

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**  
**MINUTES OF MEETING HELD**  
**AUGUST 27, 2007**

Chairperson Nick Scopelitis called the meeting to order at 1:00 P.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

**TRUSTEES**

Jack Forrest  
Nick Scopelitis  
Jim Feeney  
Frank Barrella

**OTHERS**

Burgess Chambers, Burgess Chambers & Associates  
Nick Schiess, Pension Resource Center  
Bob Sugarman, Sugarman & Susskind P.A.  
Chad Little, Freiman Little Actuaries, LLC  
Bob Maurer & Peter Albanese, Robeco Asset Management  
Cheryl Grieve & Michael Simmons, Town of Jupiter

**PUBLIC COMMENTS**

Nick Scopelitis invited those present to address the Board with public comments. An active member appeared before the Board questioning whether the provision of the Plan afforded the same survivorship benefits for domestic partners as for spouses. Bob Sugarman explained that the optional forms of retirement benefits afforded the continuance of survivorship benefits to any joint annuitant regardless of the relationship. He then discussed the pre-retirement death benefit provisions noting that the Plan did not afford the same death benefits for domestic partners as to spouses and under Florida Law the definition of spouse did not include domestic partners. Mr. Sugarman advised that the only corrective measure would be the amendment of the Ordinance provided that the Collective Bargaining Agreement was also amended to afford to domestic partners the same death benefits as spouses. A question arose regarding the Town's policy towards domestic partnerships and the active member departed the meeting to obtain a copy of the Town's domestic partner policy. Chad Little was questioned whether affording the same death benefits to domestic partners would impact the funding of the Plan and he advised that he anticipated that the impact was immaterial because the assumption was made that all members are married.

**APPROVAL OF MINUTES**

The Board reviewed the minutes of the two meetings held on May 24, 2007. Frank Barrella made a motion to approve the minutes of the meetings held on May 24, 2007. Jack Forrest seconded the motion, approved by the Trustees 4-0.

**INVESTMENT MANAGER REPORT: ROBECO ASSET MANAGEMENT**

Bob Maurer and portfolio manager Peter Albanese appeared before the Board on behalf of Robeco Asset Management to provide a performance report on the mid cap core portfolio for the quarter ending June 30, 2007. The investment return for the quarter was 4.34% versus 5.85% for the index. Mr. Albanese attributed the underperformance to stock selection not sector weightings or style.

Mr. Maurer discussed the qualifications, experience, and structure of the firm noting that the firm managed over \$29.2B with over \$260M in the mid cap core strategy. Mr. Albanese discussed the investment process in great detail noting that the portfolio was sector neutral and the process had led to outperformance of the index for the last five of six years. He then reviewed the list of holdings within the portfolio. Mr. Albanese was questioned regarding the reason that Eastman Kodak's equities were a holding given the firm's recent restructuring. He responded that the restructuring was not relevant and the firm satisfied the criteria within the investment process. Mr. Albanese was questioned regarding the manager's sell discipline and he advised that holdings were liquidated when they met the sell rating within the investment process, fundamental insight was identified, or had unacceptable risk management measurements. He concluded his report with a review of economic and market factors and attributed recent market volatility to the concerns within the hedge fund market and hasty liquidation of assets by hedge fund managers.

### **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 June 30, 2007. The investment return for the quarter was 3.4% versus the benchmark of 3.5%, which ranked the performance in the 67th percentile of returns. The market value of the total portfolio was \$25,107,143. Mr. Chambers reported that the top performing asset classes were international equities with a 8.3% return, large cap value with a 7.8% return, and large cap growth with a 6.7% return. The worst performing asset class was REITs with a -7.6% return, however, Adelante Capital Management did obtain significant relative outperformance of the index performance of -9.4%. Mr. Chambers reviewed market conditions and anticipated continued poor performance of REITs and recommended that the allocation remain at the current level. He explained that the allocation had been strategically reduced previously and the Plan had withdrawn significant profits from the asset's exceptional performance in previous years.

Mr. Chambers discussed market conditions and attributed recent market volatility to issues within the sub prime mortgage market and the resultant hasty liquidation of assets by hedge fund managers. He explained that while the portfolio did not contain this asset class the whole market was affected and resulted in depreciation in the market value of the portfolio since the end of the last quarter. He anticipated that despite this recent volatility that the Plan would meet or exceed the target return of 8.5% by the end of the fiscal year.

Mr. Chambers then reviewed in detail the performance of the individual investment managers for the quarter ending June 30, 2007. He discussed the defensive strategy of the bond manager that had resulted in the slight underperformance during recent years but should prospectively contribute to outperformance given the current market conditions and if outperformance is not achieved the consideration should be given to terminate the manager.

Nick Schiess reported the receipt of the Chapter 185 distribution in the amount of \$562,358.29 and a discussion arose regarding the allocation of the funds. Mr. Chambers recommended that the allocation be prorated among all the investment accounts with the exception of REITs. Mr. Schiess reminded the Board that the previously adopted policy was established for the Custodian to automatically reallocate all cash above the target amount of \$150K to all the investment accounts including REITs. He advised that the target level of cash needed to be increased to the amount of \$200K, which was necessitated by an increase in the total benefit payments to a larger number of retirees. Frank Barella made a motion to amend the cash management policy to provide for the automatic reallocation of all cash in excess of the new target amount of \$200K prorated among all the investment accounts except REITs. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mr. Chambers reported that the Custodian currently shadowed two investment accounts in order to provide summarized reported at a cost of four basis points. He advised that the value of the reporting was not cost effective at the approximate \$3,600 annual cost and recommended the termination of these services. Jim Feeney made a motion to discontinue the shadowing services by the Custodian. Frank Barrella seconded the motion, approved by the Trustees 4-0.

