

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
MAY 9, 2016

Marc Dobin called the meeting to order at 10:09 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
Scott Baur, Pension Resource Center
Chad Little, Freiman Little Actuaries
Ken Harrison, Sugarman & Susskind P.A.*

PUBLIC COMMENTS

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

The Trustees congratulated Mike Salvemini on his reappointment to the Board.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held February 8, 2016.

- Nick Scopelitis made a motion to approve the minutes of the meeting held February 8, 2016. The motion received a second from Jason Alexandre and was approved by the Trustees 5-0.*

INVESTMENT MANAGER REPORT: ADVENT CAPITAL MANAGEMENT

Courtney Smith and David Hulme joined the meeting via conference call to present a report for the quarter ending March 31, 2016. Mr. Hulme began by explaining it is a long term strategy and they use a bottom-up type of process to select securities for the portfolio. He explained the portfolio is designed to capture "equity-like" returns while limiting the downside and overall Advent targets around 70% on the upside and 50% on the downside capture. Mr. Hulme reviewed the composition of the portfolio in detail. Mr. Chambers inquired into how Advent manages risk as it relates to their recent underperformance. It was noted the portfolio earned 8.1% since inception compared to the bench which earned 9.68%. Mr. Hulme reported an overweight to healthcare and technology detracted from the portfolio while an underweight to energy and materials helped the performance. He then confirmed there have been no changes to the management team. Discussion followed regarding Advent's performance relative to their peers and Mr. Hulme explained he believes consistency in the process and management will deliver results over a longer period of time. Mr. Hulme and Mrs. Smith ended the call.

Mr. Chambers explained various things that can go wrong with portfolio management from the wrong delta to securities selection. He explained the securities selection weighed more on the Advent portfolio. Mr. Chambers advised he feels the manager will perform for the longer term. Mr. Dobin questioned the returns and how long the Board should remain committed to Advent or to the mandate. Mr. Chambers reviewed Advent's performance over the rolling quarters explaining they had only a couple of underperforming quarters. He further explained there have been no real down turns in the market since inception of the Advent addition so the Board should evaluate the manager over a full market cycle. Mr. Chambers reported the allocation or mandate has performed extraordinarily well compared to the bond allocation. Mr. Stevens requested the consultant back-test historical

performance for Advent. Mr. Chambers will provide an updated manager search for the Board to consider alternatives.

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 March 31, 2016. Mr. Chambers reported that the investment return for the quarter was 0.4% compared to the bench of 1%; fiscal year was 2.9% versus the bench of 3.7%; five year was 6.5% versus the bench of 6.6%. He addressed the market conditions in detail.

Mr. Chambers reported both MLP investments held by the Plan had substantial losses for the trailing twelve months; while both managers had gains with returns ahead of the bench for the recent quarter. He explained the MLP performance relates to the sell-off in energy. Mr. Chambers reviewed the historical performance for the asset class. He reported that based on the metrics, the sell-off has largely finished and the sector has now begun to recover; therefore the MLP mandates now have substantially more upside potential. Lengthy discussion followed regarding the asset class, long term performance and the relation to the overall portfolio. Mr. Chambers explained he sees continued demand for natural gas and oil despite the recent volatility, particularly with the demand increasing in China and India.

Mr. Chambers continued to review the individual portfolio components. He explained between REITS and direct real estate, the Plan has a significant commitment to real estate. If the Fed substantially increases interest rates, growth in property values will slow. He advised that he does not believe the current market environment will allow the Fed room to raise interest rates much.

Mr. Chambers did not recommend rebalancing at this time and since the policy allows for such as needed in the quarter; he will monitor and process as necessary between meetings.

Mr. Chambers reported the MLP's underperformance and the allocation to WHV (terminated during the quarter) caused most of the under performance relative to the bench. He further reported the assets now have gains of about 5.3% fiscal year to date into the current quarter. Mr. Chambers will provide an updated manager search and will invite the MLP managers to the upcoming meeting.

