

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**  
**MINUTES OF MEETING HELD**  
**APRIL 23, 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.  
Cheryl Grieve, Town of Jupiter

**PUBLIC COMMENTS**

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

**ACTUARY REPORT**

Chad Little appeared before the Board to present the 2011 Actuarial Valuation. He reported that the recommended required employer funding as a percent of payroll for the 2013 fiscal year is 25.56%, which is a decrease in the funding requirements from the previous year of 27.81% adjusted after benefits were changed through collective bargaining. The reduction was attributable to favorable Plan experience in the form of less than anticipated payroll growth partially offset by less than expected investment earnings. The unadjusted employer funding requirement before the change in the benefits for the 2012 fiscal year was 32.12%. The funding ratio of the Plan increased from 69.8% to 76.0% attributable to the release of the Chapter 185 excess reserve account into the general fund as was negotiated through collective bargaining. 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 pursuant to the request from the Town and direction from the Board that Chief Kitzerow's retroactive service back to his date of hire had been included within the Valuation and the resulting increase in liability will be amortized. Marc Dobin made a motion to approve the 2011 Actuarial Valuation. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

A discussion arose regarding the State's possible rejection of components within the recent Ordinance Amendment resulting from benefit changes agreed to within collective bargaining. Ken Harrison reported that the attorney engaged by the Town, Robert Klausner, was handling the matter and it was expected to be resolved. Mr. Harrison advised that the resolution was between the Town and the State and beyond the scope of the Board.

It was noted that the benefit changes agreed to within collective bargaining resulted in revision of the provisions pertaining to the DROP and also established a share account. A discussion arose regarding the implementation of the share plan, which would be credited with distributions of premium tax revenue above the new baseline amount. A discussion then arose regarding the administration of the new DROP provisions and it was determined that the revision of the current DROP policy was necessary. Ken Harrison and Nick Schiess agreed to propose recommended guidelines for share plan and revisions of the DROP policy.

## **INVESTMENT MANAGER PRESENTATIONS: CONVERTIBLE BONDS**

### **SSI INVESTMENT MANAGEMENT**

Emily Colella and Florian Eitner appeared before the Board on behalf of SSI Investment Management to provide a proposal for investment management services for convertible securities. Ms. Colella discussed the firm's qualifications and experience, noting that the firm was 100% employee owned and managed over \$900M in convertible security strategies. Mr. Eitner reviewed the investment strategy and process and historical investment returns in great detail. He explained that convertible securities are initially issued as bonds but with an option for conversion into stock of the issuing company. The security has the usual characteristics of bonds; however, if the value of the equity price rises then the option to convert the bonds to shares of common stock can be exercised. Mr. Eitner explained that mid size companies are the most common issuers of convertible securities, which provide faster access to capital than other types of securities for fast growing companies. The management fee was noted at 82.5 basis points. Ms. Collella agreed that any Agreement would contain acknowledgement of fiduciary responsibility and settling of disputes within Palm Beach County.

### **ADVENT CAPITAL MANAGEMENT**

David Hume appeared before the Board on behalf of Advent Capital Management to provide a proposal for investment management services for convertible securities. Mr. Hume discussed his firm's qualifications and experience, noting that the firm managed over \$6B in convertible security strategies. He reviewed the investment strategy and process and historical investment returns in great detail, noting that the strategy was conservatively positioned and incurred relatively low volatility. The management fee was noted at 100 basis points. Mr. Hume agreed that any Agreement would contain acknowledgement of fiduciary responsibility and settling of disputes within Palm Beach County.

Mr. Chambers discussed the presentations by Advent Capital Management and SSI Investment Management. He thoroughly discussed the differences between the two firms and their respective investment strategies and relative performance, noting that each had very different strategies. It was noted that the long-term performance of Advent Capital

Management was greater and exceeded the differential between the fees charged by each manager. A lengthy discussion ensued and ultimately Mr. Chambers recommended the engagement of Advent Capital Management. Marc Dobin made a motion to engage the investment management services of Advent Capital Management 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. A discussion arose regarding the allocation to convertible securities and Mr. Chambers recommended an allocation of 8% of the total portfolio. Mike Stevens made a motion to fund the convertible strategy with an 8% allocation of the portfolio. Jack Forrest seconded the motion, approved by the Trustees 5-0.

### **ATTORNEY REPORT**

Ken Harrison discussed fiduciary responsibility for Trustees, noting that the Trustees were not advocates for either the Town or employee groups.

Mr. Harrison reported that no updates had been received from the Internal Revenue Service on the status of the application for a tax determination letter, but it was anticipated to take a year or longer.

Mr. Harrison reported that the State legislation session had closed without passing any legislation that affected governmental pension plans.

Mr. Harrison reported that the class action lawsuit against Merrill Lynch Consulting Services has settled and a calculation of the Plan's proceeds was forthcoming.

### **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.

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

### **ADMINISTRATIVE REPORT**

Nick Schiess reported that the Town had expressed intent to issue the retroactive employee contributions for Chief Frank Kitzerow, the amount had been calculated and he was awaiting payment. He reported that the Town had been provided the option to issue a lump sum payment for the increase in the actuarial liability for the restoration of his service credit or amortize the liability with the ramifications being that this would increase the unfunded liability of the Plan and the Town's contribution rate as a percent of payroll. Mr. Schiess reported receiving an inquiry from the Town regarding a new Ordinance to reverse the prior opt-out of the Chief and the Town was informed that at a prior meeting the Board considered the Chief's prior opt-out invalid given that his election to opt-out was given prior to the last and valid ordinance being passed. Mr.

Schiess reported that he had suggested to the Town not to repeal the opt-out Ordinance to afford the future chiefs the same opportunity to opt-out.

### **OTHER BUSINESS**

A lengthy discussion arose regarding the actuarial assumption rate for investment returns, which is required by the State to be determined annually. Burgess Chambers advised that the current assumption of a 7.5% assumption rate was appropriate and attainable over the long-term. Mike Lilienfeld made a motion to determine that the total expected annual rate of investment return for the Plan for the next year, next several years, and long-term thereafter, shall be 7.5%, net of investment related expenses. This determination is made in accordance with Section 112.661(9) Florida Statutes. Marc Dobin seconded the motion, approved by the Trustees 5-0.

The Board discussed a notice received from the Plan's custodian, Fifth Third Bank, regarding merger activity of its custodial business. Mr. Chambers agreed to research the matter and report back to the Board.

### **SCHEDULE NEXT MEETING**

With there being no further business and the next meeting scheduled on May 15, 2012, the meeting adjourned at 1:42 P.M.

Respectfully submitted,

Secretary