Mr. Chambers requested the Board's favorable consideration of an increase in fees from \$15,000 to \$20,000 annually. A discussion ensued and the Board requested that the matter be placed upon the agenda for the next quarterly meeting.

#### **ACTUARY'S REPORT: CHAD LITTLE**

Chad Little appeared before the Board on behalf of Freiman Little Actuaries. He reported that as requested by the State, the 2006 Actuarial Valuation and reporting within the Annual Report had been amended to adjust for the timing of the adoption of the Ordinance implementing the minimum benefits and the completion of the actuarial impact statement by the Plan's former Actuary. He noted that a valuation period had elapsed between the date of the original actuarial impact statement and the adoption of the benefit, which necessitated the revision of the calculation of the actuarial basis for the Chapter distributions.

Mr. Little reported the creation of the Exhibit B for inclusion with the Summary Plan Description. He requested the Board's favorable consideration of a quarterly retainer in the amount of \$1,500.00. Mr. Little explained that the proposed retainer included his attendance at quarterly meetings and also services that are now being billed individually and will therefore be cost effective. A discussion ensued and it was noted that a significant amount of issues remained unresolved and therefore the proposed retainer would likely be cost effective. Frank Barrella made a motion to accept the proposed retainer fee for a one-year evaluation period commencing on October 1, 2007. Jack Forrest seconded the motion approved by the Trustees 4-0.

## **ATTORNEY REPORT**

The discussion regarding the pre-retirement death benefit provisions resumed and Mr. Sugarman reviewed the Town's domestic partnership policy dated April 1, 2007. He noted that the Town allowed insurance coverage for domestic partners provided that the employee had obtained approval from the Town and satisfied the criteria as set forth in the policy. Mr. Sugarman asked if he should draft a proposed Ordinance Amendment that afforded domestic partners the same death benefits as spouses provided that domestic partner was approved by the Town under its domestic partner policy. James Feeney made a motion to authorize the preparation of an Ordinance Amendment affording domestic partners the same death benefits as spouses provided that domestic partner was approved by the Town under its domestic partner policy. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mr. Sugarman reviewed the process of the collection of premium tax revenues and distribution of Chapter 185 funds and discussed the importance of the Town updating the applicable database by the deadline of September 3, 2007.

Nick Scopelitis discussed the report issued by Ted Seidel regarding the management of the Plan and potential of damages resulting from conflicts of interests by the former Investment Consultant. Mr. Sugarman advised that the report contained only information but not a recommendation for litigation. He agreed to review the report in further detail and report back to the Board.

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

Mr. Sugarman discussed the current reporting requirements to the Internal Revenue Service for those retirees who elect to take advantage of the \$3,000 annual tax credit for the continuation of the Town's insurance upon retirement. He advised that the retiree was to report taxable income as the gross pension benefits less the amount of tax credit.

Mr. Sugarman reported that the Davis Robinson has resigned from Sugarman & Susskind P.A. to move to France to be near his infant daughter but has since been replaced by a lawyer who is a veteran of the US Department of Labor who engaged in pension law enforcement.

## **ADMINISTRATIVE REPORT**

The Trustees reviewed the disbursements presented for approval by the Administrator. Nick Schiess noted that the disbursements contained a quote for the renewal of fiduciary liability insurance through National Union Fire Insurance Company in the amount of \$8,977.11, an increase in the amount of \$57.22 from the prior year's premium. 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. James Feeney made a motion to approve the benefit approvals as presented. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mr. Schiess presented a revised administrative policy for the role of the administrator in the involvement in conference attendance by Trustees advising that the administrator can no longer assist in securing hotel accommodations.

### **OTHER BUSINESS**

Nick Schiess provided the Board for execution an audit engagement letter for auditing services by Caballero & Castellanos for the 2007 fiscal year noting that the fees were not to exceed \$6,500 and the agreement had submitted to the Attorney for review. Mr. Sugarman advised that the letter was acceptable with the exception that the fee payment provision should be amended to be payable within ninety days after submission of the invoice to the Board to remain consistent with the Board's established procedure for review and approval of invoices only at quarterly meetings. James Feeney made a motion to execute the audit engagement letter as amended. Jack Forrest seconded the motion, approved by the Trustees 4-0.

The Board reviewed a proposed Ordinance Amendment requested by the Town that established a provision to permit the Chief to opt-out of the Plan. It was noted that the Town had previously adopted a similar Ordinance without the Board's knowledge on July 5, 2006, however, the previous Ordinance was flawed as it specified that the Chief could not only opt-out but also participate in the Florida Retirement System. Mr. Sugarman advised while state law allowed the Plan to permit the Chief to opt-out, the eligibility to participate in the Florida Retirement System was beyond the authority of the Plan or Town. He further explained that it was unlikely that the System would permit the Chief's participation as usually participation was required of the entire department. Nick Schiess advised that the Town had requested the Board's direction regarding the period after employment that the Chief is allowed to decide whether to opt-out and the Board agreed that ninety-days was an appropriate period for the decision. A question arose whether a mechanism existed that would permit the chief retroactive participation in the Plan and Mr. Sugarman advised that a mechanism did exist.

### **SCHEDULE NEXT MEETING**

With there being no further business and the next regular meeting scheduled for October 29, 2007, the meeting was adjourned at 4:10 P.M.

Respectfully submitted,

James Feeney, Secretary

