

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
MAY 19, 2008**

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
James Feeney

OTHERS

Kevin Ryan, Adelante Capital Management
Nick Schiess, Pension Resource Center
Ken Harrison, Sugarman & Susskind P.A.
Chad Little, Freiman Little Actuaries, LLC
Burgess Chambers, Burgess Chambers & Associates
Cheryl Grieve & Michael Simmons, Town of Jupiter
Jackie Wehmeyer & Ann Lyons, Town of Jupiter

PUBLIC COMMENTS

Chairman Nick Scopelitis invited those present to address the Board with public comments. There were no public comments.

TRUSTEE ELECTIONS & APPOINTMENT OF 5th TRUSTEE

The Board noted that an election was being conducted for the office of Trustee for the seat currently held by James Feeney. The appointment of the 5th Trustee was tabled until the next meeting.

APPROVAL OF MINUTES

The Board reviewed the minutes of the meetings held on February 25, 2008 and April 28, 2008. James Feeney made a motion to approve the minutes of the meetings held on February 25, 2008 and April 28, 2008. Jack Forrest seconded the motion, approved by the Trustees 3-0.

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, 2008. He explained that the fund was liquid in comparison to commingled funds also comprised of real estate holdings. Mr. Ryan reviewed performance of the fund since inception noting the long-term superior performance of the asset class. He reviewed economic and market conditions and anticipated a prospective 8-10% return with a low correlation to equities in general.

ADMINISTRATIVE REPORT

The Trustees reviewed the disbursements presented for approval by the Administrator. James Feeney made a motion to approve the disbursements as presented. Jack Forrest seconded the motion, approved by the Trustees 3-0.

There were no benefit approvals presented by the Administrator for consideration.

Nick Schiess requested the Board's favorable consideration of an increase in administrative fees from \$1,325 to \$1,750 monthly. A discussion ensued and the Board considered the percentage of the increase excessive and declined approval of the increase.

Mr. Schiess discussed the auditor's report from last meeting wherein the auditor recommended the engagement of an entity to perform bookkeeping and the preparation of unaudited financial statements on a quarterly basis for review by the Board. He advised that his office was capable of performing this service for the amount of \$400 monthly for the standard format, which was acceptable to the current auditor. Mr. Schiess did advise that in the event that another auditor was selected, the matter would have to be reviewed as auditors have different interpretation of auditing standards and the standard format might not be acceptable to the replacement auditor. James Feeney made a motion to authorize the Administrator to perform bookkeeping and prepare unaudited financial statements on a quarterly basis for the amount of \$400 monthly. Jack Forrest seconded the motion, approved by the Trustees 3-0.

INVESTMENT MONITOR REPORT

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 March 31, 2008. The investment return for the quarter was -4.6% versus the blended benchmark of -4.9%.

The best performing investment product for the quarter was the Westwood Capital Management fund with a 0.8% return versus the benchmark of -10.0% and the CS McKee international equity mutual fund with a 1.5% return versus the index of -2.3%. Mr. Chambers reviewed the performance of the remaining individual investment managers in detail. The ROBECO Investment Management portfolio performance was -11.1% versus the index of -7.0%, however the performance was similar to the Russell 3000 index. Mr. Chambers was questioned whether he recommended replacing the manager or revising the benchmark. Mr. Chambers recommended the retention of the manager and the benchmark along with close monitoring of manager's performance.

Mr. Chambers reviewed the historical performance of the Sawgrass Asset Management portfolio and attributed the long-term underperformance to the portfolio containing higher quality securities than the index and a recent underweighting in U.S. Government Treasuries during a period in which that allocation achieved significant outperformance. Mr. Chambers was questioned whether a bond manager with better performance could be engaged and he responded that many managers with better performance were available, however, the primary advantage of Sawgrass Asset Management was their investment

strategy was very conservative. He was questioned regarding an estimate of the amount of additional return that could be expected with a replacement manager and Mr. Chambers responded that only a .25% additional return was anticipated. A lengthy discussion ensued and Mr. Chambers recommended that alternative managers be researched. Jim Feeney authorized a search for a prospective replacement fixed income manager. Jack Forrest seconded the motion, approved by the Trustees 3-0. A discussion arose regarding whether to conduct a search for a replacement manager for ROBECO Investment Management. Mr. Chambers recommended against replacement of the manager or conducting a search and the Board agreed.

The market value of the total portfolio was \$26,167,174. The fiscal year-to-date performance as of March 31, 2008 was -5.6%, however, with a very recent market rebound the estimated return for the fiscal year-to-date was -1.4%. Mr. Chambers reviewed the asset allocation noting that the allocation is appropriate given current market conditions. He discussed market and economic conditions and attributed the recent market downturn to weakening of the credit markets. Mr. Chambers reviewed the compliance checklist noting that all items were in compliance, however, the long-term performance objectives have not been met, which was attributable to the underperformance of former investment manager Private Capital Management. Mr. Chambers was questioned whether revisions were recommended in the Investment Policy Statement and he responded that no changes were recommended at this date.

