TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
May 26, 2005

Chairperson Nick Scopelitis called the meeting to order at 10:15 A.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

TRUSTEES	**OTHERS**
James Feeney	Bob Sugarman, Sugarman & Susskind, Fund Counsel
Peter Alfele	Nick Schiess, Pension Resource Center
Marc Dobin	Burgess Chambers, Burgess Chambers & Associates
Nick Scopelitis	Brigid Saia & Cheryl Grieve, Town of Jupiter
Jack Forrest	Kevin Ryan, Adelante Capital Management
	Jose Fernandez, Mellon Consultants
	Brad Rinsem & Karen Russo, Salem Trust Company
	Jeff Fortier & Jason Fidurski, Private Capital Management
	Other Visitors

PUBLIC COMMENTS

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

TRUSTEE ELECTIONS AND APPOINTMENT OF CHAIRPERSON

Nick Schiess reported that Trustees Peter Alfele and Marc Dobin had been reappointed by the Town to serve another two-year term commencing on April 16, 2005. Nick Scopelitis provided the Board with the results of an election held for Member Trustee noting that he had been duly re-elected with a majority of the votes by the membership. Marc Dobin made a motion to re-appoint Nick Scopelitis as chairperson, seconded by James Feeney, approved by the Trustees 5-0.

MINUTES

The Board reviewed the minutes of the meeting held February 24, 2005 and a correction was noted. James Feeney made a motion to approve the minutes of the meeting held February 24, 2005 as corrected. Marc Dobin seconded the motion, approved by the Trustees 5-0.

CUSTODIAN REPORT

Brad Rinsem and Karen Russo appeared before the Board on behalf of the Salem Trust Company to discuss the circumstances behind the untimely recorded redemption of shares of Adelante Capital Management on November 21, 2004. Ms. Russo provided the

Board with a letter dated March 28, 2005, which disclosed the events and circumstances pertaining to the redemption. She explained that the Private Capital Management, Sawgrass Asset Management, and Adelante Capital Management were direct accounts, however, Adelante Capital Management actually invested into their own mutual fund custodied under a nominee name by the Custodian. She explained that the direction for the redemption on November 21, 2005 was incorrectly provided by the Administrator to the mutual fund company instead of Adelante Capital Management and the mutual fund inappropriately accepted direction from an unauthorized signor and direction for the transaction should have been given directly to the Custodian. Due to systems limitations of the mutual fund company, written confirmation was sent to the Custodian instead of an electronic notification and therefore the Custodian's system was not updated electronically, which delayed the posting of the transaction. Ms. Russo further explained that most mutual fund companies provide transaction notifications electronically, which automatically updates the Custodian's systems. A minority of mutual fund companies, including Adelante, provide statements of written transactions only on a quarterly basis, which dramatically delays the posting of transactions. She reported that as a result of the incident, the Adelante mutual fund company now issues monthly statements of transaction reports. Ms. Russo concluded that sufficient precautions have been implemented to prevent another occurrence of the incident. She noted that the incident had been thoroughly reviewed by the Custodian, Attorney, Administrator and Adelante Capital Management and as a result communication and reporting had been significantly improved. Ms. Russo also reported that a recent rebalancing involving another transaction with Adelante Capital Management was performed efficiently. Bob Sugarman questioned Burgess Chambers whether he was satisfied that the matter has been properly resolved and the proper reporting of transactions was being provided. Mr. Chambers responded that he was satisfied that the matter has been properly resolved and proper reporting of transactions was in fact being provided.

Ms. Russo discussed the custodial arrangement with C.S. McKee noting that for many reasons the firm was unable to establish the account in the Plan's nominee name with the Custodian. She noted that the mutual fund was instead established under the Plan's name and the Custodian shadowed the account.

Bob Sugarman noted that securities monitoring firm Milberg Weiss Bershad & Schulman LLP identified a class action lawsuit involving WorldCom and questioned Ms. Russo whether the Custodian filed a proof of loss claim for this action. Ms. Russo responded that the Custodian processes all proof of loss claims on behalf of the firm's clients. Ms. Russo was provided a copy of the securities monitoring report issued by Milberg Weiss Bershad & Schulman LLP.

