

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
FEBRUARY 25, 2013

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

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
Pedro Herrera, Sugarman & Susskind P.A.
James Burdick, Cherry Bekaert
Mike Villella & Cheryl Grieve, Town of Jupiter

PUBLIC COMMENTS

Nick Scopelitis invited those present to address the Board with public comments. There were no public comments.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meetings held November 26, 2012 and January 18, 2013 and corrections were noted. Marc Dobin made a motion to approve the minutes of the meetings held November 26, 2012 and January 18, 2013 as corrected. Jack Forrest seconded the motion, approved by the Trustees 5-0.

REPORTING OF PLAN FINANCIALS

The Trustees reviewed the disbursements presented for approval by the Administrator. Marc Dobin made a motion to approve the disbursements as presented. Mike Stevens 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.

BENEFIT APPROVALS

The Trustees reviewed the benefit approvals presented for approval by the Administrator. Marc Dobin made a motion to approve the benefit approvals as presented. Jack Forrest 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, 2012. He discussed organizational changes within the firm and announced the change of the firm's name

from Cherry Bekaert & Holland to Cherry Bekaert. 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, 2012, were the amount of \$43,960,626 which represents an increase in the amount of \$7,602,632 from the prior year and primarily attributable to significant investment returns. Mike Lilienfeld made a motion to accept the 2012 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, which had previously been reviewed by the Plan Attorney. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

ACTUARY REPORT

Chad Little appeared before the Board to present the 2012 Actuarial Valuation. He reported that the recommended required employer funding as a percent of payroll for the 2014 fiscal year is 31.35%, which is a decrease in the funding requirements from the previous year of 31.67%. The reduction was attributable to favorable Plan experience in the form of less than anticipated payroll growth and greater than expected investment earnings. Mr. Little anticipated that the employer funding requirements would decrease over the next few years. He reported that the funding ratio of the Plan was 75.8%.

Mr. Little reviewed in great detail the individual components of the costing of the Plan and also actuarial experience versus the Plan assumptions. He discussed in detail the current RP-2000 mortality table and suggested consideration of upgrading to a fully generational mortality table in the near future. Mr. Little reported that payroll has again fell below the current 4% assumption and if the ten year rolling average falls below this level then a change in the assumption might be required by the State. And if this occurred, the amortization of the unfunded liability must increase which would result in increased funding requirements. Mr. Little suggested the performance of an experience study, which is an extensive comparison of the actual experience of the Plan versus the assumptions used for costing. He noted that the last experience study was performed seven years ago. The salary increase assumption has already been recently reviewed and could be omitted from the study to reduce costs. Marc Dobin made a motion to approve the 2012 Actuarial Valuation. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0.

Mike Villella requested a separate calculation of the employer funding requirements as a percentage of payroll inclusive of the DROP members. It was noted that a significant number of members had entered the DROP and because they are considered retired the funding requirements are spread over the remaining active members, which skews the funding requirements. Marc Dobin made a motion to approve the Town's request for a separate calculation of the funding requirements expressed a percent of aggregate payroll. 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, 2012. He reported that for the quarter, the investment return was 1.7% versus 2.0% for the index. And for the calendar year, the investment return for was 11.9% versus 12.5% for the index.

Mr. Chambers reviewed the asset allocation and performance of the investment products in great detail, noting all was satisfactory except the commingled fund managed by Westwood Holdings Group, which was already in the process of being replaced.

Mr. Chambers introduced and discussed an alternative asset class of master limited partnerships, which were funds comprised of the holdings of domestic energy firms that had attained a federal tax favored status.

Mr. Chambers provided and reviewed a proposed amendment to the Investment Policy Statement with changes in guidelines requested by new manager Eagle Capital Management. Marc Dobin made a motion to approve the proposed amendment to the Investment Policy Statement. Mike Lilienfeld seconded the motion, approved by the Trustees 5-0. A question arose whether the new mandate with Eagle Capital Management may be immediately funded or was instead subject to the statutory thirty one day waiting period. Mr. Chambers advised that the Amendment was only a clarification of guidelines and nothing within the current Investment Policy Statement prevented the immediate funding of the new mandate.

ATTORNEY REPORT

Pedro Herrera provided report on proposed State legislation.

Mr. Herrera reported that the request for a favorable tax determination letter from the Internal Revenue Service had been approved contingent upon an Ordinance Amendment containing technical changes, which will be presented for consideration at the next meeting.

Mr. Herrera reported that the final distribution order had been executed for the settlement of the class action lawsuit against Merrill Lynch Consulting Services and the payment of the Plan's proceeds of \$19K was forthcoming..

ADMINISTRATIVE REPORT

Nick Schiess reported that all past contributions, employer and employee, plus any required interest had been collected for Chief Frank Kitzerow's entry into the Plan.

Mr. Schiess reported that the State's objections with the Ordinance implementing the benefit restructuring had not been resolved but this was matter beyond the scope of the Board and must be resolved by the collective bargaining parties.

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.

Nick Schiess reported a recent discovery retiree Richard Jacobsen had been overpaid the amount of \$100 monthly. He explained that the origin of the overpayment was when the former administrative firm, Administrative Services Inc., had inadvertently doubled a portion of Mr. Jacobsen's supplemental benefit when he exited the DROP. Mr. Schiess provided the Board with notification sent to Mr. Jacobsen with a detailed explanation of the calculation of his pension and supplemental benefits. A lengthy discussion ensued regarding the overpayments and past practice regarding recovery of overpayments that happened at no fault of the retirees. Mike Lilienfeld made a motion to correct Mr. Jacobsen's benefits prospectively and not seek recovery of the overpayments that occurred at no fault of Mr. Jacobsen. Jack Forrest seconded the motion, approved by the Trustees 5-0.

The Board was presented with an invoice from Freiman Little Actuaries in the amount of \$12,275 for actuarial services including the preparation of the 2012 Actuarial Valuation. Mike Stevens made a motion to approve payment of the invoice from Freiman Little Actuaries. Jack Forrest seconded the motion, approved by the Trustees 5-0.

SCHEDULE NEXT MEETING

The next meeting was scheduled for April 22, 2013.

With there being no further business, the meeting adjourned at 1:11 P.M.

Respectfully submitted,
Secretary