ACTUARY REPORT

Chad Little reviewed the DROP Policy with the Trustees. He explained active DROP members have a minimum (floor) of 2% and a maximum (ceiling) of 1% below the assumed rate of return (ARR). He explained for inactive members, any period with a loss, such members receive zero credited interest until the Plan recovers losses. The Policy is not clear on how the credit should happen. Lengthy discussion followed regarding the process. Mr. Little recommended a linear method to calculate when accounts should receive further credit of earnings and he referred back to the original Memo of Understanding. The Trustees confirmed they see the intent as compounded returns, back above 2% before accounts receive further credits. Mr. Little confirmed interest is credited only one time each year at fiscal yearend. Mr. Harrison stated the Board has a primary responsibility to the members as fiduciaries and if the Plan does not fully make up the losses, the active members then begin to subsidize accounts for retired members. The Trustees agreed the Plan must be made whole before the inactive members receive any further credit of interest. They agreed interest credits will begin for each individual member once the member reaches the earnings trigger going over the threshold and member exiting the DROP will be pro-rated both methods by year of exit.

INVESTMENT CONSULTANT REPORT - CONTINUED

It was noted the consultant had provided the 60T Disclosure.

Mr. Chambers addressed American Realty explaining there was cash in the portfolio not yet deployed into the real estate investment. He considered where the Board may deploy the cash explaining he does not have any portfolios that he wants to add to at this time so he recommended the Board wait on the cash until the August meeting.

ATTORNEY REPORT

Ken Harrison addressed an IRS proposed regulation on retirement age. He indicated the proposed regulation will only cause an issue for Plans allowing an in-service distribution and this Plan has a Rule of 65 which may also create a problem. His office will be reviewing each Plan and he will advise on any possible required changes.

APPROVAL OF DISBURSEMENTS

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

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

ADMINISTRATIVE REPORT

Scott Baur presented the interim financial statements, which the Board received and filed.

Mr. Baur presented the Draft 2016 Budget for review. Discussion followed regarding the process.

- Nick Scopelitis made a motion to approve the 2016 Budget as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.*

Mr. Baur reported a copy of the Resource Centers' SSAE-16 audit was presented in the Trustee packets for review. He explained it is an internal controls and procedures audit that the administrator undergoes annually. He explained the Resource Centers is the only such third party pension administrator of their kind undergoing the annual internal review and while the process is costly and time consuming, it helps to ensure that the administrator takes their role seriously to properly follow the internal protocol they have established on behalf of their clients.

Mr. Baur addressed the recent staff change at the Resource Centers explaining that losing Nick Schiess was not the company's choice and he had worked for the Resource Centers for several years. Mr. Baur explained the Resource Centers had trained him well for his new role noting what Nick did for the Board was part of the company's internal process. While the company is sad to lose Mr. Schiess, the processes and training are part of what the company does and they have the depth to provide strong plan administration to the Board going forward.

Mr. Baur reported the administrator had received an inquiry from the Division of Retirement with questions on the 2015 Annual Report. The administrator will research and respond accordingly.

OTHER BUSINESS

The Board reviewed a code of conduct published by the National Conference of Public Employee Retirement Systems, which had been tabled from the prior meeting. It was noted the Code holds service providers to acting in the interests of the Plan. Discussion followed regarding the founder of Eagle Asset Management and how he serves as a director for the

Manhattan Institute which is known to promote against defined benefit plans. Mr. Dobin considered the fiduciary role of the Board and where service providers may have interests that run counter to the defined benefit plans. Ken Harrison recommended the Board adopt the policy explaining it sends a message to current and prospective service providers.

- *Jason Alexandre made a motion to adopt the NCPERS Code of Conduct Policy. The motion received a second from Mike Salvemini. Lengthy discussion followed regarding the process. Mr. Chambers addressed the criteria for managers. Discussion followed regarding eliminating any service provider for consideration by refusal to sign the Code agreement. Mr. Chambers explained he has concerns the Code might eliminate qualified service providers from consideration. The motion was restated to adopt the Code as part of the screening process for all service providers and to apply the process for contract renewals with all current providers. The motion was called to vote and failed 2-3.*

Mr. Baur presented revised signature authorization forms to be updated for the custodian and managers.

- *Nick Scopelitis made a motion to approve and sign the revised authorization forms as presented. The motion received a second by Mike Stevens and was approved by the Trustees 5-0.*

Mr. Dobin noted the tablet pens require specialty batteries and he has purchased some if needed by the other Trustees.

Mr. Dobin then explained he would like to purchase a recognition plaque for Nick Schiess and requested a budget amount.

- *Mike Stevens made a motion to approve a plaque be purchased for Nick Schiess and for costs not to exceed \$200. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.*

It was noted the Trustee Form 1 filing must be completed by July 1st.

The Trustees confirmed the next meeting had been previously scheduled for August 8, 2016.

With there being no further business, the meeting adjourned at 12:43 P.M.

*Respectfully submitted,
Secretary*