

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

Marc Dobin called the meeting to order at 10:01 A.M. at the Council Chambers at Town Hall, Jupiter, and Florida. Those persons present were:

**TRUSTEES**

Marc Dobin  
Nick Scopelitis  
Mike Stevens  
Jason Alexandre  
Mike Salvemini

**OTHERS**

Burgess Chambers, Burgess Chambers & Associates  
Nick Schiess, Pension Resource Center  
Chad Little, Freiman Little Actuaries  
Ken Harrison, Sugarman & Susskind P.A.  
Michael Villella, Town of Jupiter  
John Johnson, Eagle Capital Management  
Alicia Train, Cherry Bekaert

**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 December 7, 2015.

- Mike Stevens made a motion to approve the minutes of the meeting held December 7, 2015. Mike Salvemini seconded the motion, approved by the Trustees 5-0.

**INVESTMENT MANAGER REPORT: EAGLE CAPITAL MANAGEMENT**

John Johnson appeared before the Board on behalf of Eagle Capital Management to provide a report on the large cap value portfolio for the quarter ending December 31, 2015. Mr. Johnson reported that the net return for the quarter was 6.4% versus the index of 5.6% and for the calendar year was 1.6% versus -3.8% for the index. He discussed the market and environmental conditions behind the recent market downturn, noting that there was not any fundamental basis for a downturn and the market had suffered excessive overreaction to world and economic news. Mr. Johnson was questioned whether there were any significant changes within the portfolio and responded that there were not any significant changes in the holdings or investment strategy.

Mr. Johnson was questioned regarding the firm's director Ravel Curry's participation on the board of trustees of the Manhattan Institute for Policy Research, which had published a paper unsupportive of defined benefit pension plans. Mr. Johnson explained that the institute engages in a broad range of policy research and that specific paper represented only a small fraction of the output. He also expressed that Mr. Curry does not endorse or support the content produced. Mr. Johnson advised that Mr. Curry and the firm were very supportive of public and private defined benefit pension plans, which comprised a significant portion of the firm's business.

## **AUDITOR'S REPORT**

Alicia Train appeared before the Board on behalf of Cherry Bekaert Holland to present a draft audit report for the fiscal year ending September 30, 2015. Ms. Train reviewed in great detail the financial statements of the Plan and issued the Board with a clean unqualified opinion letter on the financial statements. She noted that no material weaknesses in the financial statements had been discovered and also that no deficiencies were identified with internal controls and procedures. Ms. Train advised that a few final confirmations were outstanding as well as finalizing recently required new GASB reports.

- Nick Scopelitis made a motion to accept the 2015 auditor's report and financial statements contingent upon final confirmations and completion of GASB reports and authorize the Chairman to execute a Management Representation Letter contingent upon the issuance of the final audit report. Jason Alexandre seconded the motion, approved by the Trustees 5-0.

Ms. Train provided the Board with an opinion that investment returns generated from the Plan's two portfolios of master limited partnerships was not subject to unrelated business income tax and the filing of the many K-1s tax reporting forms received from the individual holdings within the portfolios was unnecessary.

## **ACTUARY REPORT**

Chad Little presented the 2015 Actuarial Valuation. He reported that the recommended required employer funding for the 2017 fiscal year net of the expected State contribution is \$2,211,161, which expressed as a percentage of payroll is 29.98% and a decrease from the previous year. The reduction was attributable to favorable experience in the form of lower payroll growth than expected partially offset by unfavorable investment earnings. Mr. Little discussed the actuarial assumptions and other factors used to develop the costing of the Plan and determine funding requirements. He noted that new mortality table required by the State had been implemented as previously authorized by the Board.

- Nick Scopelitis made a motion to adopt the Actuarial Valuation contingent upon issuance of the final audit and financial statements. Mike Salvemini seconded the motion, approved by the Trustees 5-0.

