TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
FEBRUARY 26, 2007

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
Jim Feeney	Bob Sugarman, Sugarman & Susskind P.A.
Frank Barrella	Chad Little, Freiman Little Actuaries, LLC
	Michael Simmons, Jackie Wehmeyer, Cheryl Grieve, Town of Jupiter
	Joe Beattie, Sawgrass Asset Management

APPOINTMENT OF CITY APPOINTEE

The recently appointed Town appointed Trustee Frank Barrella was sworn to an oath of office by a Town Official.

PUBLIC COMMENTS

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

APPROVAL OF MINUTES

The Board reviewed the minutes of the meeting held November 27, 2006. Jim Feeney made a motion to approve the minutes of the meeting held November 27, 2006. Jack Forrest seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT: SAWGRASS ASSET MANAGEMENT

Joe Beattie appeared before the Board on behalf of Sawgrass Asset Management to provide a report on the fixed income portfolio for the quarter ending December 31, 2006. The investment return for the quarter was 1.1% versus 1.3% for the index with the underperformance attributable to the defensive posture of the portfolio. He explained that the investment strategy intentionally underweighted mortgage backed securities, which equaled nearly 50% of the index, however, the strategy over a full market cycle should yield returns in excess of the index.

Mr. Beattie was questioned regarding the 2% cash position of the portfolio and he explained that up to a 3% cash allocation was considered fully invested and the current 2% cash position was likely just transitory.

Mr. Beattie requested the revision of the current Lehman Aggregate Intermediate Bond Index to the Lehman Aggregate Bond Index and explained that the proposed index would permit additional flexibility with the likely result of slightly increased performance.

Mr. Beattie provided a complete review of the portfolio including sector allocations noting that the portfolio contained high quality securities. He concluded his report with a discussion of market and economic conditions and anticipated generally sluggish performance of the asset class in the near future.

INVESTMENT MONITOR REPORT: BURGESS CHAMBERS

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to provide a report on the investment performance of the portfolio for the quarter ending December 31, 2006. The investment return for the quarter was 5.6% versus the benchmark of 4.5%, which ranked the performance in the top 13th percentile of returns. The market value of the total portfolio was $22,350,681. Mr. Chambers reported that the annualized net returns for the preceding three years averaged 8.7%.

Mr. Chambers discussed the current benchmark for the fixed income portfolio and concurred with Joe Beattie's recommendation to revise the index to the Lehman Aggregate Bond Index. He noted that the Investment Policy Statement must be amended. After a lengthy discussion, Jim Feeney made a motion to revise the fixed income benchmark to the Lehman Aggregate Bond Index based upon the recommendation of the investment consultant and fixed income investment manager and authorize the Chairperson to execute the revised Investment Policy Statement between meetings. Frank Barrella seconded the motion, approved by the Trustees 4-0.

Mr. Chambers reviewed in detail the performance of the individual investment managers for the quarter ending December 31, 2006. The Sawgrass Asset Management bond portfolio with an investment return of 1.1% slightly underperformed the index of 1.3%, which was attributable to the manger's defensive investment strategy. The C.S. McKee international fund's performance was 10.0% versus the benchmark of 10.5%. Mr. Chambers discussed the relative underperformance of the fund over the preceding two-year period, which was attributable to the high quality bias of the fund. He advised that the absolute performance was still satisfactory and recommended allowing several more quarters to elapse and then evaluate their three-year performance. The return for the Adelante Capital Management REIT fund was 10.1% versus the benchmark of 8.9%. Mr. Chambers emphasized for the record that REITs were classified as an equity. Bob Sugarman advised that REITs were not considered as a distinct asset class and therefore must be considered as equities.

Mr. Chambers reviewed the asset allocation noting that the total equity allocation of 61% exceeded the 60% maximum limitation and therefore rebalancing was required. He reviewed the compliance checklist noting that all other items were in compliance. Mr. Chambers reviewed the investment objectives noting that the long-term performance objectives had not been met, which was attributable to the poor performance of former investment manager Private Capital Management.

