

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
NOVEMBER 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

OTHERS

Jack Forrest	Burgess Chambers, Burgess Chambers & Associates
Nick Scopelitis	Nick Schiess, Pension Resource Center
Marc Dobin	Bob Sugarman, Sugarman & Susskind P.A.
Jim Feeney (3:00 PM)	Chad Little, Freiman Little Actuaries, LLC
	Michael Simmons, Jackie Wehmeyer, Cheryl Grieve, Town of Jupiter

PUBLIC COMMENTS

Nick Scopelitis invited those present to address the Board with public comments. Active Member George Albert appeared before the Board questioning the delay in his cost study for the purchase of prior service credit. It was explained to Mr. Albert that the delay was attributable to a transition to a replacement actuarial firm and that the Board would be considering later in this meeting terminating this new firm due to a lapse in errors and omissions insurance. He was advised that the cost study would be prepared as soon as possible after the matter was resolved.

PROPOSALS FOR ACTUARIAL SERVICES

Nick Schiess provided the Board with proposal information for actuarial services from a recent request for proposals along with an additional proposal submitted by Freiman Little Actuaries. Bob Sugarman reported that the errors and omissions insurance for the current Actuary, Public Pension Professionals, had lapsed and therefore the firm was in violation of their Agreement. In addition, the firm was a defendant in a lawsuit filed by a Plan sponsor in California for alleged errors in the computation of costs for negotiated benefit improvements resulting in higher than expected costs.

Chad Little appeared before the Board to discuss his proposal for actuarial services and his departure from Public Pension Professionals to start his own firm. The Board noted that his former firm was previously selected because of Mr. Little's competency and the local location of his office. After a lengthy discussion, Mark Dobin made a motion to engage the services of Little Freiman Actuaries. Mr. Little was questioned regarding the circumstances of the lawsuits involving his former firm and his involvement in the alleged errors in the computation of costs. Mr. Little reported that he had no involvement with the lawsuit filed by Kern County, California in which it was alleged that inaccurate actuarial assumptions would likely result in an under estimation of costs associated with a negotiated benefit improvement. He further reported that he was the lead actuary involved with the erroneous calculation of costs associated with a supplemental benefit recently negotiated by the Palm Bay Police Pension Fund, which also resulted in the

under estimation of costs associated in this benefit improvement. Mr. Little advised that while the frequency and risk is minimal, the possibility of errors does exist and the best control is to establish a system to discover errors. He advised that for his new firm, all cost studies will be reviewed by two actuaries before being released. Bob Sugarman reported that the Port Orange Police Pension fund is also a client of Freiman Little Actuaries and is implementing a control requiring that all actuarial cost studies be reviewed by two principals of the firm. He questioned Mr. Little whether he would agree to this provision and Mr. Little agreed. After a lengthy discussion, Jack Forrest seconded the motion to engage the services of Freiman Little Actuaries, approved by the Trustees 3-0.

Nick Scopelitis requested that the Board be apprised of any pending lawsuits involving any of the Plan's service providers.

Chad Little discussed several methodologies used to calculate purchase of service credit. He discussed a simplified method that would allow the production of actuarial cost studies to be prepared quickly but had a standard deviation of 5% of the more accurate and time consuming method utilizing actuarial software to compute the costs. The Board selected the more accurate method utilizing the software. Mr. Little was questioned regarding the anticipated time frame for the preparation of three pending calculations of prior service credit and he anticipated that the studies would be prepared by year-end.

INVESTMENT MONITOR REPORT: BURGESS CHAMBERS

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to provide a report the investment performance of the portfolio for the fiscal year ending September 30, 2006. The investment return for the fiscal year was 6.6% versus the benchmark of 11.1% with the underperformance attributable to the Private Capital Management portfolio. The market value of the total portfolio was \$19,221,573.

Mr. Chambers then reviewed in detail the performance of the individual investment managers for the fiscal year ending September 30, 2006. The Sawgrass Asset Management bond portfolio, with an investment return of 4.2% slightly outperformed the index of 3.9%. The C.S. McKee international fund's performance was 18.8% versus the benchmark of 19.6%. The return for the Adelante Capital Management REIT fund was 26.9% versus the benchmark of 28.1%. The performance of the Private Capital Management portfolio was 4.8% versus the benchmark of 10.2%.

Mr. Chambers reported that the transition of the Private Capital Management portfolio to Westwood Capital Management and Robeco was completed. He advised that the portfolio was very diversified with the engagement of the additional managers, which reduced the overall risk within the portfolio and should also increase overall performance. Mr. Chambers reviewed the process involved with the final determination to terminate the services of Private Capital Management. He noted that the firm's strategy had allowed them to significantly outperform their peers until the last few years. He further advised that it was not prudent to terminate a manager for poor performance for only a few quarters but rather to evaluate and carefully monitor performance, which had occurred. He noted the partial liquidation of the portfolio to fund the large cap growth

exchange traded fund was the first step to minimize the impact of their poor performance while evaluating the continued performance and the decision to terminate the manager was made several meetings later. He advised that the evaluation was carefully and properly conducted and the decision to terminate the manager was timely and ultimately the correct course of action.

Mr. Chambers was questioned regarding the relative underperformance of the Adelante Capital Management REIT fund and the C.S. McKee international equity fund. He responded that both funds' absolute performance was satisfactory and far exceeded the return of the domestic equity and bond allocations, which helped overall returns. He explained that C.S. McKee investment strategy was more conservative than their peers and the Adelante Capital management strategy was a core approach and that these strategies were therefore less risky. He concluded that the performance given the respective strategies was satisfactory and recommended the retention of both investment products.

