

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
FEBRUARY 27, 2006

Chairperson Nick Scopelitis called the meeting to order at 1:05 P.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

TRUSTEES

James Feeney
Jack Forrest
Marc Dobin
Nick Scopelitis

OTHERS

Bob Sugarman, Sugarman & Susskind, Fund Counsel
Nick Schiess, Pension Resource Center
Burgess Chambers, Burgess Chambers & Associates
Jackie Kemp & Cheryl Grieve, Town of Jupiter
Jeff Fortier & Chad Atkins, Private Capital Management
Paul McIntyre, Naples Asset Management

PUBLIC COMMENTS

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

Peter Alfele joined the meeting via teleconference.

INVESTMENT MONITOR REPORT: BURGESS CHAMBERS

Burgess Chambers appeared before the Board to discuss the investment performance of the portfolio for the quarter ending December 31, 2005. The market value of the portfolio was \$18,859,332. The investment return for the quarter was 0.8% versus the benchmark of 1.5% with the underperformance primarily attributable to the underperformance of the Private Capital Management portfolio.

Mr. Chambers then reviewed in detail the performance of the individual investment managers for the quarter ending December 31, 2005. The bond portfolio slightly underperformed the benchmark, which was attributable to the conservative position of the portfolio, however, Mr. Chambers anticipated that relative performance should increase with rising interest rates. He noted that the bond allocation was 33.3% and therefore could not be lowered. The C.S. McKee international fund's performance had lagged the benchmark for the trailing one-year period, however, Mr. Chambers expressed that he was not concerned as the fund contained high quality equities. The Private Capital Management portfolio had trailed the benchmark by 2.5% for the previous two quarters. He recommended that the Trustees issue a notification to the firm regarding the Board's dissatisfaction with the portfolio's performance and the Board agreed. Marc Dobin reported conducting several discussions with personnel of the firm and expressed concerns over the performance and whether the firm was a suitable investment manager

for the Plan. Nick Scopelitis expressed concerns over performance as well. Mr. Burgess provided an analysis of the portfolio's performance noting that net of fee performance did not exceed the benchmark in the previous eleven cumulative quarters. A discussion ensued and Mr. Chambers agreed to issue notification to the firm regarding the Board's dissatisfaction with the portfolio's performance. Mr. Chambers was questioned whether the consultant recommended any changes in the portfolio's asset allocation and he responded that the current asset allocation was satisfactory.

Mr. Chambers was questioned whether Private Capital Management would calculate billing on a daily average balance method and he responded that the firm was able to calculate investment management fees on an average monthly basis but not an average daily basis. He provided an analysis of the investment management fees based upon an average monthly basis versus the current method concluding that the average daily basis method would result in a cost savings to the Plan. Mr. Chambers was advised that proxy voting should be cast in the best interest of the membership and reported to the Board. Chad Adkins appeared before the Board on behalf of Private Capital Management and discussed the proxy voting guidelines previously submitted to the firm by the Board noting that the firm did in fact cast proxy votes in a manner consistent with the guidelines. He agreed to provide a report of proxy voting but advised that the report would not contain the basis for the voting as that information was considered proprietary, however, the specific information on any single vote would be provided to the Board upon request.

Mr. Chambers concluded his report with a review of the compliance checklist noting that all items were in compliance except the 10.2% allocation as of December 31, 2005 in foreign securities had exceeded the 10% policy maximum, however, the allocation was reduced shortly thereafter to within specifications after a rebalancing of the receipt and disbursement cash account.

Peter Alfele departed the meeting.

