

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
AUGUST 28, 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
Nick Scopelitis
Marc Dobin

OTHERS

Sidney Taylor, Burgess Chambers & Associates
Nick Schiess, Pension Resource Center
Kevin Ryan, Adelante Capital Management
Bob Sugarman, Sugarman & Susskind P.A.
John Milne, J.K. Milne Company
Alison Fitzgerald & Joseph Pappo, Lotsoff Capital Management
Kim Calhoun, Westwood Holdings Group, Inc

PUBLIC COMMENTS

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

MINUTES

The Board reviewed the minutes of the meetings held May 22, 2006 and August 14, 2006 and a correction was noted. Marc Dobin made a motion to approve the minutes of the meetings held May 22, 2006 and August 14, 2006 as amended. Jim Feeney seconded the motion, approved by the Trustees 3-0.

INVESTMENT MANAGER PRESENTATION – JK MILNE COMPANY

John Milne appeared before the Board on behalf of J.K. Milne Company to provide a presentation the investment management services of the firm for fixed income products. He discussed the firm's qualifications and experience noting that the firm was wholly employee owned. He then reviewed in great detail the investment process, client list, and fixed income products. Upon request of Sidney Taylor, Mr. Milne discussed internal risk controls within the investment process.

PROPOSALS FOR INVESTMENT MANAGEMENT SERVICES

LARGE CAP VALUE PORTFOLIO

The Board, upon the advice of the Investment Consultant, interviewed the investment management firms Lotsoff Capital Management and Westwood Holdings Group, Inc. simultaneously. Alison Fitzgerald and portfolio manager Joseph Pappo appeared before the Board on behalf of Lotsoff Capital Management to provide the Board with a presentation on the firms' individually managed large cap value product. Ms. Fitzgerald discussed the firm's

qualifications and experience noting that the firm managed over \$5.6 Billion with over half that amount managed in equities. Mr. Pappo discussed the great detail the investment process and risk controls noting at the portfolio had outperformed the index each of the last fourteen years. Ms. Fitzgerald advised that the management fees were 50 basis points.

Kim Calhoun appeared before the Board on behalf of Westwood Holdings Group, Inc. to provide a presentation on the firm's large cap value commingled fund product. She discussed the firm's qualifications and experience noting that the firm had been in existence over 23 years and managed over \$5.0 Billion with over half that amount managed in equities. She then discussed the great detail the performance, risk measurements, investment process, and risk controls. Ms. Calhoun advised that the management fees were 80 basis points on the first \$5 Million of assets under management.

The representatives of both firms were questioned regarding internal controls with regards to ownership of equities by employees that were common to the portfolio. Ms. Fitzgerald and Ms. Calhoun both discussed internal controls regarding the trading of employees and both representatives responded that the portfolios of all employees were scrutinized closely and monitored frequently. The representatives of both firms were questioned regarding the extent that their firms were involved with the internal management of firms within their respective portfolios and Mr. Pappo advised that it was impossible to be involved with the management of large cap companies and Ms. Calhoun responded that the firm did not get involved with the management of any firms within any of the firm's products. The representatives of both firms were questioned regarding whether the past performance was anticipated to be duplicated in the future. Ms. Calhoun responded the outlook was very favorable for large cap value equities. Ms. Fitzgerald anticipated consistent outperformance of their peers and that past performance should be sustainable for the future.

Bob Sugarman announced that the Agreements of both firms had been reviewed on a preliminary basis and he did not anticipate any difficulties with successfully negotiating an Agreement with either firm.

A lengthy discussion ensued regarding the comparative performance, management fees, investment process, and other factors regarding the proposals for a large cap value manager. Sidney Taylor provided an analysis of comparative performance and it was noted that the net investment returns of Westwood Holdings Group, Inc. were more consistent and also greater than Lotsoff Capital Management despite higher fees. The Trustees also discussed the large cap asset allocation and the retention of the current index fund for the large cap growth asset allocation. Marc Dobin made a motion to terminate the investment management services of Private Capital Management and liquidate the large cap growth index fund and engage the services of Westwood Holdings Group, Inc. The motion died for a lack of a second. A lengthy discussion ensued regarding the retention of the large cap growth index fund and Sidney

Taylor recommended the retention of the allocation to increase diversification and compliment the value tilt of the prospective large cap value managers and also market favor was anticipated to rotate favoring the style. Marc Dobin made a motion to terminate the investment management services of Private Capital Management and engage the services of Westwood Holdings Group, Inc. Peter Alfele seconded the motion approved by the Trustees 3-0.

A lengthy discussion ensued regarding the transition of the Private Capital Management and upon the advice of the Attorney the Board decided upon the utilization of a transition manager to be selected by the Investment Consultant. Sidney Taylor agreed to provide Private Capital Management with notification of termination and also select an appropriate transition manager.

MID CAP CORE PORTFOLIO

William Supple and co-portfolio manager Peter Albanese and appeared before the Board on Behalf of Weiss, Peck, & Greer to provide a proposal on the firm's mid cap core portfolio investment management services. Mr. Supple discussed the firm's qualifications and experience. Mr. Albanese reviewed the investment process in great detail noting that portfolios are constructed to be well diversified with over 100 holdings with a sector neutral allocation. Mr. Supple offered the Board an individually managed account. Mr. Supple was questioned regarding the organizational changes within the last ten years and he responded that the current portfolio management team had been in place four years, however, the model and process was inherited from the previous team. Mr. Supple was questioned whether the firm would agree to governance by Florida law, fiduciary responsibility, maintain errors and omissions insurance, and a venue for disputes in Palm Beach County and Mr. Supple advise that the firm was agreeable to the terms. The Trustees discussed the historical performance, management fees, investment process, and other factors regarding the proposal from Weiss, Peck, & Greer. Mark Dobin made a motion to engage the services of Weiss, Peck, & Greer. Peter Alfele seconded he motion, approved by the Trustees 3-0.

