

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
MAY 24, 2007

Chairperson Nick Scopelitis called the meeting to order at 11:00 A.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

TRUSTEES

Jack Forrest
Nick Scopelitis
Marc Dobin
Frank Barrella

OTHERS

Sidney Taylor, Burgess Chambers & Associates
Nick Schiess, Pension Resource Center
Ken Harrison, Sugarman & Susskind P.A.
Chad Little, Freiman Little Actuaries, LLC
Kevin Ryan, Adelante Capital Management

PUBLIC COMMENTS

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

TRUSTEE ELECTIONS & APPOINTMENT OF CHAIRPERSON

Nick Scopelitis reported that an election had been held for his position of Member Trustee noting that only he had received nomination for the position. Marc Dobin made a motion to cast a unanimous vote for Nick Scopelitis. Frank Barrella seconded the motion, approved by the Trustees 4-0. Marc Dobin made a motion to re-appoint Nick Scopelitis as chairperson. Jack Forrest seconded the motion, approved by the Trustees 4-0.

APPROVAL OF MINUTES

The Board reviewed the minutes of the meetings held February 26, 2007 and March 23, 2007. Marc Dobin made a motion to approve the minutes of the meetings held February 26, 2007 and March 23, 2007. Jack Forrest seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT: ADELANTE CAPITAL MANAGEMENT

Kevin Ryan appeared before the Board on behalf of Adelante Capital Management to provide a performance report on the REIT fund for the quarter ending March 31, 2007. The investment return for the quarter was 3.51% while the calendar year-to-date return was -1.28% versus -1.51% for the index. He reported that the market value of the fund was \$40.3M. Mr. Ryan reported that the only recent change within the organization was the employment of additional analysts. He reviewed the sector and geographical allocations in great detail noting that the fund was well diversified. Mr. Ryan then discussed the firm's investment strategy, which was a value approach focused upon the underlying assets of the holdings. He provided the Board with indices of REIT performance noting that the asset class had significantly outperformed other asset classes over the trailing three-year period, which was attributable to both demand and

appreciation of the holdings' underlying assets. Mr. Ryan discussed market conditions and economic factors and reported that market fundamentals were still satisfactory and anticipated future performance to moderate to returns between equities and fixed income. He also anticipated short-term volatility as evidenced by the very recent depreciation, which was attributable to negative market sentiment.

Mr. Ryan was questioned given the recent market volatility whether he expected a negative year for performance. He responded that since the market fundamentals were still satisfactory then performance for the fiscal year was anticipated to be between 10-12%. Mr. Ryan was questioned regarding the absence of timber farming within the fund and he responded that generally commodities were not as an attractive sector as those sectors that already existed within the fund.

INVESTMENT MONITOR REPORT: SIDNEY TAYLOR

Sidney Taylor 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 March 31, 2007. The investment return for the quarter was 2.7% versus the benchmark of 1.0%, which ranked the performance in the top 1st percentile of returns. The market value of the total portfolio was \$23,524,364. Mr. Taylor reported that the top performing asset classes were mid-cap with a 6.4% return, international equities with a 3.9% return, and REITs with a 3.6% return. Mr. Taylor then reviewed in detail the performance of the individual investment managers for the quarter ending March 31, 2007.

Mr. Taylor reviewed the asset allocation noting that the total equity allocation of 61.9% at market value exceeded the 60% maximum limitation and therefore rebalancing was required. Mr. Taylor advised that while historically rebalancing involved a prorated distribution to other asset classes, he noted that the allocation to REITs might be at the recommended maximum given the very recent volatility and market conditions and therefore further analysis of the rebalancing was required. Frank Barrella made a motion to authorize the rebalancing of assets according to the recommendations of the Investment Consultant. Jack Forrest seconded the motion, approved by the Trustees 4-0. Mr. Taylor reviewed the compliance checklist noting that all other items were in compliance. Mr. Taylor 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.

Mr. Taylor was requested to provide information on timberland management funds. He advised that generally the Investment Consultant did not recommend timberland funds because of high management fees and poor liquidity, however, he did agree to provide a report to the Board at the next meeting. Mr. Taylor was questioned regarding private equity firms and he responded that generally access is limited due to a high minimum amounts for participation.

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 pursuant to the direction of the Board at the last meeting, the Valuation had been prepared with all the previously used actuarial assumptions and cost method. He reported that the Town's funding requirements for the 2008 fiscal year was the amount of \$2,426,162 or 37.34% of payroll, which was an increase from \$1,962,276 or 33.82% of payroll for the prior year. The funding percentage decreased from 66.3% to 64.6% primarily attributable to the investment losses in 2001. Mr. Little reviewed the current asset smoothing technique, which smoothed investment returns over a five-year period.

