

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
November 14, 2016

Marc Dobin called the meeting to order at 10:08 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
Nick Scopelitis (10:41)

OTHERS

Burgess Chambers; Burgess Chambers & Associates
Denise McNeill, Pension Resource Center
Chad Little, Freiman Little Actuaries
Ken Harrison, Sugarman & Susskind P.A.
Michael Vilella; Town of Jupiter
Stephanie Geller; Miller Howard Investments
David Hicks; Salient Partners
Richelle Hayes; American Realty

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 meetings held May 9 and August 8, 2016. It was noted the May minutes had been tabled from the August meeting.

- Michael Stevens made a motion to approve the May minutes as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.
- Michael Salvemini made a motion to approve the August minutes as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

ATTORNEY REPORT

Ken Harrison reported the 2016 Audit Engagement letter was acceptable and ready for signature. He then reviewed recent changes related to custody sweep accounts noting municipality related bank accounts must be in institutional type accounts and he further confirmed this Plan is already in such an account. Mr. Harrison explained the Plan has an older custody contract with Fifth Third Bank and he recommended updating the contract.

Mr. Harrison then provided an update regarding the IRS allowance for In Service Distributions explaining they are still in discussion and have not made a formal rule at this time while more issues continue to crop up regarding the matter. He explained pending questions relate to circumstances such as Share accounts with language stating funds are forfeited if a member leaves prior to vesting. While such forfeitures are standard procedure, the process is one the IRS is giving additional review to even though the IRS approved many Plans with said forfeiture provision.

Mr. Harrison then reported that Michael from his firm had left the firm, taking an in-house position in a union lobbying office in Washington DC.

Mr. Harrison explained he had received an inquiry from the actuary the prior week related to the Stop/Start in 2011 and the level of reserve accumulated from Chapter 175 funds. Mr. Little explained the entire amount up to the \$611K level is to be used by the Town to offset their contributions, and then Share accounts will need to be set up for the funds received over that amount which are then to be split between the Town and members. Mr. Harrison confirmed that is his understanding as well and Mr. Alexandre confirmed that is the Union intention also. Mr. Harrison explained the Board will need to address Share accounts later in 2017.

Mr. Harrison then thanked the Board for being a client and handed out insulated cups as a holiday gift, confirming the gifts cost under \$25 each.

INVESTMENT MANAGER REPORT: MILLER HOWARD INVESTMENTS

Stephanie Geller appeared before the Board on behalf of Miller Howard Investments to provide a report on the investment performance of the portfolio for the quarter ending September 30, 2016. She explained they have seen dramatic shifts in cost from the highest cost of energy in the market to the lowest, as transitioned this past year. She reported the current yield on the portfolio was 6.8% and the income component is strong. She reported 72% of the portfolio is in natural gas; however the entire energy sector struggled in the market and the issue was not isolated to crude. Ms. Geller reported they see a shift to the lower 48 states with the efficiency of drilling and the US continues to grow in the export of natural gas. Discussion followed regarding the push to utilize natural gas. Ms. Geller explained Carnival Cruise Lines is building two of the largest ships in their fleet to run on natural gas. She then reviewed specific holdings in the portfolio explaining they are looking for companies with the best contracts and with long term fixed fees. She explained the past year has been good for low quality; however they expect a shift to quality companies with predictable cash flow. Ms. Geller then reviewed the purchases and sales in detail explaining they trim and add positions that are not always equally weighted in the portfolio. She explained the sell side tends to mirror the buy side; they want to be comfortable the company is able to maintain and grow distribution. She explained the current growth rate of 6% is much higher than was expected at the beginning of the year and their outlook is positive. Ms. Geller responded to several questions from the Trustees explaining their timing into MLP's was bad and the asset class had the largest drop in the shortest period in history. She confirmed that overall, since inception, the investment has gained for the plan, even with the poor timing and market loss. She further explained much money left the market quickly when the market dropped and the funds had to be made available for liquid accessibility. Ms. Geller explained the current year underperformance relates almost entirely to one company's holding. She confirmed March 31, 2016 was the lowest point of the sector and they have recovered a total return of 15.97% since that time. David Hicks of Salient advised the sector recovery has been 59% overall since the bottom period earlier in 2016. Ms. Geller explained many of the assets held in the portfolio had focused on renegotiating contracts in order to meet commitments.

