

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
NOVEMBER 22, 2010**

Frank Barrella called the meeting to order at 1:02 P.M. at the Council Chambers at Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES

Frank Barrella
Mike Lilienfeld
Jack Forrest
Marc Dobin
Nick Scopelitis (1:12 PM)

OTHERS

Burgess Chambers, Burgess Chambers & Associates
Nick Schiess, Pension Resource Center
Chad Little, Freiman Little Actuaries
Ken Harrison, Sugarman & Susskind P.A.
Kim Calhoun, Westwood Holdings Group
Jackie Wehmeyer & Mike Simmons, Town of Jupiter
Anne Lyons & Mike Villella, Town of Jupiter

PUBLIC COMMENTS

Frank Barrella invited those present to address the Board with public comments. There were not any public comments.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meetings held August 23, 2010 and October 25, 2010. Mike Lilienfeld made a motion to approve the meetings held August 23, 2010 and October 25, 2010. Jack Forrest seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT: WESTWOOD HOLDINGS GROUP

Kim Calhoun appeared before the Board on behalf of Westwood Holdings Group to provide a report on the large cap value commingled fund as of the quarter ending September 30, 2010. Ms. Calhoun reported that the return for the 2009 calendar year was only 13.8% versus 19.7% for the index and for the 2010 calendar year-to-date was 2.5% versus 4.5% for the index. Ms. Calhoun discussed the investment process, noting that the market had favored lower quality holdings that the firm generally excluded from the fund. She noted that the same had occurred over previous market cycles and anticipated that the portfolio would soon attain outperformance over the index. The Board questioned the lag in performance versus the index for the prior two years. Ms. Calhoun discussed the phases that occur within a market cycle and explained that the investment style usually resulted in underperformance immediately after a market recovery but excels after the recovery has progressed. Ms. Calhoun reported that the shift of market favor towards higher quality equities had begun in April 2010 and for the quarter ending September 30, 2010, the investment return was 11.6% versus 10.1% for the index. She reviewed the long-term performance of the investment style over multiple market cycles noting that the process does result in outperformance over a complete market cycle.

Ms. Calhoun reviewed in great detail the holdings, sector weightings and risk measurements of the fund. She then reviewed economic and market conditions and advised that the growth was forecasted to be between 14% and 18% and with

outperformance of the index now that the market has shifted favor towards higher quality equities. A lengthy discussion ensued regarding the underperformance and market cycles. Ms. Calhoun emphasized that the firms' investment strategy was the preservation of capital and focus upon higher quality equities, which unfortunately is not rewarded every quarter, but has always been rewarded over complete market cycles.

Nick Scopelitis entered the meeting.

INVESTMENT CONSULTANT 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 September 30, 2010. He reported that for the quarter, the investment return for the total portfolio was 7.8% versus 9.0% for the index. And for the fiscal year, the investment return for the total portfolio was 7.8% versus 9.0% for the index.

Mr. Chambers discussed the underperformance in great detail, which he attributed primarily to a relatively low equity allocation and to a lesser extent the underperformance of the Westwood Capital Management commingled fund. He reminded the Board that towards the end of the market turmoil back in the year 2009, the Board had a great deal of trepidation about investing excess cash on hand and decided to redeploy this cash in a deliberately staggered manner to avoid further investment losses. Mr. Chambers advised that while the strategy was conservative and at the time seemed prudent, in hindsight this hesitation to redeploy cash detracted from performance. However, the conservative positioning of the portfolio helped reduce the investment losses during the market downturn, so even after the recent underperformance the overall result was still satisfactory and above average in comparison to other pension plans.

Mr. Chambers reviewed the performance of the individual investment managers in great detail. He confirmed that the underperformance of the large cap value fund managed by Westwood Capital Management was attributable to the high quality bias of the holdings during a period in which the market favored lower quality equities. He advised that the manager's track record was exceptional over complete market cycles. A discussion arose whether to index the large cap value allocation currently managed by the Westwood Holdings Group. Mr. Chambers advised that while it is beneficial to index some asset classes, it is not best to index value allocations and a main reason was that indexing captures all of a market downturn.

A lengthy discussion ensued regarding the underperformance of the fund managed by Westwood Holdings Group. The Trustees questioned what measures could be implemented to identify the consistently best performing active investment managers. Mr. Chambers agreed to provide more detailed universe data at the next meeting. Mr. Chambers then discussed the presentation the Board received from CSSC Investment Advisory Services at the last meeting, noting that the approach was strictly quantitative and due diligence research appeared to be lacking on prospective managers. He then discussed the investment manager selection process used by Burgess Chambers and Associates, noting that the process relied heavily on the performance of due diligence research. Mr. Chambers agreed to provide an analysis on the top performing investment managers at the next meeting.

The Trustees discussed the reporting provided by CSSC Investment Advisory Services, which is a continuously updated comparison of all available investment products evaluated on performance and risk measurements. Mr. Chambers discussed the ongoing research on investment managers performed by Burgess Chambers and Associates.

