to adopt all three Ordinance Amendments. Mr. Forest seconded the motion, approved by the Trustees 4-0.

The Board reviewed a cost impact study dated June 22, 2004 prepared by the Plan's Actuary to provide cost-of-living adjustments of 3% per year separately to active and also to active and retired Participants. Mr. Feeney made a motion to accept the cost study and forward it to the Town and Union. Mr. Forest seconded the motion, approved by the Trustees 4-0.

ATTORNEY REPORT

Mr. Sugarman reported that in response to recent mutual fund and foreign currency trading scandals, his office had mailed a questionnaire to Burgess Chambers & Associates requesting information on the practices of the Plan's Investment Managers. He provided the Board with a response letter dated August 2, 2004 from Burgess Chambers & Associates specifically addressing these scandals and the involvement of the Plan's Investment Managers in the management of mutual funds and whether the controversy adversely impacts the Plan's assets. Mr. Sugarman noted that the responses within the letter were satisfactory.

Mr. Sugarman provided the Board with a draft letter to be sent to the Town explaining the Town's responsibilities resulting from the passage of Chapter 2004-21 effective April 27, 2004. He explained that the Town must create a database to accurately track premium tax revenues and noted that the Statute created additional reported requirements of the Town to the Division of Retirement. The Board directed the Administrator to forward this letter to the Town along with the applicable Ordinance Amendment.

Mr. Sugarman provided the Board with the final copy of the revised Summary Plan Description for the Board's approval.

Mr. Sugarman discussed the addition of a BackDROP lump sum distribution option to the Plan, which had been previously considered by the Board. He noted that it was a no cost item to the Plan. The Board postponed further consideration of the BackDROP until after the Town's consideration of the three pending Ordinance Amendments.

Mr. Sugarman 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

Nick Schiess reported that the parent company of the Plan's Custodian, National Commerce Financial Corporation, had merged with SunTrust Banks. He explained that the Vice-President and CEO of the Salem Trust Company, Brad Rinsem, had advised that the Custodian would remain a separate entity and assured the Administrator that the current level of service would not change. Mr. Schiess agreed to report to the Board any changes or service issues arising from the merger.

The Board reviewed a list of disbursements provided by the Administrator for approval. Mr. Schiess reported that pursuant to the direction of the Board at the last meeting, he had contacted Invesco with the Board's offer for the settlement of the invoice at 50% of the original amount. He reported that Invesco had advised that upon receipt of 50% of the invoice, Invesco would consider the payment as full settlement of the invoice. After further discussion of the matter, Mr. Alfele made a motion to authorize the Administrator to contact Invesco requesting that the Board be re-invoiced at the 50% discount as full settlement of the original invoice and if Invesco agreed, the Administrator was authorized to remit payment. Mr. Forrest seconded the motion, approved 4-0. The Board reviewed the invoices presented by Mellon Consultants and compared the invoices to the fees specified in the Agreement for Actuarial Services. It was noted that the fees for the Actuarial Valuation were appropriate. It was also noted that the Agreement specified that the Board would be advised in advance of the estimated fees for special services, which had not occurred. Mr. Alfele made a motion to authorize the amount of $13,500 payable to Mellon Consulting for services performed in conjunction with the Actuarial Valuation. Mr. Forrest seconded the motion, approved 4-0. The Administrator was directed to contact the Actuary regarding the absence of advance notice of estimated fees for special services and request that the Actuary appear personally before the Board at the next meeting to discuss the invoices. Mr. Alfele made a motion to approve the disbursements as presented by the Administrator with the exception of the invoices from Invesco and Mellon Consultants. Mr. Feeney seconded the motion, approved 4-0.

Mr. Schiess provided the Board with a quote for the renewal of fiduciary liability insurance from the National Union Fire Insurance Company. The premium for the policy period of August 21, 2004 through August 21, 2005 was $10,983.00, which was equal to the premium for the prior period. Mr. Alfele made a motion to renew the fiduciary liability insurance offered by National Union Fire Insurance Company. Mr. Feeney seconded the motion, approved 4-0.

OTHER BUSINESS

Mr. Feeney made a motion to approve the revised Summary Plan Description. Mr. Forrest seconded the motion, approved 4-0. Mr. Schiess reminded the Board that at the last meeting, the Board decided to provide the Summary Plan Description to the Participants only in an electronic format until the status of the pending benefit improvements from the proposed Ordinance Amendments and upcoming negotiations had been determined. Mr. Schiess agreed to post the Summary Plan Description upon the Administrator's website and provide it to the Town for posting on the Town's website.

Mr. Schiess reported that Affidavits had been returned from all Retirees and Beneficiaries confirming that they are still living and eligible for benefits. He reported that Certificates of Medical Examination had been mailed to disability retirees to be completed by a Physician attesting that the retiree is still disabled, however, several issues had arisen. He reported that the Administrator's office had received many inquiries from the affected Participants regarding several concerns of the requirement including which party would be responsible for the Physician's fees for the completion of the Certificate. Mr. Schiess noted that he had contacted Mr. Scopelitis regarding the matter who subsequently directed the Administrator to temporarily suspend the requirement until the matter could be re-addressed by the Board. Mr. Scopelitis noted that due to the nature of their injuries and subsequent surgeries that most of the disability retirees would never recover from their injuries and therefore the requirement of the Certificate on an annual basis was unnecessary. Mr. Sugarman advised that the Board has an obligation under the

Ordinance to periodically evaluate disability retirees' medical conditions and their eligibility for continuing benefits under the Plan. A lengthy discussion ensued and the Board decided to review the medical conditions of the individual disability retirees to determine whether the permanence of their conditions warranted an exclusion from the requirement of the Certificate of Medical Examination. The Board directed the Administrator to provide the Board with a list of all disability retirees at the next meeting and to continue the discussion of the matter at that date.

There being no further business, the meeting was adjourned at 6:45 P.M.

Respectfully submitted,

James Feeney, Secretary