

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
MAY 28, 2013

Nick Scopelitis called the meeting to order at 10:06 A.M. at the Council Chambers at Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES

Nick Scopelitis
Jack Forrest
Mike Stevens
Mike Lilienfeld

OTHERS

Burgess Chambers & Fran Wan, Burgess Chambers & Associates
Nick Schiess, Pension Resource Center
Chad Little, Freiman Little Actuaries
Robert Sugarman, Sugarman & Susskind P.A.
Cheryl Grieve, Town of Jupiter
Jason Alexandre

PUBLIC COMMENTS

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

TRUSTEE ELECTIONS

Nick Schiess reported that an election had been conducted for the office of employee Trustee that will be vacated by Nick Scopelitis on May 31, 2013. He announced that Jason Alexandre had won the election and produced the election ballots and Clerk's certification of the election results for inspection. Mike Lilienfeld made a motion to seat Jason Alexandre as Trustee effective June 1, 2013. Jack Forrest seconded the motion, approved by the Trustees 4-0.

Mike Lilienfeld made a motion to re-elect Jack Forrest for the office of 5th Trustee. Mike Stevens seconded the motion, approved by the Trustees 3-0.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held February 25, 2013. Mike Lilienfeld made a motion to approve the minutes of the meetings held February 25, 2013. Jack Forrest seconded the motion, approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Burgess Chambers and Frank Wan 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 March 31, 2013. Mr. Chambers reported that for the quarter, the investment return was 5.1% versus 5.6% for the index. And for the fiscal year-to-date, the investment return was 6.9% versus 7.7% for the index. Mr. Chambers reviewed the asset allocation and performance of the investment products and asset allocation in great detail, noting all was satisfactory.

Mr. Chambers reviewed correspondence received from the Department of Management Services questioning the 7.5% assumed rate of investment return on the basis that the annualized returns over the last three, five and thirteen periods fell below 4%. He provided and reviewed an analysis of historical performance, noting that measurements over other time periods yielded higher returns, many of which were significantly higher than the assumed rate of return. Mr. Chambers attributed the disparity in returns averaged over different time periods to what is considered outlying events, specifically severe investment market retractions. He reviewed the Plan's asset allocation, portfolio construction and historical performance over all time periods and ultimately recommended the retention of current 7.5% assumption rate, deeming it both reasonable and attainable. Chad Little provided a schedule of historical returns, which served to confirm that the Plan's market value of assets had increased an average of 7.5% over the past thirty years. Both Mr. Chambers and Mr. Little advised that the Plan's current investment return assumption rate is prevalent among the many other pension plans they serve and below the assumption rates still used by many of their clients. After a lengthy and thorough discussion lasting over an hour in duration, the Board determined that, based upon the recommendation of the investment consultant and many other considerations, the current 7.5% assumption rate for investment return is reasonable and attainable. The Board will continue, on an annual basis, to re-evaluate this assumption and revise it if appropriate. The Board directed the Plan Administrator to prepare a response to the Department of Management Services.

Frank Wan discussed master limited partnerships as a potential new investment allocation. He discussed the recent technological developments that have dramatically improved the recovery of domestic oil and natural gas. Mr. Wan explained that this increased recovery has resulted in an investment opportunity for holdings of those firms who provide the shipping infrastructure from the production fields to the refineries. These holdings receive transportation revenues that have tax advantages granted under federal energy policy. He discussed economic and market conditions, noting that achieving the assumed rate of return would become increasingly difficult with the anticipated low expected rate of return on bonds and therefore alternative investment products should be considered to improve the overall performance of the investment program. The addition of this alternative investment should increase diversification and lower risk and volatility of the total investment portfolio. A lengthy discussion arose regarding the structure of master limited partnerships. It was noted that the holdings were of publicly traded companies so therefore the liquidity was excellent. And it was the partnership structure itself that allowed the transportation earnings to be considered federally tax exempt before distribution back to investors. Another discussion ensued regarding whether the income generated from these holdings would subject the Plan to an unrelated business income tax. It was noted that the Plan might also encounter additional costs to file K-1 tax forms received from each individual holding within the portfolio with the average portfolio size of twenty five holdings. Burgess Chambers advised that the risk of unrelated business income tax was minimal in comparison to the potential investment return. He recommended proceeding with conducting a search and interviewing prospective investment managers, and the Board agreed.

ATTORNEY REPORT

Robert Sugarman provided and reviewed a proposed Ordinance Amendment containing technical revisions required by the Internal Revenue Service. He explained that the Ordinance does not increase contributions or change benefits and only implements technical changes. Mike Stevens made a motion to approve the Ordinance Amendment and submit to the Town along with an actuarial impact statement for consideration. Mike Lilienfeld seconded the motion, approved by the Trustees 4-0.

Mr. Sugarman discussed the impact of recent State legislation, noting that the greatest change was the requirement of additional disclosures. Chad Little discussed in detail the new required disclosures.

REPORTING OF PLAN FINANCIALS

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

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

BENEFIT APPROVALS

There were no benefits approvals submitted for the Board's consideration.

ADMINISTRATIVE REPORT

Nick 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. Robert Sugarman advised that failure to resolve the matter might jeopardize receipt of premium tax revenues.

OTHER BUSINESS

Mike Lilienfeld made a motion to appoint Marc Dobin as Chairperson. Jack Forrest seconded the motion, approved by the Trustees 4-0. The appointment of Secretary was deferred to the next meeting.

The Trustees expressed gratitude to Nick Scopelitis for his years of exceptional service and dedication to the Board and Plan Members.

SCHEDULE NEXT MEETING

The next meeting was scheduled for August 26, 2013.

With there being no further business, the meeting adjourned at 12:10 P.M.

Respectfully submitted,
Secretary