Mr. Chambers concluded his report with a discussion of a recent due diligence site visit to the previously considered investment manager Intercontinental Real Estate Management.

ATTORNEY REPORT

Ken Harrison reminded the Trustees to file their annual Statements of Financial Interests.

As a follow up to the last meeting wherein the Board considered the preparation of an Internal Revenue Service Tax Determination Letter and the Trustees had counter offered the amount of \$7,000 for the preparation of the Letter, Mr. Harrison advised that the lowest amount acceptable by his office for the preparation of the Letter was the amount of \$8,500. He advised that Bob Sugarman was attending a conference to obtain additional information the Board tabled the matter until the next meeting.

Mr. Harrison provided the Board with updates from various securities monitoring firms.

OTHER BUSINESS

The Board reviewed an Audit Engagement Letter from the incumbent Auditor Alberni, Caballero, & Castellanos LLP specifying the terms and conditions of the audit for the 2008 fiscal year along with the fees for the next three years. A lengthy discussion ensued regarding requesting proposals from other auditors. It was noted that service from the firm had been satisfactory, however, it had been three years since the firm was engaged. James Feeney made a motion to issue a request for proposals for auditor. Jack Forrest seconded the motion, approved by the Trustees 3-0.

Mr. Caballero strongly recommended the engagement of an entity to perform bookkeeping and the preparation of unaudited financial statements on a quarterly basis for review by the Board. He advised that the Administrator was capable of performing this service. Nick Schiess advised that the Administrator had provided this service for other clients upon request and agreed to provide a proposal at the next meeting.

Mr. Schiess presented the Audit Representation Letter for execution noting that it had been reviewed and approved by the attorney.

ACTUARY REPORT

Chad Little appeared before the Board to present resolutions to the various issues with the 2006 Actuarial Valuation identified by the State actuary that had been discussed at the last Board meeting. In response to the State Actuary's request for a revised salary increase assumption, Mr. Little presented and discussed the results of the recently completed experience study of salary increases for the fiscal years 2001 through 2007. He explained that the study considered overtime from the recent benefit improvement and grouped salary increases in five year increments based upon years of service noting that trends had been identified with respect to salary increases and years of service. He presented and recommended a proposed replacement assumption with a graduated salary scale. Mr. Little explained that the blended results was an average payroll growth 10.6% versus the assumption of only 7.0%, which is still far lower than the salary increases during the last three and five-year periods of 12.2% and 12.7% respectively.

Mr. Little explained that a current assumption exists for a 10% increase in overtime for active participants within their salary averaging period. He recommended the reduction of this assumption to just 5% given the results of the recent experience study and less overtime expected overall as a result of budget constraints.

Mr. Little presented and discussed in great detail the effects of revising the funding method of the plan to the entry age normal funding method. He was questioned regarding his recommendation on a cost method and responded that he was supportive of the proposed method provided that the adoption of the method was in conjunction with the adoption of a more conservative investment return assumption and salary scale assumption. He advised that the proposed method was preferred regardless because of its transparency and other advantages.

Mr. Little also recommended the addition of an assumption for 5% of salary for accrued leave payouts as no explicit assumption currently exists and these payouts are pensionable compensation upon termination that increase final average salary.

A lengthy discussion by the Board ensued regarding the proposed revisions of actuarial assumptions changes. Mr. Little was requested to summarize his recommendations for revision of actuarial assumptions. He recommended the replacement of the 7.0% assumption for salary increases with the presented graduated salary scale assumption, the reduction of the expected overtime to 5% for salary averaging periods, and the addition of an assumption for 5% accrued leave payouts. After further discussion, James Feeney

made a motion to revise the actuarial assumptions as recommended by the actuary. Jack Forrest seconded the motion, approved by the Trustees 3-0. A lengthy discussion ensued regarding the proposed actuarial cost method. James Feeney made a motion to adopt the entry age normal funding method. Jack Forrest seconded the motion approved by the Trustees 3-0. Another lengthy discussion then ensued regarding the investment return assumption, which also was requested for review by the State Actuary. James Feeney made a motion to revise the investment return assumption to 7.75% for the 2006 fiscal year and then 7.50% for the 2007 fiscal year. Jack Forrest seconded the motion, approved by the Trustees 3-0.

Mr. Little discussed options for the preparation of statements for DROP participants. James Feeney made a motion to amend the DROP Administrative Rules to provide for one schedule of prospective DROP deposits and earnings to be provided to DROP participants upon entry into the DROP. Jack Forrest seconded the motion, approved by the Trustees 3-0.

Mr. Little presented an invoice in the amount of \$12,250 for actuarial services for approval. James Feeney made a motion to approve the amount of \$4,500 of the invoice equal to the quarterly retainer fee with the remainder of the fees presented in advance of the next meeting to provide adequate time for the Trustees' review. Jack Forrest seconded the motion, approved by the Trustees 3-0.

SCHEDULE NEXT MEETING

With there being no further business and the next meeting scheduled for August 25, 2008, the meeting was adjourned at 2:30 P.M.

Respectfully submitted,

Secretary