

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
August 8, 2016

Marc Dobin called the meeting to order at 10:07 A.M. at the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES

Marc Dobin
Mike Salvemini
Mike Stevens
Jason Alexandre

OTHERS

Burgess Chambers; Burgess Chambers & Associates
Denise McNeill, Pension Resource Center
Chad Little, Freiman Little Actuaries
Ken Harrison, Sugarman & Suskind P.A.

PUBLIC COMMENTS

Marc Dobin invited those present to address the Board with public comment. There was no public comment.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held May 9, 2016. Mr. Dobin noted a typo regarding Advent Capital's report noting they are a "bottom-up" stock selector. Additionally it was noted discussion of the disbursements were listed a second time on page three. The minutes were tabled to the next meeting.

INVESTMENT MANAGER REPORT: CS MCKEE

Nancy Banker appeared before the Board on behalf of CS McKee to provide a report on the investment performance of the portfolio for the quarter ending June 30, 2016. She reviewed their performance noting the recent underperformance related to BREXIT. She reported their portfolio is set to keep pace when the market is up and protect on the downside. Ms. Banker reminded the Trustees they are a high quality portfolio and corporate bonds have done well this year. She noted there is no issue selling high quality bonds and the issue is finding them for purchase. She then reviewed the top ten holdings. Discussion followed regarding the economic outlook and Ms. Banker explained it is a dire situation around the world; however they are not expecting such an issue in the US and with the slow growth, the US is moving along nicely. Ms. Banker responded to several questions reporting there have been no financial changes to the company, they are still employee owned, the company does not anticipate any changes and the portfolio remains high quality. Burgess Chambers explained he is pleased with this CS McKee product. Discussion followed regarding the fees and now that the Plan holds the fixed income product only, the fee had been reduced to 30 bps.

INVESTMENT MANAGER REPORT: EATON VANCE

Trevor Harlow and Chris Morahan appeared before the Board on behalf of Eaton Vance to provide a report on the investment performance of the portfolio for the quarter ending June 30, 2016. Mr. Harlow provided an update of the firm and team members. He reported there has been no change to the company philosophy. Mr. Harlow addressed the market environment and the one year returns for each sector comparing the strength of the US in relation to the world markets. He reviewed each sector in detail noting the top performing sectors were utilities, telecomm and staples, all which pay higher dividend yields reflecting proof that people are looking for stability in the market. Mr. Harlow addressed the market sell off in the first quarter of 2016 explaining high quality names that did well in 2015 did not do well in the first quarter of 2016. He went on to review the performance attribution, the top five and bottom five holdings; reporting the five worst stocks had a bigger impact on the portfolio than the top five. Mr. Harlow reported on the reasons for each stock underperformance in the period. Chris Morahan responded to several questions from the trustees explaining there is a real demand for income and many are looking to

stock yield; therefore stocks are at an all-time high for valuation. He then responded to questions related to specific holdings in the portfolio.

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 June 30, 2016. Discussion followed regarding Nick Scopelitis' retirement from the department. Mr. Dobin noted Mr. Scopelitis' tireless effort to fix the Plan issues that were in place when he first joined the Board. It was reported Mr. Scopelitis is still on the Board and is currently on vacation.

Discussion followed regarding the manager attendance as follow up from the prior meeting and Mr. Chambers explained Miller Howard had not actually been scheduled for the May meeting and were instead still scheduled to attend in November.