INVESTMENT MANAGER REPORT: SALIENT PARTNERS

David Hicks appeared before the Board on behalf of Salient Partners to provide a report on the investment performance of the portfolio for the quarter ending September 30, 2016. Mr. Hicks provided an update of the firm and team members. He explained they purchase mid-stream companies such as toll roads. He explained they look for stable companies with growing distribution processes and stable cash flow. He reviewed their style allocation explaining he believes there is much value in this space currently. Mr. Hicks responded to several questions from the consultant and trustees. Discussion followed regarding the Dakota pipeline and the issue with Indian land. Mr. Hicks explained the companies want to transport through pipeline versus rail as it is safer and more cost effective. It was noted railroads are seeing a decline in activity due to the gas pipelines that have been installed. Mr. Hicks reported in 2015 MLP's traded similar with commodities. He reported even in the tough environment, the asset has recovered well. Mr. Hicks explained supply and demand are getting back into balance. He explained the US is not a high cost producer and has become the swing producer from the adjustment of product need as an alternative to Saudi Arabia. Mr. Hicks explained the outlook for the asset class is strong due to the expected direction of the new political party wishing to promote the production of coal and natural gas. He reported MLP's were up 300 basis points and up 3-5% since the election; however he also recognized a market sell off in October leading up to the election. Mr. Hicks explained the improvement in the fracking technology has improved pricing by 20 to 30% in the past year alone. Mr. Hicks summarized explaining pipelines are about energy demand and as long as people use energy, it is an attractive place to be. Lengthy discussion followed regarding the dichotomy of the MLP process; when one manager divests of specific companies while another manager invests into that same company.

David Hicks and Stephanie Geller departed the meeting at 11:15 AM.

INVESTMENT MANAGER REPORT: AMERICAN REALTY

Richelle Hayes appeared before the Board on behalf of American Realty to provide a report on the investment performance of the portfolio for the quarter ending September 30, 2016. She began by providing an update of the firm noting they are one of the largest, domestic-only real estate portfolios in the US. She explained they are a core real estate fund which has done well since 2010. She reported 60% has been from appreciation and 40% from return. Mrs. Hayes explained they are trying to lower expectation as the portfolio is expected to return 6-8% even though it has done much better than that. She reviewed the current political environment noting President Elect Trump expects to promote job growth. She reviewed the dynamics of the portfolio explaining they look for supply and demand areas with a tenant mix. Mrs. Hayes explained they typically want no more than 5-10% occupancy from one company with the exception of Apple who has 100% of one particular building. She explained they are an open-ended fund and have been flexible on redemptions. Mrs. Hayes then reviewed the strategy in detail noting they have the opportunity for up to 40% debt; however they choose to remain at 20-25%. She reported 6% dividend yield annually. She reviewed the type of properties held explaining they were purchasing grocery retail centers and are now doing more of what they call "mixed juice"; which is a combination of grocery on the bottom and business space on upper floors. Mrs. Hayes reviewed specific holdings and the dynamics related to the properties. She then responded to various questions from the Trustees and the consultant. Mrs. Hayes confirmed they do an internal review of the properties quarterly and they have an outside company review the properties annually. Discussion followed regarding rising interest rates. Mrs. Hayes explained if the rising rates are due to inflation reasons and the economy is growing, then inflation is positive; however if there is inflation solely due to governmental adjustments, then it could be a problem. Richelle Hayes departed the meeting at 11:27 A.M.

