

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
AUGUST 25, 2008

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
Frank Barrella
Mike Lilienfeld
Marc Dobin

OTHERS

Sidney Taylor, Burgess Chambers & Associates
Nick Schiess, Pension Resource Center
Bob Sugarman, Sugarman & Susskind P.A.
Chad Little, Freiman Little Actuaries, LLC
Lloyd Stamy & Brian Allen, CS McKee Investment Managers
John Milne, JK Milne Asset Management
Peter Albanese & Christine Ansbro, ROBECO Asset Management
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 conducted for the office of Trustee for the seat held by James Feeney and Mike Lilienfeld had won the election. Marc Dobin made a motion to reappoint Jack Forrest as 5th Trustee. Frank Barrella seconded the motion, approved by the Trustees 4-0. Marc Dobin made a motion to appoint Frank Barrella as Secretary. Jack Forrest seconded the motion, approved by the Trustees 5-0.

APPROVAL OF MINUTES

The Board reviewed the minutes of the meetings held on May 19, 2008 and July 28, 2008. Frank Barrella made a motion to approve the minutes of the meetings held on May 19, 2008 and July 28, 2008. Jack Forrest seconded the motion, approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT: ROBECO ASSET MANAGEMENT

Peter Albanese and Christine Ansbro appeared before the Board on behalf of ROBECO Asset Management to provide a performance report on the mid-cap portfolio for the quarter ending June 30, 2008. Ms. Ansbro introduced herself as the new relationship manager replacing Bill Supple. She discussed organizational changes within the firm including the firm's exit from the management of fixed income securities due to a reason that this segment of business lacked sufficient economies of scale. Ms. Ansbro reported that performance for the recent quarter was 5.1% versus the benchmark of 5.4% and for

the calendar year-to-date was -5.2% versus -3.9% for the benchmark. Mr. Albanese discussed in detail the investment process noting that investment managers with quantitative strategies have generally underperformed because the market volatility had been momentum driven, which generally did not favor quantitative based investment strategies. Mr. Albanese discussed the changes within the management of the portfolio in response to the market volatility including the additional analytical tools employed and increasing the number of holdings for greater diversification of the portfolio. He was questioned whether the new investment strategy in effect was chasing returns and he responded that many of the changes were only minimal and had actually been implemented in November 2007 even before the periods of greatest market volatility.

INVESTMENT MONITOR REPORT

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 June 30, 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 commingled fund with a 0.8% return versus the benchmark of -10.0%. Mr. Taylor discussed in detail the performance of this fund noting that the significant outperformance of the index was attributable to both favorable sector allocations and successful stock selection. He then reviewed the performance of the remaining individual investment managers. He was questioned regarding the performance of the ROBECO Investment Management portfolio and he confirmed that the irrationality within the markets presented challenges for all quantitative investment strategies and therefore performance was difficult to evaluate.

The market value of the total portfolio was \$26,737,791 as of June 30, 2008. The fiscal year-to-date performance -4.4% versus the index of -7.7%. Mr. Taylor reviewed the asset allocation noting that the individual allocations were appropriate given current market conditions. He discussed market and economic conditions and attributed the recent market downturn to weakening of the credit markets. Mr. Taylor 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. Taylor was questioned whether any changes other than the replacement of the fixed income manager were recommended and he responded that no other changes were recommended at this date. Mr. Taylor was questioned regarding the merits of the comingled real estate funds that had been previously presented and considered by the Board and he responded that it would be prudent to postpone these products given the recent market volatility especially in property valuations.

INVESTMENT MANAGER PRESENTATIONS

Sidney Taylor discussed the proposed replacements for Sawgrass Asset Management in for the management of the Plan's fixed income portfolio.

JK MILNE ASSET MANAGEMENT

John Milne appeared before the Board on behalf of JK Milne Asset management to provide a presentation and proposal for fixed income investment management services. He discussed the firm's qualifications and experience noting the firm managed only fixed income strategies and only then for a final number of twenty-five institutional investors. He discussed the investment process in great detail noting that the strategy was a conservatively managed core strategy. He was questioned whether the firm managed a mutual fund or sub-advised any another firm that offered mutual funds. Mr. Milne responded that the firm sub-advised fixed income mutual funds offered by the Northern Trust Company.

CS MCKEE INVESTMENT MANAGERS

Lloyd Stamy and Brian Allen appeared before the Board on behalf of CS McKee Investment Managers to provide a presentation and proposal for fixed income investment management services. Mr. Stamy discussed the firm's qualifications and experience noting that the firm was 100% employee owned. He discussed the historical performance of the aggregate fixed income strategy noting significant outperformance of the index. Mr. Allen, portfolio manager, discussed in the investment process in great detail. Mr. Stamy was questioned whether the firm either managed a mutual fund or sub-advised any another firm that offered mutual funds. He responded that the firm managed several mutual funds including the international fund currently held by the Plan and also sub-advised a large cap and small cap mutual fund offered by Fifth Third Bank. Mr. Stamy was questioned whether the fee was negotiable and he responded that the fee structure was not negotiable.

