

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**  
**MINUTES OF MEETING HELD**  
**FEBRUARY 27, 2012**

Nick Scopelitis called the meeting to order at 10:15 A.M. at the Council Chambers at Town Hall, Jupiter, Florida. Those persons present were:

**TRUSTEES**

Nick Scopelitis  
Mike Stevens  
Marc Dobin  
Mike Lilienfeld  
Jack Forrest

**OTHERS**

Burgess Chambers, Burgess Chambers & Associates  
Nick Schiess, Pension Resource Center  
Chad Little, Freiman Little Actuaries  
Ken Harrison, Sugarman & Susskind P.A.  
James Burdick, Cherry Bekaert & Holland

**PUBLIC COMMENTS**

Nick Scopelitis 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 meeting held November 28, 2011. Mike Lilienfeld made a motion to approve the minutes of the meeting held November 28, 2011. Mike Stevens seconded the motion, approved by the Trustees 5-0.

**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, 2011. 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, 2011, were the amount of \$36,357,994, which represents an increase in the amount of \$2,448,935 from the prior year. Mike Lilienfeld made a motion to accept the 2011 auditor's report and financial statements. Jack Forest seconded the motion, approved by the Trustees 5-0. Marc Dobin made a motion to authorize the Chairman to execute the Management Representation Letter after approval by the Plan Attorney. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

Mr. Burdick proposed performing the 2012 fiscal year audit for the amount of \$13,500, which was an increase in the amount of \$500 from last year. Mike Lilienfeld made a motion to engage the auditing services of Cherry Bekaert & Holland for the 2012 fiscal year. Mike Stevens 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, 2011. He reported that for the quarter, the investment return for the total portfolio was 6.6% versus 6.7% for the index. And for the calendar year, the investment return for the total portfolio was 1.5% versus 2.3% for the index.

Mr. Chambers reviewed the performance of the individual investment managers in great detail, noting all was satisfactory over the long-term. He reported that the performance of the commingled fund managed by Westwood Holdings Group had improved as anticipated because the market favor had shifted towards higher quality equities. Mr. Chambers discussed the performance of the portfolio managed by Eaton Vance Management and advised that due diligence research will be conducted on the manager and their investment process.

Mr. Chambers reviewed the compliance checklist. Ken Harrison noted that while some improvement had been attained in meeting many of the performance objectives, the objective had not been met for the three year period for a considerable period of time. Mr. Chambers advised that recent changes to the overall portfolio should improve performance.

As a follow up to the last meeting, Mr. Chambers provided and reviewed a proposed revised Investment Policy Statement to permit private real estate investment and convertible securities. It was noted that revising the Statement was a prerequisite to the selection of managers and funding these additional allocations, which were additional and separate steps. The Board amended the range of the proposed allocation to convertible securities and Mike Stevens made a motion to adopt the proposed revised Investment Policy Statement as amended. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

## **INVESTMENT MANAGER PRESENTATIONS: COMMINGLED REAL ESTATE FUNDS**

Burgess Chambers discussed commingled real estate funds products. He explained that the portfolio already contained exposure to real estate in the form of REITs. He further explained that REITs were equities of publicly traded companies and therefore were liquid and efficiently valued on a daily basis. However, since REITs are equities they are directly correlated to the equity markets in terms of performance and also volatility. Mr. Chambers explained that commingled funds were an alternative method to participate in real estate with the investment instead being the participation in a large commingled fund managed by one manager, with the returns consisting of not only appreciation on the property but also on rental income generated from tenants of these properties. He advised that an advantage of the asset class was a very low correlation to the equity markets, which provided greater diversification plus protection of capital in equity market downturns. He advised that the primary disadvantage was poor liquidity as redemption of the asset was not immediate as with REITs but could take months or longer in the event that the collective demand for redemption was high.

### **AMERICAN REALTY ADVISORS**

Richelle Hayes and Scott Darling appeared before the Board on behalf of American Realty Advisors to provide a proposal for investment management services for the American Core Realty Fund, an open-end commingled private real estate fund. Ms. Hayes discussed the firm's qualifications, experience, and long-term performance, noting that the firm managed only real estate funds. Mr. Darling discussed in great detail the investment strategy and process of the fund. He then thoroughly reviewed the geographical and sector allocations and the individual properties held within the fund. Mr. Darling explained that while the fund is open ended, an exit cue does exist for which the length of is dependent on pending redemption requests and also the amount of cash flow into the fund from new entrants. He further explained that the cue served to protect the viability and returns of the fund because the manager is not forced to sell properties to meet liquidity demands. Mr. Darling discussed the appraisal process used to determine valuations performed both by the firm and confirmed by independent third parties. The management fee was noted at 115 basis points. Mr. Darling agreed that any Agreement would contain acknowledgement of fiduciary responsibility and agreement to settling of disputes within Palm Beach County.