Mr. Little discussed the actuarial assumptions of the Plan noting that an assumption had been added for the expected increase in overtime during salary averaging periods. He recommended that an experience study be performed to compare all the actuarial assumptions versus actual plan experience in order to develop the most accurate assumptions possible. A lengthy discussion ensued and the Board decided that an experience study should be preformed after the preparation of the 2007 Valuation. Marc Dobin made a motion to adopt the 2006 Actuarial Valuation. Frank Barrella seconded the motion, approved by the Trustees 4-0.

Ken Harrison advised the Board that the State required that the Board determine the anticipated investment return for both the immediate future and long-term thereafter. A lengthy discussion ensued regarding the appropriate and obtainable investment return. Marc Dobin made a motion to determine that the total expected annual rate of investment return for the Fund for the next year, the next several years, and the long term thereafter shall be 8.5%, net of investment related expenses. Frank Barrella seconded the motion, approved by the Trustees 4-0.

Mr. Little provided the Board with a cost study for the addition of a proposed cost-of-living adjustment benefit based upon the parameters provided by the Union and Pension Committee. The study included the utilization of chapter funding and was based upon the previously proposed alternative actuarial cost method. Mr. Little emphasized for the record that the actual funding status of the Plan was unaffected by the selection of the alternative actuarial cost method. Marc Dobin made a motion to accept the cost study. Frank Barrella seconded the motion, approved by the Trustees 4-0. Mr. Little discussed the Actuary's current fee arrangement and suggested that the needs of the Board might be better served under an alternative arrangement. After a brief discussion, Mr. Little agreed to prepare a proposal for the Board's consideration at the next meeting.

ATTORNEY REPORT

Ken Harrison reported that his office had reviewed and approved the revised Summary Plan Description. Marc Dobin made a motion to approve the Summary Plan Description and associated duplication costs. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mr. Harrison provided the Administrator with securities monitoring reports from the firms Pomerantz and Lerach Coughlin for distribution to the Custodian.

Mr. Harrison reporting receiving an Application for Disability Benefits from Chaicharn Cuyno and his office was gathering medical records for the Board.

As a legislative update, Mr. Harrison reported that pending State legislation that would have increased the permitted percentage in international investments from 10% to 20% and extended the maximum of office for Trustees up to a four years did not pass.

Mr. Harrison reminded the Trustees to file their financial disclosure forms by the deadline of July 1, 2007.

ADMINISTRATIVE REPORT

The Trustees reviewed the disbursements presented for approval by the Administrator. Frank Barrella made a motion to approve all the disbursements as presented. Jack Forrest seconded the motion, approved by the Trustees 4-0.

The Trustees reviewed a list of benefit approvals presented for approval by the Administrator. Marc Dobin made a motion to approve the benefit approvals as presented. Frank Barrella seconded the motion, approved by the Trustees 4-0.

As a follow up to the last meeting, Nick Schiess provided the Board with quotes for varying coverage limits for an umbrella insurance policy. The Board decided that obtaining additional liability insurance was a prudent business decision to protect the assets of the Plan and Frank Barrella made a motion to obtain a \$1M umbrella insurance policy for the annual cost of \$475. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Also a follow up to the last meeting wherein a discussion arose regarding the possible necessity of restating the Ordinance, Mr. Schiess reported that restatement was unnecessary as the Town engaged the firm Municode to codify all of the Towns' Ordinances.

OTHER BUSINESS

Nick Schiess reported that the implementation of the tax credit for retirees for the continuation of insurance from the Town had been pending approval from the Town and the third party billing agent for the Town since the credit involved changing the arrangement to receive payment directly from the Plan instead of the retirees. He announced that the revised arrangement was recently determined to be acceptable by the Town and billing agent and therefore the Administrator was ready to proceed once the details of the revised billing arrangement were received from the Town.

Mr. Schiess requested that the Trustees defer discussion on obtaining a credit card for the Board until the next meeting as the Administrator was reorganizing it's involvement with arrangements for Trustee travel to educational events and the Board agreed.

SCHEDULE NEXT MEETING

With there being no further business and the next regular meeting scheduled for August 26, 2007, the meeting was adjourned at 1:00 P.M.

Respectfully submitted,

James Feeney, Secretary