Mr. Chambers went on to review the investment return for the quarter reporting the index clobbered all managers and for the last five years it has been very difficult for a manager to beat the bench; with only 15% of the managers able to achieve the index. He reviewed the asset allocation noting the addition of MLP's and the private real estate helped to "de-risk" the program significantly in the past three years. The Fund was up 2.5% compared to the model of 2.9%, ranking the Plan in the top 8% decile of public funds. He further reported for the fiscal year, the Plan was up 5.5% versus the model of 6.7% and five year was up 6.8% versus the model of 6.9%. Mr. Chambers reported the following for the quarter: total equities were up 3.1%, domestic equities were up 2.6%, MLP's were up 20.4%, convertibles were up 1.8%, International equities were down -0.2%, REITS were up 5.4%, private real estate was up 1.3% and fixed income was up 1.7%. Mr. Chambers then went on to review each manager in detail noting the top Fund performers for the quarter were MLPs and REITs. He reported the Plan is currently at 7% and should hit their assumed rate of return if the market remains in this steady growth. He reported Advent has not done as well as expected in the recent period and they have not been tested in a period where low quality outperformed. He will present alternatives to the Board at the November meeting for discussion. Discussion followed regarding the cash held in the portfolio. Mr. Chambers explained he is hearing talk of being in the midst of a real estate bubble and while bonds are expensive, he feels there is greater risk in REITs and real estate in general at this time. He reported the currency collapse is happening globally and having an impact on international assets and while he expects a rebound in global valuations, he would not recommend chasing global stocks at this time and allowing the Plan to remain underweight in international has benefited the Plan in the recent period. He further noted while there may be a higher amount of cash held, he would not want to invest "just to invest". Discussion followed regarding interest rates. Mr. Chambers explained the cost to service the Federal debt is 1.9% and if the Fed raises policy rates, it will have an immediate impact on the Fed debt. He explained since WWII, recovery has been represented by credit expansion and he feels regardless of who is elected; there will be a push to allow banks to extend credit.

Trevor Harlow and Chris Morahan departed the meeting at 11:10 AM.

Mr. Chambers continued reviewing each manager in detail responding to several questions from the Trustees. Discussion followed regarding the assumed rate of return (ARR) and Mr. Chambers explained he feels the current 7.5% is reasonable and it is not necessary to lower; if lowered, it will increase the contribution rate to the Plan and the program already has a self-correcting mechanism with the five year smoothing.

Ms. Banker departed the meeting at 11:22 AM.

The meeting continued at 11:27 AM after a five minute break.

Mr. Chambers clarified he is not recommending any specific changes at this time.

Mrs. McNeill addressed a request from Fifth Third regarding changes to the money market account. Mr. Chambers noted it relates to an SEC directive explaining if they are charging a percentage, then also collecting on the back end on the money market, they are double dipping.

Mrs. McNeill explained Richelle Hayes of American Realty had spoken with Trustees at the summer conference and requested to attend an upcoming meeting to present to the Board. The

Trustees agreed to invite American Realty to the November meeting for a portfolio update. Mr. Chambers explained, given the size of the Plan, the Trustees may consider visiting managers if possible for due diligence. Mr. Harrison confirmed Trustees can attend on site visits and stockholder meetings.

ACTUARY REPORT

Chad Little addressed the assumed rate of return (ARR). He reported the State accepted the 2015 valuation report and all prior valuations meet compliance. The State would currently consider 6.5% to 7% as a more reasonable ARR. Mr. Harrison confirmed the trend has been to lower the rate incrementally (I.E. 0.1% annually). Mr. Little explained he feels 7.5% is fine and within range. He then recommended the Board consider changing the mortality table with the upcoming valuation report. Discussion followed regarding the DROP policy and the interest crediting. Mr. Little presented examples to explain how the interest would be credited. Mr. Little reviewed the crediting process in detail with the Trustees. He then reviewed the floor/ceiling process and how the loss and crediting is tracked requiring the negative loss be made up before earnings can be added again. He explained once the crossover from the loss regained happens, they will not track in that manner until a loss happens again. Lengthy discussion followed regarding the DROP policy changes.

- Michael Stevens made a motion to approve the DROP Policy as amended. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

Mr. Little will provide some basic explanation that can be used for education with the members.

ATTORNEY REPORT

Ken Harrison addressed the IRS proposed regulation on retirement age. Mr. Villella had responded to the attorney's memo dated May 24, 2016 in which the Town had provided data and job descriptions related to rehired employees. Mr. Harrison explained it is not yet a formal rule; however he expects one to be issued. He noted the Plan will still need to address the age 60 rule and he confirmed this Plan prohibits In-Service distributions. Mr. Alexandre confirmed rehires do not come back as sworn officers.