### **UBS REALITY INVESTORS**

Ronald Lanier appeared before the Board on behalf of UBS Realty Investors to provide a proposal for investment management services for the UBS Turnbull Property Fund, an open end commingled private real estate fund. He discussed the firm's qualifications, experience and long-term performance, noting that the firm managed over \$14B in assets. Mr. Lanier discussed in great detail the investment strategy and process of the fund. He then thoroughly reviewed the geographical and sector allocations and the individual properties held within the fund. The management fee was noted at 115 basis points. Mr. Lanier discussed liquidity noting that the entry cue was approximately six quarters. He also discussed the appraisal process used to determine valuations performed both by the firm and confirmed by independent third parties.

### **INTERCONTINENTAL REAL ESTATE CORPORATION**

Peter Hapgood, Devin Sullivan and Paul Nasser appeared before the Board on behalf of Intercontinental Real Estate Corporation to provide a presentation for investment management services for the U.S. Real Estate Investment Fund, an open-end commingled private real estate fund. Mr. Sullivan discussed the firm's qualifications, experience, and long-term performance. He described the product as a core plus value open-ended private equity fund with an expected target return of 10%. Mr. Nasser reviewed the geographical and segment allocations and investment process in great detail noting that the assets were leveraged up to a 50% limitation. Mr. Nasser discussed the redemption process. The management fee was noted at 110 basis points plus an incentive fee. Mr. Sullivan agreed that any Agreement would contain acknowledgement of

fiduciary responsibility and agreement to settling of disputes within Palm Beach County.

Burgess Chambers reviewed the presentations received from American Realty Advisors, UBS Realty Investors and Intercontinental Real Estate Corporation. He compared the qualifications, experience, entry queues, leverage and performance of the firms and their respective investment products in great detail and ultimately recommended proceeding with investing a 5% allocation equaling \$2M into the American Core Realty Fund managed by American Realty Advisors. After a lengthy and careful discussion, Marc Dobin made a motion to invest \$2M into the American Core Realty Fund based upon the recommendation of the investment consultant and contingent upon the successful negotiation of an agreement by the Plan Attorney and grant the Chairman the authority to execute the agreement between meetings. Jack Forrest seconded the motion, approved by the Trustees 5-0.

### **ACTUARY REPORT**

Chad Little provided a progress report on the preparation of the Actuarial Valuation, which should be produced for the next meeting scheduled in April. He reported that the Town has requested the draft valuation in advance of the meeting and the Board granted Mr. Little permission to share the draft valuation with the Town as soon as it was prepared. He advised that the State now required an additional report of the valuation results prepared with a standardized 7.75% investment return assumption, which would result in an additional fee estimated at \$500.

### **ATTORNEY REPORT**

Ken Harrison discussed fiduciary responsibility for Trustees and explained that the Trustees were not advocates for either the Town or the police officers' Union.

He reported that no update had been received from the Internal Revenue Service on the status of the application for a tax determination letter however it was anticipated that the completion time was well over year from the filing date.

Mr. Harrison discussed proposed State legislation that would affect 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. Marc Dobin seconded the motion, approved by the Trustees 5-0.

The Trustees reviewed and then received and filed un-audited statements of income and expense and balance sheet.

**ADMINISTRATIVE REPORT**

The Trustees reviewed the benefit approvals submitted for approval by the Administrator. Mike Lilienfeld made a motion to approve the benefit approvals as presented. Marc Dobin seconded the motion, approved by the Trustees 4-0 with Nick Scopelitis abstaining for the reason of a potential conflict of interest since his benefits were considered for approval.

Nick Schiess distributed a client satisfaction survey conducted by the Pension Resource Center.

**OTHER BUSINESS**

The Board tasked Chad Little with revising the Summary Plan Description.

The Board noted a proposed Ordinance implementing changes in the Plan as a result of collective bargaining had already successfully passed first reading.

**SCHEDULE NEXT MEETING**

With there being no further business and the next meeting scheduled on April 23, 2012, the meeting adjourned at 1:40 P.M.

Respectfully submitted,

Secretary