

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

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

James Feeney
Peter Alfele
Marc Dobin
Nick Scopelitis

OTHERS

Bob Sugarman, Sugarman & Susskind, Fund Counsel
Nick Schiess, Pension Resource Center
Jose Fernandez, Buck Consultants
Nestor Caballero, Caballero & Castellanos
Cheryl Grieve, Town of Jupiter
Karen Russo, Mark Eleste, and Brad Rinsem, Salem Trust Company
Kimberly Kutlenios & Fred Johnston, Fifth Third Bank

PUBLIC COMMENTS

Chairperson Nick Scopelitis invited those present to address the Board with public comments. Active member George Albert inquired regarding the proposed provision permitting the purchase of service credit with the Plan for prior military service. Nick Schiess advised Mr. Albert that the provision permitting the purchase of service credit was contained in an Ordinance Amendment that was scheduled for first reading by Town Council on May 5, 2006.

TRUSTEE ELECTIONS

Nick Schiess reported that the term of office for employee Trustee James Feeney had expired March 30, 2006. The Union had posted notification of the election, however, only Mr. Feeney received nominations and was therefore re-elected by default for another two-year term commencing April 1, 2006.

AUDITORS REPORT

Nestor Caballero appeared before the Board on behalf of Caballero & Castellanos to present the 2005 audit report for the fiscal year ending September 30, 2005. He reviewed in great detail the financial statements of the Plan and issued the Board with a clean unqualified opinion letter on the financial statements. The Plan's total assets as of September 30, 2005 was the amount of \$18,550,344 , which was an increase in the amount of \$2,897,591 from the prior year and primarily attributable to investment income. Mr. Caballero reviewed the new standard GASB 40 regarding deposit and investment risk disclosures. He reported that the expenses of the Plan were consistent with the prior year.

Mr. Caballero was questioned whether he encountered any difficulty gathering data or could offer any comments regarding the management or operating efficiency of the Plan. He responded that there was neither a difficulty in gathering data or comments regarding the management of the Plan.

Peter Alfele made a motion to approve the 2005 audit as presented. Marc Dobin seconded the motion, approved by the Trustees 4-0.

ACTUARY'S REPORT: JOSE FERNANDEZ

Jose Fernandez appeared before the Board on behalf of Buck Consultants to present the 2005 Actuarial Valuation. He reviewed the census of the Plan noting membership had actually decreased from 127 to 124 members. The total funding requirements of the Plan for the 2007 fiscal year are the amount of \$2,227,285, which increased from the amount of \$2,139,280 for the prior year. The Town's funding requirements are the amount of \$1,962,276 or 33.82% of covered payroll, which was a slight increase from the amount of \$1,874,271 or 31.44% of covered payroll. The increase was attributable to prior years' investment losses and higher than expected payroll increases.

Mr. Fernandez reviewed the plan experience noting the unfavorable experience was attributable to the investment losses that occurred in the years 2001 and 2002 and the payroll increase of 7.7% exceeded the actuarial assumption of 7.0%. He reported that lower than expected turnover had created favorable experience.

Mr. Fernandez discussed the asset smoothing technique noting that the investment returns were averaged over a period of five years to minimize volatility in the investment market. He noted that the investment losses of the year 2001 had been fully recognized and therefore would be excluded in the determination of investment return prospectively and therefore a significant decrease in funding requirement was anticipated. A lengthy discussion arose regarding the actuarial cost method, which was the Frozen Entry Age Actuarial Cost Method. Mr. Fernandez noted that the method was unusual and inherited from prior actuary. A lengthy discussion arose regarding the appropriateness of the 7.0% actuarial assumption for payroll increases given that actual payroll increases exceeded the assumption for the prior four years. Mr. Fernandez advised that the Board could redefine the assumption.

Mr. Fernandez reported that the \$265,009 was the baseline for Chapter 185 contributions and the amount of the reserve account was \$601,895, however, these figures would change after the pending benefit improvements.

Peter Alfele made a motion to adopt the 2005 Actuarial valuation. Marc Dobin seconded the motion, approved by the Trustees 4-0.

PROPOSALS FOR CUSTODIAL SERVICES

FIFTH THIRD BANK

Kimberly Kutlenios and Fred Johnston appeared before the Board on behalf of Fifth Third Bank to provide a presentation on custodial services. Ms. Kutlenios discussed the qualifications and experience of the firm noting that she had over twenty years experience. She then discussed the general services to the Plan and specialty services including automatic cash account rebalancing, directed brokerage, and securities lending. Ms. Kutlenios then reviewed the fee structure noting that the fees were four basis points inclusive of all services including security transaction fees, services provided to the retirees, and disbursements but excluded fees associated with the money market account, which was approximately forty six basis points and without a shareholding servicing fee. Ms. Kutlenios was requested to review the firm's disaster recovery plan. Ms. Kutlenios was questioned whether any systems conversion was planned and she responded that a systems conversion was neither planned or imminent.

SALEM TRUST COMPANY

Karen Russo, Mark Eleste, and Brad Rinsem appeared before the Board on behalf of the Salem Trust Company to discuss the firm's current custodial services to the Plan. Mr. Rinsem discussed the history and nature of the incumbent's services to the Plan explaining that the recent systems conversion was more problematic than originally anticipated. He was questioned whether additional system conversion was planned and he responded that no additional systems conversion was planned. Mr. Rinsem reviewed the firm's disaster recovery plan and securities lending services, which Mr. Sugarman noted was a possible source of incidental income to the Plan. Mr. Rinsem was questioned whether a SAS 70 report would be issued prospectively and he advised that the report would be completed prospectively. Mark Elste introduced himself as a representative of U.S. Fiduciary Services, the holding company of the Salem Trust Company. He noted that the firm was fully employee owned and small enough in size to be very responsive to the Board. He emphasized the importance of the Plan's account with the firm. Karen Russo discussed the fees structure offering the Board two separate fee options. The first option was five basis points inclusive of security transaction fees and the second option was 4 basis points with a ten dollar per transaction fee. Both fee structures contained separate fees for services provided to the retirees and disbursements.

DISCUSSION OF PRESENTATIONS FOR CUSTODIAL SERVICES

The Board noted that the Bank of New York was also selected as a finalist and invited to provide a presentation to the Board, however, a representative of the firm was not present at the meeting.

A lengthy and careful discussion arose regarding the qualifications, services, and fee proposals of Fifth Third Bank and the Salem Trust Company. Marc Dobin made a motion to authorize the Attorney to negotiate an agreement for custodial services with Fifth Third Bank. Jack Forrest seconded the motion, approved by the Trustees 4-0. The Board decided that the transfer of services was to be effective July 1, 2006.

REQUEST FOR PROPOSAL ACTUARIAL SERVICES

The Board reviewed the responses for the request for proposal for actuarial services and decided to personally interview the firms Buck Consultants, Gabriel, Roeder, & Smith, Public Pension Professionals, and Foster & Foster at the next quarterly meeting.

SCHEDULE NEXT MEETING

There being no further business and the next meeting scheduled for May 22, 2006, the meeting adjourned at 1:05 P.M.

Respectfully submitted,

James Feeney, Secretary