ACTUARY REPORT

Chad Little provided and discussed a salary experience review as of September 30, 2010. It was noted that the Town had formally requested lowering the actuarial assumption for salary increases because future salary growth is expected to be lower than in the past due to the economic climate. Chad Little reviewed the existing salary scale assumption, noting that it was the product of the last experience study prepared in the year 2006. He noted that the salary scale was implemented in response to the State's rejection of a prior salary growth assumption rate of 7%, which the State considered too low. Mr. Little reviewed in detail the actual salary growth experience for the years since the last experience study, noting that the actual salary increases have been lower than expected, which has resulted in positive actuarial gains in prior actuarial valuations. He noted that the actuarial assumptions do not affect the cost of the Plan, only the timing of the contributions to the Plan. He emphasized that assumptions should be developed and used that are reasonable over the long-term and it is important not to revise assumptions based upon short-term circumstances. Mr. Little reviewed in great detail the current salary scale assumption, the Town's proposed assumption and a hybrid of both, noting that all appear to be reasonable. Mike Villella appeared before the Board on behalf of the Town of Jupiter to discuss the basis for the proposed lower salary scale assumption and expressed his belief that the revised assumption was conservative. Mr. Little discussed basis for the lower assumption scale and expressed that the Town's recommendation was credible. Mr. Little recommended lowering the current salary scale by 1%. It was noted that the proposed assumption was lower than previously rejected by the State but Mr. Villella expressed confidence that the change would be accepted by the State. A lengthy discussion ensued. The Board noted that the Town had requested lowering the assumption for salary growth, the Actuary did not express any objections and there was a legitimate basis for lowering the assumption. Marc Dobin made a motion for the Plan's Actuary to adopt the revised salary growth assumption recommended by the Town. Jack Forrest seconded the motion, approved by the Trustees 5-0.

Marc Dobin departed the meeting.

Mr. Little reviewed the salary increase adjustment within the projection based funding method of the Plan. He explained that while actuarial valuations were prepared at fiscal year end, the resulting funding requirements were not for the successive fiscal year but for the following fiscal year. He explained that this method was very common and designed to provide plan sponsors with sufficient notice of changes in funding requirements for budgetary reasons. He further explained that the Plan's projection method was based upon a percent of payroll which also included an adjustment for payroll growth during the applicable fiscal year. It was noted that the Town had requested the elimination of this salary increase adjustment. Mr. Little advised that either method was acceptable by the State, however, if removed then it becomes more important for the Town to diligently remit the exact funding requirements as a percent of payroll. A question arose regarding whether the proposed change affects the Plan's unfunded

actuarial liability and Mr. Little advised that the unfunded liability would decrease slower if less contributions are received. Nick Scopelitis expressed concern over any measures that affect the Plan's unfunded actuarial liability. Mike Villella requested the removal of the salary increase adjustment but separately document the effect on the unfunded liability. Mike Lilienfeld made a motion to adopt the Town's request to remove the salary increase adjustment prospectively. Frank Barrella seconded the motion, approved by the Trustees 4-0.

ATTORNEY REPORT

Ken Harrison presented a proposal to prepare a submission for a favorable Tax Determination Letter from the Internal Revenue Service for a fee of \$8,500 and separate filing fee of \$1,000. He discussed the advantages of filing, noting that leniency was expected from the Internal Revenue Service if the submission was within this filing cycle. Mr. Harrison recommended proceeding with the submission for a favorable Tax Determination Letter, noting that a delay might result in costly penalties. After a lengthy discussion, Frank Barrella made a motion to proceed with the submission for a favorable Tax Determination Letter from the Internal Revenue Service for the proposed fee. Mike Lilienfeld seconded the motion, approved by the Trustees 4-0.

Mr. Harrison discussed the political climate and advised that legislation was expected to be considered by the State that would be unfavorable for governmental pension plans.

REPORTING OF PLAN FINANCIALS

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

The Trustees reviewed and then received and filed the interim un-audited financial statements presented by the Administrator.

ADMINISTRATIVE REPORT

Nick Schiess reported that there were not any benefit approvals to be presented to the Board.

Mr. Schiess announced that the annual audit of the Plan's financial statements had commenced.

OTHER BUSINESS

The Board discussed the presentation received at the last meeting from CSSC Investment Advisory Services for investment consulting services. A lengthy discussion ensued regarding the firm's qualifications and experience. It was noted that the firm did not have a track record with governmental pension plans within Florida and the Trustees decided that due diligence must be conducted.

SCHEDULE NEXT YEAR MEETINGS

The meetings for next year were scheduled on the dates of February 28, 2011, April 25, May 23, 2011, August 22, 2011, October 24, 2011 and November 28, 2011.

With there being no further business, the meeting adjourned at 4:35 P.M.

Respectfully submitted,

Secretary