INVESTMENT MONITOR REPORT: SIDNEY TAYLOR

Sidney Taylor appeared before the Board on behalf of Burgess Chambers and Associates to provide a report the investment performance of the portfolio for the quarter ending June 30, 2006. The investment return for the quarter was -2.8% versus the benchmark of -1.1% with the underperformance attributable to the underperformance of the Private Capital Management portfolio. The market value of the portfolio was \$19,221,573.

Mr. Taylor then reviewed in detail the performance of the individual investment managers for the quarter ending June 30, 2006. The bond portfolio, with an investment return of 0.4% slightly outperformed the index of 0.1%. The C.S. McKee international fund's performance was 0.9% equaled the benchmark. The return for the Adelante Capital Management REIT fund was -0.5% versus the benchmark of -1.1%. The performance of the Private Capital Management portfolio was -6.5% and had trailed the

benchmark for the previous four consecutive quarters. The Board discussed the importance to the Plan of achieving satisfactory performance and being proactive to identify and replace poorly performing managers.

ATTORNEY REPORT

Bob Sugarman reported that the Agreements with both Fifth Third Bank and Public Pension Professionals had been successfully negotiated.

As a legislative update, Mr. Sugarman reported that Pension Protection Act of 2006 had become law, which lowered the age for non-penalized lump sum distributions including those from DROP accounts and refunds of contributions for public safety personnel from age 55 to age 50 at the date of separation from service. In addition, the legislation provides for pre-tax distribution of up to \$3000.00 annually for premiums for the continuation of health care benefits from the Town.

Mr. Sugarman reported that pursuant to the direction of the Board, a review had been initiated regarding the continuing eligibility of disability benefits for Katherine Berish, Raymond Montrois, and Jill Rosco. The initial step of requesting a completed questionnaire and certification of disability from a physician had already been completed and received from Raymond Montrois and Jill Rosco and the question remained whether to proceed with an independent medical exam to complete the review. Mr. Sugarman reported that Mr. Montrois was awarded social security benefits and the Board noted that it was impossible for Ms. Rosco to recover from her injuries to the extent that she could be reemployed as a police officer. Mr. Sugarman reported that all correspondence sent to Ms. Berish had been returned and Nick Schiess speculated that Ms. Berish had likely relocated and her new address was unknown. While undesirable, the Board noted that Ms. Berish would likely contact the Administrator if her benefits were suspended and then her new address could be obtained. Peter Alfele made a motion to discontinue further medical evaluation of Jill Rosco and Raymond Montrois and mail another notification of the medical review to Ms. Berish and if not returned then temporarily suspend her benefits until her new address was provided. Marc Dobin seconded the motion, approved by the Trustees 3-0.

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 3-0.

ADMINISTRATIVE REPORT

Nick Schiess reported that the Ordinance adopting minimum benefits was successfully adopted by City Council and copies of the Ordinance and executed Agreements with Fifth Third Bank had been distributed in the Trustees' meeting packages in advance of the meeting. He reported a smooth transition of custodial services with the new Custodian Fifth Third Bank issuing benefit payments commencing on July 1, 2006.

Mr. Schiess provided the Board with quotes for the renewal of fiduciary liability insurance with the current insurer AIG as well as from an alternate insurer ULICO. It was noted that the annual premium was significantly lower with ULICO and the Board discussed the quotes and policy provisions from the two prospective insurers. Marc Dobin made a motion to obtain fiduciary liability insurance with ULICO. Peter Alfele seconded the motion, approved by the Trustees 3-0.

Mr. Schiess submitted the Agreement for actuarial services with Public Pension Professionals for execution. He agreed to send notification of termination to the current Actuary, Buck Consultants, upon request of the Board and the Trustees agreed.

Mr. Schiess reported the completion of an extensive records request to the firm Benchmark Financial Services, which the Town had engaged to review past performance of the Plan's investments and management of the Plan.

OTHER BUSINESS

Nick Schiess presented the Board with the recalculation of disability benefits from the Actuary for seven disability pensioners, noting that three of the pensions had actually decreased. He explained that the prior method of calculating average compensation for the purposes of the determination of disability benefits was the greater of annualized rate of compensation plus incentive pay and shift differential. After the settlement of the lawsuit settlement involving four disability pensioners, the Board had redefined the definition of compensation to the greater of compensation received two pay periods prior to disability or termination and to include previously excluded overtime and accrued leave payout.

Bob Sugarman explained that the Ordinance did not specifically define compensation and therefore that responsibility fell upon the Board. He advised that neither the new definition nor the previous definition were incorrect but rather a matter of preference. The Board noted that the decrease in pensions was unintended consequence of redefining the definition of compensation as the Trustees attempted to become fairer in their definition. The Board tabled further discussion of revising the benefits based upon the calculations until the next meeting and directed the Administrator to provide notification to the disability recipients of the proposed revision of their benefits and invite them to appear before the Board at the next meeting.

SCHEDULE NEXT MEETING

There being no further business and the next meeting scheduled for October 30, 2006, the meeting was adjourned at 4:45 P.M.

Respectfully submitted,

James Feeney, Secretary