

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND  
MINUTES OF MEETING HELD  
FEBRUARY 18, 2011**

Nick Scopelitis called the meeting to order at 10:07 A.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

**OTHERS**

Burgess Chambers, Burgess Chambers & Associates  
Nick Schiess, Pension Resource Center  
Chad Little, Freiman Little Actuaries  
Ken Harrison, Sugarman & Susskind P.A.  
Jackie Wehmeyer & Cheryl Grieve, Town of Jupiter  
James Burdick, Cherry Bekaert & Holland

**PUBLIC COMMENTS**

Chairman Nick Scopelitis invited those present to address the Board with public comments. There were not any public comments.

**APPOINTMENT OF 5<sup>TH</sup> TRUSTEE**

Mike Lilienfeld made a motion to reappoint Jack Forrest as the 5<sup>th</sup> Trustee of the Board. Marc Dobin seconded the motion, approved by the Trustees 4-0, with Mr. Forrest ineligible to vote on the motion.

**APPROVAL OF MINUTES**

The Trustees reviewed the minutes of the meeting held November 22, 2010. Mike Lilienfeld made a motion to approve the minutes of the meeting held November 22, 2010. Jack Forrest seconded the motion, approved by the Trustees 5-0.

**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 December 31, 2010. He reported that for the quarter, the investment return for the total portfolio was 5.7% versus 5.6% for the index. And for the fiscal year, the investment return for the total portfolio was 11.4% versus 13.4% for the index.

Mr. Chambers reviewed the performance of the individual investment managers in great detail. He attributed the underperformance for the fiscal year to a relatively low equity allocation at the very beginning of the year and the underperformance of the Westwood Capital Management commingled large cap value fund. He explained that the underperformance of this fund over the last year was attributable to the high quality bias of the holdings during a period in which the market favored lower quality equities. He discussed the phases of the market cycle and explained that the while this manager's

performance usually lagged at the beginning of a market cycle, performance excelled once the shift of market favor from lower quality equities to higher quality equities occurred. Mr. Chambers reported that market factors suggested that this shift had already occurred as further evidenced by Westwood Capital Management's improved performance of 10.66% versus 10.54% for the index for the quarter ending December 31, 2010.

Mr. Chambers discussed the selection process of potential investment managers for his clients. He reviewed in great detail the various screening processes and risk/reward analysis used to ultimately identify potential investment managers. Mr. Chambers explained that the process was to a large extent qualitative and not solely quantitative because the history of prospective managers was an important aspect of the selection process. He discussed other limiting factors such as minimum investment requirements and whether potential managers would agree to become a fiduciary directly to the clients. Since the performance of the commingled large cap value fund managed by Westwood Capital Management fund had been scrutinized lately due to underperformance, he provided the Board with the results of a fresh investment manager search conducted for managers in this same asset class. He reported that the results of the search still identified Westwood Capital Management as a leading contender along with alternative manger Eaton Vance Management.

A discussion arose regarding replacing index funds with active managers and Mr. Chambers was requested to present appropriate alternatives if deemed prudent.

### **ACTUARY REPORT**

Chad Little appeared before the Board to present the 2010 Actuarial Valuation. He reported that the recommended required employer funding as a percent of payroll for the 2012 fiscal year is 32.10%, a decrease from 37.11% for the previous year. Mr. Little reviewed in great detail the individual components of the costing of the Plan and also actuarial experience versus the Plan assumptions. He reported that a 4.35% decrease was attributable to a reduction in the actuarial assumption for salary increases that was requested by the Town and subsequently approved by the Board at the last meeting. In addition, another 1.58% decrease was attributable to the methodology change removing a salary increase adjustment to payroll growth during the applicable fiscal year, also requested by the Town and approved by the Board. Mr. Little reported that the overall decrease through these assumption changes was minimally offset by a small actuarial loss realized from investment losses within the smoothing period and less than expected terminated members. He reported that the funding percentage of the Plan increased from 68.4% to 69.8%.

Mr. Little cautioned that while salary increases have been depressed for the last few years, salaries are most likely to increase in the future. He advised that several years have elapsed since a full experience study has been prepared and recommended the performance of another experience study next year.

The Trustees deferred approval of the Actuarial Valuation until the next meeting. It was noted that the Town and Union would have interest in the proposed funding requirements

for next year and Frank Barella made a motion to disseminate the draft Actuarial Valuation to interested parties. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

The meeting adjourned at noon for lunch and resumed at 12:17 P.M.

### **AUDITOR'S REPORT**

James Burdick appeared before the Board on behalf of Cherry Bekaert & Holland to present the audit report for the fiscal year ending September 30, 2010. Mr. Burdick reviewed in great detail the financial statements of the Plan and issued the Board with a clean unqualified opinion letter on the financial statements. He noted that no material weaknesses in the financial statements had been discovered and also that no deficiencies were identified with internal controls and procedures. The Plan's total assets, as of September 30, 2010, were the amount of \$33,909,059, which represents an increase in the amount of \$3,288,751 from the prior year and primarily attributable to investment earnings. It was noted that the Plan Attorney had reviewed the audit report prior to the meeting and had identified no issues. Mike Lilienfeld made a motion to accept the 2010 auditor's report and financial statements. Frank Barrella seconded the motion, approved by the Trustees 5-0.

Nick Schiess presented for execution the Management Representation Letter to Cherry Bekaert & Holland noting that the letter had been reviewed and approved by the Plan Attorney. Frank Barrella made a motion to execute the Management Representation Letter. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

### **ATTORNEY REPORT**

Ken Harrison reported that the submission for a favorable Tax Determination Letter from the Internal Revenue Service had been completed.

Mr. Harrison reported that while former disability recipient Katherine Berish had filed an appeal with the State regarding her termination of disability benefits, that appeal had not been filed timely and was therefore dismissed.

Mr. Harrison discussed pending State legislation noting it was 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 5-0.

### **ADMINISTRATIVE REPORT**

The Trustees reviewed the benefit approvals presented for approval by the Administrator. Mike Lilienfeld made a motion to approve the benefit approvals as presented. Jack Forrest seconded the motion, approved by the Trustees 5-0.

Mr. Schiess reported that the Town had inquired regarding the security of confidential plan member information in response to recently publicity regarding identity theft affecting local pension funds. Mr. Schiess reported that his firm or any of firm's clients been involved with the identity theft. He discussed the firm's controls and procedures for the handling and security of confidential information.

### **OTHER BUSINESS**

As a follow up to the last meeting, Nick Schiess and Ken Harrison reported on the due diligence research performed on CSSC Investment Advisory Services for investment consulting services. They reported that only one pension fund client had been identified within Florida and they had inquired with the Plan Administrator of that fund who reported that the firm was permitted to run a parallel portfolio as a test, however, their qualitative model had underperformed the incumbent investment consultant's model portfolio and was dismissed. Given the firm's lack of track record with Florida municipal pension funds, the Board decided not to engage the firm.

### **SCHEDULE NEXT MEETING**

With there being no further business and the next meeting scheduled on April 25, 2011, the meeting adjourned at 2:01 P.M.

Respectfully submitted,

Secretary