APPROVAL OF DISBURSEMENTS

Denise McNeill presented the disbursements for review. It was noted the backup and invoice copies are to be included in both the electronic packets and printed material. Mrs. McNeill reported an additional invoice from Chad Little received at the beginning of the meeting for services in the first half of 2016.

- Jason Alexandre made a motion to approve the disbursements as amended with the addition of the actuary's invoice of \$7,650. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

Mrs. McNeill presented the interim financial statements, which the Board received and filed.

Marc Dobin explained he had found a local place to make a plaque for Nick Scheiss which was then presented to him at Nick Scopelitis' retirement party.

Mr. Dobin then conveyed he was not happy with the delay in how the Microsoft software renewal was handled by the administrator for the tablets. Mrs. McNeill reported she hopes the confusion regarding how the account was set up has been resolved and she will plan to be proactive on the renewal next summer to avoid any conflict.

ADMINISTRATIVE REPORT

Denise McNeill reported on pending DROP entries.

Mrs. McNeill advised a response had been sent to the Division of Retirement on the Annual Report and approval is pending.

Mrs. McNeill reported she had recently attended a workshop hosted by the Town of Jupiter regarding Roberts Rules of Order. She was able to confirm with those presenting the meeting that the Police Pension Board has been properly following order and there have been no complaints made to the Town stating otherwise.

Mrs. McNeill addressed the Accounts Payable authorization with Fifth Third. She explained the recent account updates listed invoice payments as requiring two signatures; however the Board confirmed only one authorization was necessary. She presented a letter to be signed by the Chairman confirming only one signature was necessary for the invoice payment process.

Mrs. McNeill addressed the pending audit engagement. Mr. Harrison had just received the agreement and had not been able to review.

- Jason Alexandre made a motion to authorize the Chairman sign the engagement contingent upon attorney review. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

Discussion followed regarding the audit process. Mr. Villella expressed concern with the changes in the accounting requirements related to the Town's information and he explained it took several weeks to get a response from the Plan's auditor and the Town paid extra to their auditor for the additional needed report information. Mr. Villella requested the Board consider doing an RFP for audit services for 2017. Mr. Villella explained the new accounting requirements caught many auditors off guard and the Town's auditor would not sign off on the Pension Fund's audit. He further explained the recent action was clearly not representative of the Town's expectations. The Board instructed the administrator to invite Cherry Bekaert and Holland to the next meeting to address the Town's concerns.

OTHER BUSINESS

The April, May and June PomTrack reports had been included in the Trustee packets for review. Ken Harrison noted they had reported on a case that has been filed; however Pomerantz was not requesting the Board file as lead plaintiff on that particular case. Marc Dobin reported he had been contacted by Pedro Herrera of Mr. Harrison's office between meetings requesting the Plan sign off as lead on another case. Mr. Dobin explained he had signed off to file as lead; however it ended up with the Board not being appointed as the lead for that particular one.

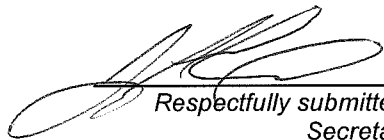
Ken Harrison confirmed that all Trustees should have completed Form 1 filing by July 1st. All Trustees in attendance confirmed they had filed accordingly.

Mr. Harrison then reported of upcoming Trustee schools being held by the FPPTA and Division of Retirement and he highly recommended the Board consider attending the educational sessions.

Denise McNeill explained that Mr. Scopelitis had reached out to her about issues he had heard of the custodian at the FPPTA conference in June. Mrs. McNeill reported that all had been well for this Plan and the issues she was aware of related to other clients who had experienced difficulty; however all appears to be under control at this time. Ken Harrison confirmed Fifth Third has had issues with some specific clients. Discussion followed regarding other custodians. Mr. Chambers advised issues arise with all custodians at different times. He recommended sending a letter to the custodian advising of the Board's concern as he would like to hear Fifth Third's response.

The Trustees confirmed the next meeting had been previously scheduled for November 14, 2016.

With there being no further business, the meeting adjourned at 12:19 P.M.


Respectfully submitted,
Secretary