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 September 30, 2016. Mr. Chambers explained publicly traded REITS tend to telegraph what will happen in private real estate long term. He further explained REITS peaked in July and have come down since foretelling cap rates are going up. He explained there is little volatility; however there are only four times per year to exit the investment, typically with a ninety day notice. Mr. Chambers reviewed the current market environment noting it may be a good idea to reduce the real estate exposure at this time by \$1M moving the funds to cash or bonds. He further reported they have been slightly overweight in the private real estate asset and have done well from the overweight; however he feels it is a good time to bring the asset back in line with the target. Mr. Chambers referred to the market summary in the report explaining he is attempting to explain Washington's fiscal policy versus the Federal Reserve. Mr. Chambers went on to review the total investment return for the fiscal year. The Fund was up 9.1% compared to the model of 9.9%, ranking the Plan in the sixty-sixth decile of public funds. Mr. Chambers reported the following for the fiscal year: total equities were up 11.3%, domestic equities were up 13.0%, MLP's were up 6.1%, convertibles were up 8.7%, International equities were up 7.5%, REITS were up 17.6%, private real estate was up 9.0% and fixed income was up 5.3%. Mr. Chambers then went on to review each manager in detail noting Plans with higher return in the fiscal year had a higher allocation to equities. He reported Miller Howard was a detractor while the REIT was up 17%. Mr. Chambers noted that many actions the Plan has taken have done well and the Plan has earned much in the past five years; however he does not expect the fixed income environment to continue that same growth and return. He explained Miller Howard's loss hurt; however it was countered by Salient's earnings. He noted that he is happy with American Realty's return and they are only behind the bench due to their lower leverage. Mr. Chambers explained with rates going up, the market could enter into a negative bond environment for a while. Mr. Chambers responded to questions from the Trustees explaining he has been an investment consultant for thirty two years and currently, the Plan has the lowest exposure to bonds. He further reported that bonds will partly self-correct themselves as they mature and he would not recommend moving funds out of bonds at this time as the lack of performance from bonds will be picked up in other asset allocation due to the Plan's diversity. Mr. Chambers explained if the new political leadership takes meaningful action on the tax laws for both small and large companies, they

could see much improvement in the equity market. Mr. Harrison noted improvement on the compliance checklist and Mr. Chambers explained the Plan has done well; however it is a process and the bond market remains under severe pressure due to repressed rates. Discussion followed regarding Advent and Mr. Chambers explained they have shown a positive strategy where they trim off the portfolio early and redeploy asset; therefore he recommended the Board take no action on Advent at this time. Discussion followed regarding the asset allocation and Mr. Chambers explained the Plan remains slightly underweight in international and overweight in domestic stocks and he recommended not changing that allocation at this time. Mr. Chambers explained in summary, he recommended rebalancing American Realty back to target and for the funds to be held in cash for now.

- Michael Salvemini made a motion to rebalance American Realty back to target moving \$1M out of real estate to cash. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.
- Nick Scopelitis made a motion to accept the investment consultant report as presented. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

Mr. Chambers presented a fee increase from \$25,000 annually to \$31,000. He explained as a firm their costs for personnel and benefits increase and he requested a fee increase to \$31,000 or 5 basis points of assets. Discussion followed regarding fees as being a set amount versus basis points tied to assets. Marc Dobin explained he reviewed the Statute and believes the fees must be on a flat fee basis. Mr. Chambers guaranteed the rate for three years.

- Michael Stevens made a motion to approve the fee increase for the investment consultant to \$30,000 effective January 1, 2017. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

Mr. Harrison explained it is an old contract and he recommended the contract be re-written and will include the new fee increase accordingly. He will provide a revised contract for consideration.

ACTUARY REPORT

Chad Little advised there were no further actuary items to be addressed.

APPROVAL OF DISBURSEMENTS

Denise McNeill presented the disbursements for review. Marc Dobin confirmed he reviewed the bills between meetings prior to payment.

- Jason Alexandre made a motion to approve the disbursements as presented. The motion received a second by Michael Salvemini and was approved by the Trustees 5-0.

Mrs. McNeill presented the interim financial statements.

- Nick Scopelitis made a motion to accept the interim financial statement as presented. The motion received a second by Michael Salvemini and was approved by the Trustees 5-0.

ADMINISTRATIVE REPORT

FIDUCIARY LIABILITY POLICY: Ken Harrison explained that the current policy does not allow the Board the opportunity to select their own attorney. Mrs. McNeill reviewed the process explaining the policy had recently been renewed. Discussion followed regarding the process. It was agreed the policy would be shopped earlier in 2017 for presentation to the Board at the August meeting.

CRIME BOND: Discussion then followed regarding the Crime Bond. Mrs. McNeill explained the type of group was corrected on the new policy renewal. She explained that she noticed the policy had been written listing the Pension Board as a social club and not as a governmental entity, which she had worked on having corrected. Mr. Harrison requested the administrator request an extension instead of renewing the policy at this time, then the Board could address further at the

February meeting. Mrs. McNeill will inquire if it can be extended instead of the full renewal processed and if it cannot be extended, the policy will be shopped in advance in 2017 as with the fiduciary liability policy.