Sidney Taylor recommended the continuance of the presentations with the simultaneous questioning of both managers in order that the Trustees could compare the responses and the Board agreed. Mr. Taylor questioned the average quality rating of both firms' portfolios and Mr. Milne and Mr. Allen responded that the average ratings for their respective portfolios were AA+. Both prospective managers were questioned regarding the allocation of the lowest rated securities within their portfolios. Mr. Milne and Mr. Allen responded that the BBB allocations currently represented 7.5% and 3.0% of the total portfolios respectively. Both managers were questioned whether foreign debt was contained within their respective portfolios and both responded that only domestic securities were contained within the respective strategies presented to the Board. Both prospective managers were questioned regarding the portfolio construction, holdings, and other factors and it was noted that neither manager had extended most favored nations consideration to other clients. The prospective managers were excused and the Board discussed the presentations, qualifications, experience, investment strategy, performance, and other aspects of each prospective manager. It was noted that CS McKee Investment Managers had greater experience but also a higher fee structure. A discussion arose regarding historical performance of both managers and it was noted that CS McKee Investment Managers had greater investment returns. A discussion ensued as to the outperformance and concerns were expressed whether the returns were likely to be duplicated and also whether the returns were attributable to excessive risk. It was noted

and appreciated that Mr. Milne had advised that the maximum number of clients would be limited to twenty-five. A very lengthy and careful discussion ensued regarding the selection of a prospective manager. Marc Dobin made a motion to engage the investment management services of JK Milne Asset Management contingent upon the successful negotiation of an agreement and authorized the Chairperson to execute the agreement in between meetings. Frank Barella seconded the motion, approved by the Trustees 5-0. The Board requested the Investment Consultant to report the performance of CS McKee Investment Managers each quarter for comparative purposes. It was noted that the transfer of assets would be conducted in-kind by re-titling the fixed income account with the custodial bank.

ACTUARY REPORT

Chad Little discussed the optional forms of benefit payment noting that the options being presented to retiring members were not completely in accordance with the options specified within the Ordinance. Nick Schiess explained that he had questioned the Plan's former actuarial firm Gabriel Roeder & Smith regarding this matter and it was the actuary's position that all the core options were provided and the less popular options were be available upon request. Mr. Little advised that the options that reduce a member's benefit if predeceased by the joint annuitant were considered obsolete and would likely never be selected. He reported that a pop-up option was available. Mr. Little advised that not specified within the Ordinance but available as an actuarial equivalent was a 66 2/3% joint and survivor annuity. The Board requested that every option be displayed in benefit calculations prospectively.

Mr. Little reported that the State distribution was the amount of \$498K and the provision for a guaranteed minimum distribution expired this year.

ATTORNEY REPORT

Bob Sugarman provided the Administrator with updates from various securities monitoring firms for distribution to the Plan's Custodian.

Mr. Sugarman provided the Board with an update on the status on the Application for Disability Benefits for Frank Hess. He reported obtaining all the necessary medical records and the completion of the independent medical examination. Mr. Sugarman reported that the physician performing the independent medical examination issued an opinion that Mr. Hess was totally and permanently disabled and unable to render useful and efficient service in performing the duties defined in the specific job description of a police officer. The physician had issued the opinion, however, that Mr. Hess was not unable to perform the duties of his current less strenuous administrative position of Communities Activities Officer. Mr. Sugarman advised that imperative to the determination of disability is the Town's position on whether Mr. Hess would be permitted to return to the position of Communities Activities Officer with the risk of re-injury. Mr. Sugarman agreed to provide the Town with a copy of independent medical examiner's evaluation and request a formal determination from the Town regarding whether the administrative position of Communities Activities Officer is available for

Mr. Hess.

Mr. Sugarman discussed the State Division of Retirement's proposed changes to Chapter 60T of the Florida Administrative Code in great detail and the substantial impact upon the funding and administration of the Plan, if adopted. The Trustees discussed attending the next scheduled workshop by the State.

ADMINISTRATIVE REPORT

The Trustees reviewed the disbursements presented for approval by the Administrator. Frank Barrella made a motion to approve the disbursements as presented. Jack Forrest seconded the motion, approved by the Trustees 5-0.

The Trustees reviewed the benefit approvals presented for approval by the Administrator. A question arose regarding the statistical information for a retiree and approval of the benefits was tabled.

Nick Schiess reported that the 2007 Annual Report had been approved.

Mr. Schiess requested the Board's favorable consideration of an increase in administrative fees from \$1,325 to \$1,750 monthly. Marc Dobin made a motion to approve an increase in administrative fees from \$1,325 to \$1,750 monthly. Frank Barrella seconded the motion, approved by the Trustees 4-1 with Nick Scopelitis dissenting.

OTHER BUSINESS

The Board reviewed the responses for a request for proposals for auditing services. It was noted that the services provided by the incumbent Auditor Alberni, Caballero, & Castellanos were satisfactory and their fees were the lowest offered within any of the proposals. Marc Dobin made a motion to retain the auditing services of Alberni, Caballero, & Castellanos. Frank Barrella seconded the motion, approved by the Trustees 5-0. The audit engagement letter for the 2008 fiscal year was presented for execution.

Nick Schiess provided the Board with a renewal quote for fiduciary liability insurance. He reported that the insurance coverage offered through the ULLICO Insurance Group had been non-renewed by State National Insurance Company but replacement coverage was offered by Hudson Insurance Company for a comparable annual premium in the amount of \$9,049.58. He advised that the replacement company was "A" rated and was larger in assets than the former carrier. Marc Dobin made a motion to renew the fiduciary liability insurance with Hudson Insurance Company. Frank Barrella seconded the motion, approved by the Trustees 5-0.

Mr. Schiess reported receiving an inquiry from active member Scott Pascarella whether he could purchase service credit for his initial service as a Police Officer before he became a member of the Plan. It was noted that at the date of Mr. Pascarella's employment on September 17, 1990, participation in the Plan was optional and Mr. Pascarella had declined to join the Plan until August 30, 1991. Mr. Sugarman advised that no provisions within the Ordinance provided for the purchase of this service credit.

SCHEDULE NEXT MEETING

With there being no further business and the next meeting scheduled for November 24, 2008, the meeting was adjourned at 4:32 P.M.

Respectfully submitted,

Secretary