Bob Sugarman advised that pending State legislation if adopted would increase the maximum permitted investment in foreign securities up to 20% and questioned Mr. Chambers as to his recommendation if indeed the legislation passed. Mr. Chambers recommended increasing the asset allocation up to the full 20% limitation in the event that the legislation passes.

ACTUARY'S REPORT: CHAD LITTLE

Chad Little appeared before the Board on behalf of Freiman Little Actuaries to present the 2006 Actuarial Valuation. He reported that as preparatory research in conjunction with the preperation of the first actuarial valuation by his firm that he had performed a full analysis of the Plan's actuarial assumptions. He advised that all the assumptions appeared reasonable and did not recommend any changes.

Mr. Little discussed and compared various actuarial cost methods noting that prior valuations had been produced with the Frozen Entry Age Actuarial Cost Method. He explained that the overall goal was the selection of cost methods and assumptions to stabilize the funding of the Plan. He discussed and recommended that the Board select instead the Entry Age Normal Actuarial Cost Method. He explained that this method would amortize the unfunded actuarial liability of the Plan over a greater period of time and among more generations of taxpayers with the immediate result of reduced sponsor funding requirements. Mr. Little was questioned whether the proposed cost method benefited the membership and he responded that there would not be any impact unless the Plan was terminated and then the current cost method was more beneficial to the members. A lengthy discussion ensued and it was noted that the unfunded liability of the Plan would be reduced quicker under the current cost method. A concern was expressed over deferring funding when future funding is less certain given the pending legislation to limit municipal spending.

Mr. Little continued his review of the 2006 Actuarial Valuation noting that it had been prepared using the proposed actuarial cost method in anticipation of the Board's favorable consideration of his recommendation to adopt this method. He reported that that the funding percentage decreased from 66.3% to 62.2% primarily attributable to the investment losses in 2001. Mr. Little advised that the Town's funding requirements were $1,740,834 or 25.76% of payroll, which was a decrease from $1,962,276 or 33.82% of payroll for the prior year with the reduction primarily attributable to the affects of the proposed actuarial cost method.

Mr. Little reviewed the current asset smoothing technique, which smoothed investment returns over a five-year period. He discussed alternate smoothing techniques favoring a technique that smoothed only the incremental differences between actual investment returns results and the assumption instead of the total investment returns.

Mr. Little reported his involvement with a committee formed by the Town tasked to research the Plan. He advised that the committee in conjunction with current benefit negotiations had requested the preparation of a cost study for a cost-of-living-adjustment contingent upon the attainment of a minimum funded ratio of the Plan. Mr. Little also advised that the committee had expressed interest in the proposed alternative cost method and smoothing technique.

It was noted that the funded ratio of the Plan was influenced by investment returns and Mr. Sugarman cautioned the Board that the adoption of a contingent COLA might unnecessarily pressure the Trustees to achieve a higher rate of investment return, which would only likely be attained with greater investment risk. He suggested that a determination be made of the amount of funding available from all sources for the COLA before proceeding.

A very lengthy discussion ensued regarding the proposed actuarial cost method, proposed asset smoothing technique, funding of the Plan, and cost–of-living adjustments. Jim Feeney made a motion to direct Mr. Little to submit to the Board and other interested parties an analysis of regarding the proposed actuarial cost methods, proposed asset smoothing method, along with a comparison with the current cost method and smoothing technique to be accompanied with written recommendations together with explanations and statistics supporting his recommendations to be considered by the Board at the next meeting. Jack Forrest seconded the motion, approved by the Trustees 4-0.

The next meeting previously scheduled for the date of April 30, 2007 was rescheduled to March 23, 2007 at 10:30 A.M.

ATTORNEY REPORT

Bob Sugarman advised Frank Barrella that the Statutes specified that a Statement of Financial Interests must be filed within 30 days of taking office.

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

Mr. Sugarman reported that as a follow up to the Board's continuous review of disability pensions that Katherine Berish had been scheduled for an independent medical examination on the date of February 19, 2007.

Mr. Sugarman reporting responding to the Actuary's request to review the expected tolerance level within the cost calculations for the purchase of service credit and advised that the expected 3-5% tolerance level was acceptable.