INVESTMENT MANAGER REPORT: PRIVATE CAPITAL MANAGEMENT

Jeff Fortier and Chad Adkins appeared before the Board on behalf of Private Capital Management to provide a performance report on the investment portfolio for the quarter ending December 31, 2005. Mr. Fortier reviewed the investment philosophy of the firm noting the strategic goal was preserving capital while achieving a 100% return on invested assets over a five-year period. He discussed the investment process in great detail noting that the manager was an all cap manager with a value bias. The selection process attempts to identify investment opportunities with a 60% valuation of estimated worth and also firms with very predictable cash flows. He noted that the energy and utility sectors were the highest performing sectors within the index for the year 2005, however, the portfolio did not contain these sector allocations because the industries were avoided because they were capital intensive and the firms within this industry generally had unpredictable cash flows.

Mr. Fortier was advised that the investment returns did not meet the Board's expectations. He reported that the portfolio's performance was already 4% for the current quarter but most importantly the firm measures the performance goal over a five-year period. Mr. Fortier was questioned regarding the allocation overweighting to the media sector. Mr. Fortier explained that the market perceived the industry to be under great pressure with the growing popularity of alternative media delivery vehicles, however, the firm considers the industry to be attractively valued as the firms within the industry should capitalize on the alternate delivery vehicles.

Chad Adkins introduced himself as counsel and chief compliance officer for the firm. He explained that he was appointed to the position by the firm's parent company to avoid conflicts of interest that might otherwise occur if he was employed directly by the firm. He was questioned regarding the policies and controls of employees and principals of the firm owning equities within the portfolio and was advised of the Board's concerns over possible conflicts of interest in the event personnel used their client's ownership of equities as leverage for the financial benefit of themselves. Mr. Adkins explained that the firm adhered to SEC and strict internal guidelines to protect clients from conflicts of interests. He discussed in great detail the firm's policies regarding equity trading and ownership noting that all accounts must be held with the firm and trades must be pre-approved. He advised that the accounts of principals and employees were continually monitored and trading records reviewed frequently. Mr. Adkins expressed that the safeguards in place fully protected the client and he stated that he believed that it was positive that clients purchased holdings that employees owned. Mr. Adkins was requested to discuss the trading sequence in the event that employees desired to purchase holdings at the same time the portfolio manager was purchasing the same equity. Mr. Adkins explained that all clients' trades are completed prior to permitting employees to place trades. Mr. Adkins was requested to disclose the exit sequence for jointly owned equities and he explained that the trades are processed by exposure and employee trading is suspended until after all trading on behalf of clients was completed.

As a follow up to the last meeting wherein the Board inquired whether personnel within Private Capital Management owned equities of Knight Ridder, Mr. Adkins reported that neither portfolio manager owned the holding and the record of employee's holdings was not disclosed as this was not specifically required.

Burgess Chambers advised that personnel within investment management firms owning equities common to clients' portfolios was not uncommon and the responses to the questions on policies and controls appeared to be appropriate. Marc Dobin expressed that the ultimate concern is that the portfolio would be used as leverage to enhance a position on a holding for the benefit of another pension plan or the personnel of the firm.

Jeff Fortier and Chad Adkins departed the meeting.

NAPLES ASSET MANAGEMENT

Paul McIntyre appeared before the Board to provide a presentation for investment management services on the firm's real estate product. He discussed the firm's qualifications and experience and explained that the firm's experience was limited to private endowments and corporate pension plans but not public pension Plans. He discussed the investment process noting that the commingled fund contained local Florida developing properties and mezzanine loans and the target investment return was 13-16%. Mr. McIntyre reported that the investment management fees were 200 basis points plus 30% of all investment returns exceeding 12% and a one-time 100 basis point entry fee. It was noted that the firm was established in 2001 under its current structure and the Plan could request liquidation after three years participation.

Bob Sugarman advised that in the event the Board desired to pursue this investment then it was recommended that the Board obtain approval from the investment consultant and revising both the Investment Policy Statement and the Ordinance would be required.

The meeting adjourned at 2:50 P.M. and reconvened at 3:05 P.M.