ACTUARIAL VALUATION

Jose Fernandez appeared before the Board on behalf of Mellon Consultants to present the 2004 Actuarial Valuation. He reminded the Board that the 2004 Valuation provided the funding requirements for the 2006 fiscal year because the Board had adopted the projection method to determine funding requirements last year. The Town's funding requirement for the 2006 fiscal year is $1,874,271, which increased from the previous year's funding requirement of $1,279,739. The increase was attributable to investment losses from prior years computed in the five-year smoothing technique used to determine the actuarial value of assets and also significant increases of payroll in excess of Plan assumptions. The covered payroll increase of 17% was attributable to an increase in covered active members and salary increases. A question arose whether the payroll increase was resultant from overtime for recent hurricanes and Mr. Fernandez responded that overtime was not pensionable and therefore excluded from the compensation figures utilized in preparing the Valuation.

Mr. Fernandez discussed the Plan's cost method for the amortization of accrued liability noting that an option existed that would permit the Plan to extend the period over which the Plan's accrued liability is amortized to thirty-years, which would significantly decrease the short-term funding requirements of the Plan but not affect the actuarial soundness of the Plan itself. It was noted that a decrease in the short-term funding would also lessen the amount of funds that would be invested into the Plan's portfolio resulting in decreased investment earnings over the long-term. Bob Sugarman questioned Mr. Fernandez whether he recommended the proposed cost method and Mr. Fernandez replied that he did not specifically recommend changing the cost method and it was presented only as an option for the Board's consideration. Mr. Sugarman questioned whether the option was presented upon request from the Town and Mr. Fernandez responded that the Town had not requested that the option be presented to the Board. Mr. Sugarman then advised that the Town had not provided the Board with any specific goals regarding the funding of the Plan and in the event that a specific goal is communicated to the Board then the Trustees should give further consideration to alternate actuarial cost methods.

Mr. Fernandez continued his report with a review of Plan assumptions noting that the 8.5% investment income assumption was aggressive and not easily attainable. Mr. Sugarman questioned Mr. Fernandez whether he recommended an alternative investment income assumption and Mr. Fernandez responded that he did not specifically recommend a change of the investment income assumption. Mr. Fernandez reported that the Chapter 185 excess reserve account balance was $386,000. Mr. Sugarman noted that the Statutes require the application of reserve funds towards the purchase of minimum benefits otherwise future chapter distributions to the Plan might be jeopardized. Nick Scopelitis passed the gavel to James Feeney and made a motion for the Attorney to correspond with the Town regarding the possible jeopardy of future Chapter 185 funding if the Town continues to refuse the adoption of minimum benefits. Peter Alfele seconded the motion, approved by the Trustees 5-0. Marc Dobin made a motion to approve and adopt the 2004 Actuarial Valuation. Peter Alfele seconded the motion, approved by the Trustees 5-0. Mr. Sugarman questioned Mr. Fernandez whether he had any recommendations to the Board and Mr. Fernandez responded that he had no specific recommendations, however, monitoring of payroll was in order as prior payroll increases had exceeded the actuarial assumption.

INVESTMENT MONITOR REPORT

Burgess Chambers appeared before the Board to discuss the investment performance of the portfolio. Mr. Chambers reviewed the asset allocation noting the allocation to Private Capital Management was 36.3% and their 6.4% cash allocation was attributable to the firms' investment style and included in the computation of their performance. Mr. Chambers discussed the addition of a large cap growth mandate noting that the portfolio had a value bias, which had helped overall performance given the unusually long duration of market favor to the value style. He anticipated the market would soon favor the growth style and thus recommended the Plan's participation in this style. Mr. Chambers was questioned regarding the risk of this style and the recommended allocation. He recommended that 10% of the total portfolio be allocated to this style and advised than the diversification attained with the addition of this style should diminish the overall risk of the total portfolio. He then discussed the alternatives of the addition of another investment manager or indexing the mandate given that great efficiency existed within this style and little disparity existed within the performance of investment managers within this style. After further discussion by the Board, Marc Dobin made a motion to authorize Mr. Chambers to deliver a presentation for a large cap growth mandate at the next meeting. James Feeney seconded the motion, approved by the Trustees 5-0.