Mr. Chambers reviewed the asset allocation. He advised that REITs in general had attained excessively high valuations and appreciation had increased the value of the Adelante REIT fund. Mr. Chambers discussed the considerable long-term performance of REITs noting that the supply had diminished contributing to increased valuations. He was questioned whether it was prudent to redeem a portion of the REIT portfolio given the market conditions and to realize some of that investment's gains. He recommended the reallocation of \$500,000 from the REIT fund to the bond portfolio. Marc Dobin made a motion based upon the recommendation of the Investment Consultant to reallocate \$500,000 from the Adelante Capital Management REIT portfolio to the Sawgrass Asset Management bond portfolio. Jack Forrest seconded the motion, approved by the Trustees 3-0.

ATTORNEY REPORT

Bob Sugarman reported that the Agreements with both Robeco and Westwood Capital Management had been successfully negotiated.

Mr. Sugarman provided the Administrator with a securities monitoring report from Pomtrack for distribution to the Custodian.

Mr. Sugarman reported that Katherine Berish had responded to a medical inquiry and pursuant to the direction of the Board would be scheduled for an independent medical examination for further review of her medical condition as a requirement for continued disability benefits.

As a legislative update, Mr. Sugarman discussed the provisions within the recently adopted Pension Protection Act of 2006 pertaining to the pre-tax distribution of up to \$3000.00 annually for premiums for the continuation of health care benefits from the Town. He advised that the first step in implementing the provision would be to determine whether any retirees had continued insurance benefits from the Town.

Mr. Sugarman reported that Peter Alfele had resigned from the position of Trustee because he had relocated by his accounting firm. The Board discussed various gifts in appreciation of his service to the Board and Members. Mr. Sugarman advised that pursuant to the State Statutes, any gift should cost under \$100. Marc Dobin made a motion to authorize the Administrator to purchase a combination plaque and clock at a cost not to exceed \$100 as a thank you gift for Peter Alfele. Jack Forrest seconded the motion, approved by the Trustees 3-0.

DISBURSEMENTS

The Trustees reviewed the disbursements presented for approval by the Administrator. Nick Schiess noted that the former Actuary, Buck Consultants, had presented a final invoice containing \$19.07 in interest on the outstanding balance. Marc Dobin made a motion to approve the disbursements as presented with the exception of the interest on the invoice submitted by Buck Consultants. Jack Forrest seconded the motion, approved by the Trustees 3-0.

ADMINISTRATIVE REPORT

Nick Schiess reported that the general liability insurance would renew on January 1, 2007 and requested the Board's pre-approval to issue payment noting that the premium for the current year was \$297. The Board discussed increasing the coverage from \$1M to \$3M and Marc Dobin made a motion to pre-approve up to \$3M in coverage with a cost not to exceed \$700. Jack Forrest seconded the motion, approved by the Trustees 3-0.

Mr. Schiess reported the completion of a considerable records request on behalf of the Town to Benchmark Financial Services, who was retained by the Town to review past performance of the Plan's investments and management of the Plan. Michael Simmons was questioned whether the firm had issued a final report and he responded that a final report had not been issued.

James Feeney entered the meeting.

Mr. Schiess reported receiving a concern from a retiree regarding the printing of social security numbers on the direct deposit advice statements printed by the Custodian. He reported that a request had been submitted to the Custodian to remove the sensitive information from these statements, however, the matter was not currently resolved.

Mr. Schiess reported that Katherine Berish's benefits had resumed after she had contacted the Administrator with her new address. He reminded the Trustees that several attempts had failed to contact Ms. Berish by the Attorney regarding her continued medical review as a condition of continued disability benefits. He further reminded the Board that it was likely that Ms. Berish had relocated without providing a change of address and the Board had directed the temporary suspension of benefits to promote her to contact the Administrator.

Mr. Schiess reported that the final adjustments on the pensions for the seven disability recipients not involved with the lawsuit had been completed.

Mr. Schiess reported that the renewal of the Board's various association memberships was forthcoming and the Board agreed to renew the memberships with all the current associations.

Mr. Schiess provided the Board with a list of upcoming educational conferences for the year 2007.

Mr. Schiess reported receiving applications for retirement benefits from Robert Harbar and David Shultz.

OTHER BUSINESS

Mr. Schiess submitted for execution an Audit Engagement Letter for the audit of the Plan for the fiscal year ending September 30, 2006 to be performed by Alberni, Caballero & Castellanos. He noted that the fees remained the same as the previous year and the Attorney had reviewed the Agreement. Jim Feeney made a motion to execute the Audit Engagement Letter. Jack Forrest seconded the motion, approved by the Trustees 4-0.

MINUTES

The Board reviewed the minutes of the meetings held August 28, 2006, October 3, 2006, and October 30, 2006 and a correction was noted. Jim Feeney made a motion to approve the minutes of the meetings held October 30, 2006 as corrected and August 28, 2006 and October 3, 2006 as presented. Jack Forrest seconded the motion, approved by the Trustees 4-0.

SCHEDULE NEXT MEETING

Nick Schiess presented the Board with a schedule of the 2007 Board meetings and investment manager presentations. There being no further business and the next meeting scheduled for February 26, 2007, the meeting was adjourned at 4:05 P.M.

Respectfully submitted,

James Feeney, Secretary