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 explained that the legislation currently only was applicable to benefits obtained directly from insurers and was not applicable if the benefits were self-insured. He reported the resubmission of previously considered State legislation that would increase the permitted percentage in international investments from 10% to 20% and up to a four-year term of office for Trustees and anticipated favorable passage of the legislation.

Mr. Sugarman discussed the State requirements with regards to the retention of records and recommended that the Board adopt Schedule GS1-L and appoint the Pension Resource Center as the Plan's Records Management Liaison Officer. Jim Feeney made a motion to adopt Schedule GS1-L and appoint the Pension Resource Center as the Plan's Records Management Liaison Officer. Jack Forrest seconded the motion, approved by the Trustees 4-0.

BUY-BACK POLICY

The Board was provided and discussed a draft policy regarding provisions for the purchase of service credit in conjunction with the recently adopted Ordinance permitting the purchase of service credit. Chad Little recommended that cost studies for the purchase of service credit be valid for ninety-days after being provided to the Members and payment received within that period for either a full or partial lump sum payment or the commencement of payroll deduction installment payments. A discussion arose regarding payroll deduction installment payments and Mr. Little recommended a maximum period of five years for installment payments and the Board agreed. Nick Schiess agreed to amend the draft policy with the changes determined by the Board for consideration and adoption at the next meeting. It was noted that several members had very recently been provided cost studies for the purchase of service credit and the Board agreed that since an official policy had not been established that their cost studies would be valid for ninety-days after the adoption of the policy.

ADMINISTRATIVE REPORT

The Trustees reviewed the disbursements presented for approval by the Administrator along with an invoice submitted at the meeting from Freiman Little Actuaries in the amount of $12,000 for actuarial services. Jim Feeney made a motion to approve all the disbursements as presented. Frank Barrella seconded the motion, approved by the Trustees 4-0.

The Trustees reviewed a list of benefit approvals presented for approval by the Administrator. Jim Feeney made a motion to approve the normal retirement benefits of Robert Harbar. Frank Barrella seconded the motion, approved by the Trustees 4-0.

As a follow up to the last meeting wherein the Trustees pre-approved increasing the Board's general liability insurance coverage up to $3M in coverage with a cost not to exceed $700, Nick Schiess reported that the agent that secured the current coverage advised that general liability insurance had customary limits of just $1M in coverage and that an umbrella policy must be obtained for any additional coverage. He further advised that the minimum cost of $1000 for an umbrella policy exceeded the pre-approved limit of $700 and requested direction from the Board. A discussion ensued and the Board concluded that the additional coverage was warranted to protect the Plan's assets and the Trustees directed the administrator to obtain a quote for a $2M umbrella policy.

Also a follow up to the last meeting wherein Mr. Schiess reported receiving a concern from a retiree regarding the printing of social security numbers on the direct deposit advice statements issued by the Custodian, he reported that the Custodian had successfully reprogrammed their systems to remove this sensitive information from the statements.

OTHER BUSINESS

A question arose regarding the basis for the actuarial reduction for early retirement benefits for vested deferred benefits and Chad Little explained that the basis for reduction was from age fifty five instead of the age plus service combination of 780 months for the normal retirement benefits of continuously employed members.

The Board considered the merits of membership in the International Foundation of Employee Benefits Plans. Jim Feeney made a motion for the Board to become a member of the International Foundation of Employee Benefits Plans. Frank Barrella seconded the motion, approved by the Trustees 4-0.

A discussion arose regarding the necessity of restating the Ordinance. Mr. Sugarman requested that the Administrator inquire into whether the Town engaged third party services to codify Ordinances and report back to the Board.

Nick Schiess reported that Trustee Marc Dobin had attended a recent FPPTA event as a guest speaker and questioned whether he was therefore eligible for reimbursement for travel and meal expenses. It was noted by other Trustees attending the same event that Mr. Dobin also attended courses at the event and the Board determined that he was therefore eligible for reimbursement.

SCHEDULE NEXT MEETING

With there being no further business and the next special meeting scheduled for March 23, 2007 and the regular quarterly meeting scheduled for May 24, 2007, the meeting was adjourned at 4:15 P.M.

Respectfully submitted,

James Feeney, Secretary