The investment return for the quarter ending March 31, 2005 was –1.7% versus the benchmark of –2.1%. The market value of the portfolio as of March 31, 2005 was $16,954,838. Mr. Chambers discussed the performance of the individual investment managers for the quarter ending March 31, 2005. The return for Private Capital Management was –0.5% versus -5.3% for the index. The C.S. McKee international equity portfolio performance was 0.5% versus the –0.1 for the index. The REIT portfolio performance was –7.7%, however, there was a broad market correction for REITs in general and performance since inception was a remarkable 37.5%. The trailing one-year return was 8.8% versus 10.2% for the index. Bob Sugarman questioned Mr. Chambers whether the REIT manager should be retained and Mr. Chambers advised that Adelante Capital Management should be retained despite the underperformance. The return for the Sawgrass Asset Management bond portfolio was –0.6%, which equaled the index. Marc Dobin expressed concern over the overweighting in the technology sector allocation within the Private Capital Management portfolio and Mr. Chambers responded that he would research the matter further as part of the evaluation of an additional investment manager or index fund.

Mr. Chambers reviewed the compliance checklist noting that all items were in compliance with the Plan's investment objectives with the exception that the Plan has not achieved a three-year rolling return of 8.5%.

INVESTMENT MANAGER REPORT

Jeff Fortier and Jason Fidurski appeared before the Board on behalf of Private Capital Management to provide the Board with a report on the performance of the domestic equity portfolio. Mr. Fortier reported that performance on an annualized basis since inception was 20.2%, which represented $2.1M in investment earnings for the Plan. For the quarter ending March 31, 2005, performance was –2.5% versus -5.3% for the Russell 2000 benchmark He reported that although performance exceeded the Russell 2000 index, it lagged the performance of –2.1% for the S&P 500 index, which was attributable to an underweight in the allocation to the energy sector. Mr. Fortier was questioned regarding the underweight in the energy sector and he responded that the energy sector was tied to oil prices and thus volatile, which did not fit into Private Capital Management's investment philosophy of investing only into holdings with an attractive cash flow. Mr. Fortier reviewed the holdings within the portfolio and was questioned as to the reason the holding of MGM Mirage that was purchased at $28.30 per share and had increased to $69.40 per share had not been liquidated. Mr. Fortier responded that he did not believe that the equity was yet fully valued. Mr. Fortier discussed market and economic conditions and anticipated future measured growth of the portfolio.

The meeting adjourned at 11:30 A.M. and reconvened at 11:45 A.M.

ATTORNEY REPORT

Bob Sugarman provided the Board with a securities monitoring report from Milberg Weiss Bershad & Schulman LLP indicating that the Plan did not suffer any current losses in securities for the quarter ending March 31, 2005.

Mr. Sugarman provided the Board with a letter dated April 8, 2005 from the Attorney in response to Town's Auditor request for loss contingency information in conjunction with the Town's audit for the 2004 fiscal year wherein the Auditor was advised of the lawsuit against the Plan filed by the four disability retirees contending that their pensions were incorrectly calculated.

Mr. Sugarman reported that pursuant to a second request from Trustee James Feeney, he had again reviewed a proposed collective bargaining Agreement. He emphasized that the review was conducted not for the purpose of assisting the Union or Town in the bargaining of benefits but rather on a technical level and for ease of administration in the event the benefit improvements were in fact adopted. He reported that while the substance of the Agreement remained unaltered, he had provided revisions in the terminology to ease the implementation of the benefit improvements and also delineate the sources of funding for the benefit improvements.

