**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**
**MINUTES OF MEETING HELD**
**MARCH 23, 2007**

Chairperson Nick Scopelitis called the meeting to order at 10:05 A.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 |
| Marc Dobin | Nestor Caballero, Caballero & Castellanos |
| | Michael Simmons, Jackie Wehmeyer, Cheryl Grieve, Town of Jupiter |

**PUBLIC COMMENTS**

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

**AUDITORS REPORT:NESTOR CABALLERO**

Nestor Caballero appeared before the Board on behalf of Caballero & Castellanos to present the audit report for the fiscal year ending September 30, 2006. 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, 2006 was the amount of $21,692,162, which was an increase in the amount of $3,141,818 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. Jim Feeney made a motion to approve the 2006 audit as presented. Marc Dobin seconded the motion, approved by the Trustees 5-0. The Board was provided a management representation letter for execution.

**REVISED INVESTMENT POLICY STATEMENT**

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to present a proposed revised Investment Policy Statement as a follow up to the last meeting. He discussed the revisions within the Statement specifically the revision of the fixed income benchmark to the Lehman Aggregate Bond Index and addition of the procedure for rebalancing that had previously only existed as an addendum. After a lengthy discussion, Marc Dobin made a motion to adopt the revised Investment Policy Statement based upon the recommendation of the Investment Consultant and authorize the Chairperson to authorize the Statement and direct the Administrator to complete the appropriate filing of the Statement. Frank Barrella seconded the motion, approved by the Trustees 5-0.

**ACTUARY'S REPORT: CHAD LITTLE**

Chad Little appeared before the Board on behalf of Freiman Little Actuaries to discuss Plan's asset smoothing technique and actuarial cost method and assumptions. As a follow up to the last meeting, he provided the Board with a detailed analysis on the impact of funding using the current and proposed asset smoothing techniques and cost methods. Mr. Little discussed the previously expressed concerns over the funded ratio of the Plan and suggested that the Board first consider whether the primary objective was to increase the funded ratio or provide more predictable funding requirements with increasing the funded ratio at a slower rate. He explained that the proposed Entry Age Normal Actuarial Cost Method amortizes unfunded liability over thirty years, which is a longer period of time than the current cost method. It would reduce and stabilize yearly funding requirements, however, reduces the unfunded liability at a slower rate than the current cost method. The current Frozen Entry Age Actuarial Cost Method amortizes the unfunded liability of the Plan over the remaining service life of the active members, which is a shorter period of time thus increasing the funded ratio of the Plan at an accelerated rate.

Mr. Little was questioned regarding the Plan's funded ratio in comparison to the average of other pension plans and he responded that the funded ratio based upon the current cost method was 64.6% versus an average in the low 70% range.

Mr. Little was questioned regarding the mortality table used in determining funding requirements and he responded that the current mortality table was the 1983 GAM table and many other pension plans had already revised the table to the current 1994 GAM table. He recommended deferring changing the table until an experience study is conducted, which will provide a detailed analysis of the actual experience of the Plan versus all the assumptions of the Plan. Mr. Little then recommended deferring the experience study until after several years have elapsed with the recent benefit improvements.

A lengthy discussion ensued regarding the reduction of the unfunded liability of the Plan and the effects on the liability of the current and proposed actuarial cost methods. A Trustee expressed that the conservative approach would be to retain the current cost method to reduce the unfunded liability of the Plan at an increased rate. It was noted that the Auditor had recommended increasing the funded ratio of the Plan. The Trustees decided that the primary concern was the reduction of the unfunded liability of the Plan and the best execution of their fiduciary responsibility.

Mr. Little discussed the actuarial assumption for the rate of investment return, which was currently 8.5%. He advised that the assumption while at the highest end of the acceptable range was reasonable. He noted that lowering the rate would increase both the unfunded liability and yearly funding requirements. A lengthy discussion arose regarding whether the current assumption rate was appropriate and attainable. Burgess Chambers advised that the probability of attaining a investment return average of 8.5% was less likely than in the past. He discussed current market and economic conditions and concluded that an investment rate of return in the range of 8.0 to 8.25% in the near future is attainable. It was duly noted that the financing of pension plans is long-term by nature and the average long–term investment return had historically exceeded 8.5%.

Mr. Little discussed the long-term funding of the Plan and emphasized that the actual costs of the Plan are only affected by actual investment return and the costs of benefits provided while the assumptions and cost method only affect the timing of the contributions to the Plan.

Mr. Little reviewed the current asset smoothing technique, which smoothed investment returns over a five-year period. He discussed and recommended an alternate smoothing technique that smoothed only the incremental differences between actual investment returns results and the assumption instead of the total investment returns. Mr. Little was questioned which technique reduced the affects of market volatility and he responded that the proposed technique best reduced market volatility. Mr. Chambers was questioned regarding his preference regarding asset smoothing techniques and he favored the proposed technique.

Mr. Little lastly discussed and recommended the addition of an assumption for an expected increase in overtime during the salary averaging period for the determination of benefits noting that in generally plan members intentionally attempt to increase their final average salary during the final years of their careers to increase their pension benefits.

Mr. Little concluded his report with recommendations of retaining the current actuarial cost method, proposed asset smoothing technique, and adding an assumption for an expected increase in overtime during the salary averaging period. A very lengthy and careful discussion ensued. Jim Feeney made a motion to table further consideration of changing the Plan's actuarial assumptions or cost methodology and direct the Actuary to proceed with the preparation of the 2006 Actuarial Valuation based upon the current actuarial assumptions and cost method. Jack Forrest seconded the motion. Jackie Wehmeyer appeared before the Board and advised that the fact finding committee appointed by the Town to research the Plan had requested information on the reduction in the funding requirements achievable with the Entry Age Normal Actuarial Cost Method as the potential savings might affect current negotiations with the Union for a cost-of-living-adjustment. The Board noted the absence from either the Union or the Town of any official notification to request consideration of this matter and also that the Actuarial Valuation was amendable in the near future should such an official request for consideration be presented to the Trustees at a future meeting. After further discussion, the motion was approved by the Trustees 5-0.

## BUY-BACK POLICY

The Board reviewed the draft policy for the purchase of service credit in the Plan containing the revisions previously determined at the last meeting. Jim Feeney made a motion to adopt the Buy-Back Policy. Marc Dobin seconded the motion, approved by the Trustees 5-0.

**DISABILITY PENSION REVIEW**

In conjunction with the periodic review of disability pensions, the Board reviewed the recently performed independent medical examination of Katherine Berish. Trustee Jack Forrest advised that there were additional questions that should be answered personally from Ms. Berish regarding her medical condition. After further discussion, Jack Forrest made a motion to table further consideration of the matter and direct the Administrator to request Mr. Berish to appear before the Board at the next meeting. Frank Barrella seconded the motion, approved by the Trustees 5-0.

**SCHEDULE NEXT MEETING**

With there being no further business and the next special meeting scheduled for May 24, 2007, the meeting was adjourned at 1:10 P.M.

Respectfully submitted,

James Feeney, Secretary