Mr. Little discussed the crediting of DROP accounts for investment earnings, noting that this last fiscal year represented the very first year that investment earnings had been negative since the major restructuring of the DROP provisions. He explained that crediting of DROP accounts for participants that had terminated employment was determined by a cumulative return position that was not thoroughly defined within the Ordinance. Mr. Little agreed to provide optional methods of calculation to clarify the calculation methodology for the Board's consideration at a future meeting.

Mr. Little presented a draft GASB 67 & 68 Supplemental Report containing newly required disclosures.

## **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, 2015. Mr. Chambers reported that the investment return for the quarter was 2.38% and for the calendar year was -0.95%. He discussed in great detail the market and environmental conditions behind the market volatility and downturn.

Mr. Chambers then discussed the volatility and downturn in the value of the two master limited partnership portfolios, noting that their performance relative to the benchmark was satisfactory. He discussed the market conditions and asset class and anticipated a recovery in value and therefore ultimately recommended remaining in the asset class.

Mr. Chambers reported that the portfolio manager of WHV Investments, Richard Hirayama, announced his retirement. Mr. Chambers reviewed the results of international equity manager search, noting that the EuroPacific Fund managed by American Funds was a leading candidate as a replacement manager. This fund already represented two thirds of the of the portfolio's allocation to international equities. Mr. Chambers recommended the termination of WHV Investments and invest the proceeds in the EuroPacific Fund managed by American Funds.

- Mike Salvemini made a motion to terminate the agreement with WHV Investments and transfer proceeds to American Funds' EuroPacific Fund. Jason Alexandre seconded the motion, approved by the Trustees 5-0.

Mr. Chambers reviewed the performance of the other investment products in great detail, noting all were satisfactory.

Mr. Chambers reviewed the asset allocation and a discussion arose regarding the investment of excess cash. He reminded the Board that \$400K was reserved for a pending capital call from American Realty Advisors and recommended that the remaining excess cash be invested in the fixed income allocation.

- Nick Scopelitis made a motion to transfer \$650K from cash to the fixed income allocation. Mike Salvemini seconded the motion, approved by the Trustees 5-0.

### **ATTORNEY REPORT**

Ken Harrison provided a legislative update, noting that there not any proposed legislative changes affecting governmental pension plans on the immediate horizon.

### **APPROVAL OF DISBURSEMENTS**

The Trustees reviewed the disbursements presented for approval by the Administrator.

- Nick Scopelitis made a motion to approve the disbursements as presented. Jason Alexandre seconded the motion, approved by the Trustees 5-0.

### **BENEFIT APPROVALS**

The Trustees reviewed the benefit approvals presented for approval by the Administrator.

- Nick Scopelitis made a motion to approve the benefit approvals as presented. Mike Salvemini seconded the motion, approved by the Trustees 5-0.

## **ADMINISTRATIVE REPORT**

Nick Schiess distributed unaudited interim financial statements, which the Board received and filed.

Mr. Schiess reported that the revised Summary Plan Description approved at the last meeting had been disseminated electronically to the active members via interdepartmental e-mail.

Mr. Schiess reported that the documentation required for entry onto the queue for an additional \$400K contribution to American Realty Advisors had been successfully submitted.

## **OTHER BUSINESS**

The Board reviewed a code of conduct published by the National Conference of Public Employee Retirement Systems, which is an ethical framework for service providers to pension plans. A discussion ensued regarding requesting the Plan's service providers to voluntarily adhere to the published guidelines of conduct. Another discussion arose regarding balancing the fiduciary responsibility to maximize investment returns versus social considerations while investing. Ken Harrison advised that the Department of Labor recently amended its position to allow fiduciaries to consider social factors when investing.

- Nick Scopelitis made a motion to table the matter until the next meeting. Mike Salvemini seconded the motion, approved by the Trustees 5-0.

The Board discussed 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 Stevens 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. Nick Scopelitis seconded the motion, approved by the Trustees 5-0.

## **SCHEDULE NEXT MEETING**

The next meeting was scheduled for May 9, 2016.

With there being no further business, the meeting adjourned at 1:48 P.M.

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Respectfully submitted,  
Secretary