As a follow up to the last meeting, Mr. Sugarman provided an update on the lawsuit filed by four disability retirees challenging the manner in which the benefits had been calculated claiming that all their compensation was not included for the determination of benefits. He reported that agreement had essentially been attained as to the definition of compensation, however, the Plaintiffs' Attorney's fees were still under negotiation. Mr. Sugarman provided the Board with a preliminary recalculation of the Plaintiffs' disability benefits. He advised that the calculations had been provided to the Town for review and verification of figures used to determine compensation, however, the Town had refused to verify the compensation citing that the definition of compensation had been frequently redefined by the Board. A discussion ensued whether the final payout for accrued sick, vacation, and comp time was appropriate as it was by default excluded from the Boards' definition of compensation earned in the two pay periods preceding termination.

DISBURSEMENTS

The Trustees reviewed the disbursements presented for approval by the Administrator. The Board discussed an invoice received from the Town in the amount of $1,500 for the Plan's share of services performed in conjunction with the Town's 2004 audit. It was noted that the Town's audit was inclusive of the Plan's financial statements, however the Plan did not receive a separate opinion letter regarding the status of the Plan's financial statements. Mr. Sugarman noted that while the State would accept the Town's audit inclusive of the Plan, he emphasized the importance of obtaining an opinion letter specific to the Plan's financial statements. He recommended that either an opinion letter be obtained from the Town's auditor or the Board engage a separate auditor to audit the financial statements and provide the opinion letter. After further discussion, Marc Dobin made a motion to approve the invoice contingent upon the receipt of opinion letter. Jack Forrest seconded the motion, approved by the Trustees 5-0. Marc Dobin made a motion to approve the remaining disbursements. Jack Forrest seconded the motion, approved by the Trustees 5-0. The Trustees discussed the merits of performing an Audit separate from the Town and the Board directed the Administrator to send out a Request for Proposal for Audit services. Peter Alfele agreed to review the responses and select three prospective Auditors as finalists to deliver a presentation to the Board at the next meeting.

ADMINISTRATIVE REPORT

Mr. Schiess reported correspondence had been sent to the last known addresses of former members Jonathan Monaco, John Johnson, and Kim Yeager regarding their personal pension contributions that had still remained deposited with the Plan after their termination. He noted that all correspondence had been returned as undeliverable and the current addresses of the former members were unknown. A Trustee provided Mr. Schiess with contact information for John Johnson.

Mr. Schiess reported that active Member Samuel Miller had contacted the Administrator requesting to purchase prior service credit with the Town as a police officer and Mr. Miller had been provided a cost calculation to purchase the service credit computed with the parameters of the withdrawn contributions plus 8% interest as determined by the Board at the last meeting for Tom Flannery. Peter Alfele made a motion to permit Mr. Miller to purchase the prior service credit. Marc Dobin seconded the motion approved by the Trustees 5-0.

Mr. Schiess provided the Board with a benefit approval for the normal retirement of Mark Baker. Peter Alfele made to approve the normal retirement benefit for Mark Baker. Marc Dobin seconded the motion approved by the Trustees 5-0. Mr. Schiess announced that the Administrator had received an Application for Retirement Benefits from Richard Westgate.

Mr. Schiess provided the Board with an update on the status of the enhancements to Administrative services to the Plan. He noted that the additional services were contingent upon the receipt of historical payroll data from the Town, which had not yet been received. He explained that the Town must reconfigure payroll systems in order to export the required data and had been advised by the Town that the reconfiguration of systems was forthcoming.

Mr. Schiess provided the Board with a list of upcoming educational conferences.

OTHER BUSINESS

The Board reviewed of the medical conditions of the individual disability retirees to determine whether the permanence of their conditions warranted an exclusion from the requirement of periodic review. Having reviewed the Medical Records prior to the meeting, Jack Forrest provided the Board with a report of the disability retirees' status and probability of full recovery from their respective medical conditions. After a lengthy and careful discussion, the Board decided that only Katherine Berish, Raymond Montrois, and Jill Rosco might recover from their respective medical conditions to become able to perform efficient and useful service as police officers and their respective conditions warranted periodic re-evaluation. A discussion ensued as to the methodology of re-evaluation and the Board determined that an Independent Medical Examination be performed. Bob Sugarman agreed to correspond with the Members and schedule their respective Independent Medical Examinations.

There being no further business, the meeting was adjourned at 1:15 P.M.

Respectfully submitted,

James Feeney, Secretary