2017 MEETING DATES: Mr. Villella advised he had confirmed Council Chambers was available for all dates listed on the schedule. The Trustees confirmed to keep the same schedule as 2016. Mrs. McNeill explained they had received a request from the Town confirming the audit and valuations would be presented at the February meeting. The administrator will coordinate accordingly with the auditor and actuary.

AUDIT UPDATE: Mr. Villella explained he had spoken with the Plan's auditors regarding the prior year matter with the Town's auditor and the new GASB reporting. He explained that it was the first year of the new reporting and it seemed there was confusion as to which auditor would be responsible for certain reporting. Mr. Villella believes it has all been resolved and he does not expect to have the same issue with 2016 reporting.

SHARE ACCOUNTS: Mr. Villella then inquired into State Chapter 185 funds received in September and he inquired into the process for the new Share accounts that will be needed. Mr. Little confirmed approximately \$120K will need to be allocated to Share accounts due to the State mandate. He explained he is not certain if the action will need to be done by collective bargaining or if the Board may create by way of making a policy. He further explained the funds would be credited with a deposit date of 10/01/16 for the funds received; Ken Harrison and Chad Little will address the process.

LINE OF DUTY DEATH: Mr. Villella explained the State recently adopted a change to the line of duty death and increased payments to the surviving spouse to receive the full surviving salary of the deceased member. He reported that he is working with Jason Alexandre on a proposal to present to the Town Council. Mr. Harrison explained the employee group could sign off on the benefit and he can write the pension ordinance change. Mr. Villella explained he does not wish to wait for the next contract to make the change. Mr. Harrison confirmed he will bring language to the February meeting for the Town to use. Mr. Little confirmed he will run an impact statement after it has been adopted by the Town.

TRUSTEE SEATS: Denise McNeill explained there was a discrepancy in the Trustee seats between what the Board had on record versus what the Town had on record. She reviewed the differences. The Board confirmed to use the dates on record with the Town for the two Town appointees and the Fifth Seat.

Ken Harrison departed the meeting at 12:45 PM.

BENEFIT APPROVALS: Benefit Approvals were listed in the meeting packets for consideration. It was noted one of the items related to a DROP withdrawal processed by the prior administrator that had been inadvertently left off of an earlier benefit approval.

- Nick Scopelitis made a motion to approve the Benefits as presented. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

INTEREST RATE FOR REFUNDS: Mrs. McNeill requested confirmation of the interest rate to be credited for refunds. She explained there was a pending refund to be issued and she had not been able to find specific language confirming the rate to be used. Chad Little confirmed the rate was 4% and the Trustees agreed that was the rate to be used.

RFP: Mrs. McNeill inquired into whether an audit RFP was necessary since the auditor reporting confusion had been resolved with the Town. The Trustees confirmed that they had not done an auditor RFP in quite some time and they feel the process is due.

OTHER BUSINESS

The updated PomTrack reports had been included in the Trustee packets for review. Mrs. McNeill then inquired into a list of portfolio monitoring firms. She explained she had received an inquiry from the custodian confirming four firms were eligible to access their custody reports;

however she did not see information on file allowing a couple of the firms and wanted to confirm with the Trustees directly. The Trustees confirmed all four firms were to have the necessary access.

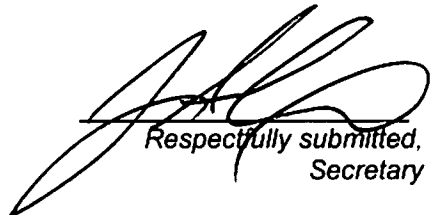
Discussion followed regarding the custodian. The Trustees instructed the administrator to invite the custodian to an upcoming meeting.

Mrs. McNeill inquired into the email addresses to be used for the Board as it appeared there had been some confusion about the meeting packets and Trustee notice. Mr., Dobin explained the Trustees can set up a forward from the pension trustee email to their personal to ensure they receive notice of when the emails are sent and files are loaded. The administrator can then send a secondary email to the trustees other addresses instructing them to check their trustee email.

Discussion followed regarding the 60T investment information needed from the consultant for the actuary to complete reporting for the fiscal year. Mr. Little reminded Mr. Chambers the information would be needed by November so that he could complete the reporting by February.

The Trustees confirmed the next meeting had been previously scheduled for February 13, 2017.

With there being no further business, the meeting adjourned at 1:00 P.M.



Respectfully submitted,
Secretary