ATTORNEY REPORT

Bob Sugarman reported that his office had been contacted by the Administrator regarding an inquiry from the Town as to whether disability retiree James Bache was eligible for reemployment with the Town. He advised that Mr. Bache was eligible for reemployment for the Town for any position other than a police officer.

Mr. Sugarman reported reviewing the addendum to the Agreement for administrative services and found the addendum satisfactory.

Mr. Sugarman reminded the Trustees of their obligation to attain continuing education and discussed several upcoming educational conferences. A question arose whether the Trustees should purchase liability insurance when renting automobiles for transportation to educational conferences given that Board already carried general liability insurance. It was noted that the general liability insurance protected the Plan and was therefore unnecessary to purchase the additional coverage, however, it was believed that the liability insurance was bundled with the collision damage waiver. Michael Simmons agreed to investigate the Town's automobile rental contracts and the Trustees agreed to research whether the collision damage waiver could be purchased separately.

DISBURSEMENTS

The Trustees reviewed the disbursements presented for approval by the Administrator. Peter Alfele made a motion to approve the disbursements. Marc Dobin seconded the motion, approved by the Trustees 4-0.

MINUTES

The Board reviewed the minutes of the meeting held November 17, 2005 and a correction was noted. Jim Feeney made a motion to approve the minutes of the meeting held November 17, 2005 as corrected. Marc Dobin seconded the motion, approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

The Trustees reviewed the list of benefit approvals presented for approval by the Administrator. Jim Feeney made a motion to approve the retirement benefits for Richard Westgate. Marc Dobin seconded the motion, approved by the Trustees 4-0.

Nick Schiess reported that the custodian had requested the selection of a money market account and he had subsequently provided the investment consultant with the information on the different optional accounts proposed by the custodian. The Board delegated the selection of the most appropriate money market account to the investment consultant.

The addendum to the Agreement for administrative services was submitted to the Board for execution. Jim Feeney made a motion to execute the addendum to the Agreement for administrative services. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mr. Schiess reported that a request had been received from active member Brad Vince for the purchase of prior service credit with the Town. Bob Sugarman noted that the participation in the Plan at the date Mr. Vince was employed was mandatory and his non-participation occurred as a result of an administrative error and should not have occurred. He advised that Mr. Vince's service record be corrected to commence with his date of hire provided that he remitted to the Plan the respective employee pension contributions. Jim Feeney made a motion to request collection of retroactive employee contributions from Brad Vince. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mr. Schiess reported that the Union had requested a cost study on a cost-of-living-adjustment benefit improvement and authorization was required for actuarial services with a cost not to exceed \$4,700. Cheryl Grieve advised that the Town would issue payment for 50% of the cost study. A discussion arose regarding the appropriateness of the fees charged by the Actuary for previous cost studies. Nick Scopelitis passed the gavel and made a motion to send out a request for proposal for actuarial services. Marc Dobin seconded the motion, approved by the Trustees 4-0.

OTHER BUSINESS

Bob Sugarman updated the Board on the status of the proposed Ordinance Amendment adopting the State minimum benefits.

The Board reviewed the responses for the request for proposal for custodial services. Karen Russo and Brad Rinsem appeared before the Board on behalf of the Salem Trust Company to discuss the services provided by the firm. After a lengthy discussion, James Feeney made a motion to personally interview Bank of New York, Fifth Third Bank, and the incumbent Salem Trust Company.

Burgess Chambers recommended retaining the current Goldman Sachs Prime money market account.

Jack Forest advised that attendees at educational conferences had either business cards from their employer or cards representative of their position as Trustee if they were retired. He requested the Board's approval to obtain business cards. Jim Feeney made a motion to authorize the printing of business cards for Jack Forrest. Marc Dobin seconded the motion, approved by the Trustees 4-0.

SCHEDULE NEXT MEETING

There being no further business and the next meeting scheduled for May 22, 2006, the meeting adjourned at 4:05 P.M.

Respectfully submitted,

James Feeney, Secretary