

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**  
**MINUTES OF MEETING HELD**  
**February 13, 2017**

Marc Dobin called the meeting to order at 10:03 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 (10:10)

**OTHERS**

Ken Harrison & Dustin Watkins, Sugarman & Susskind P.A.  
Denise McNeill, Pension Resource Center  
Chad Little, Freiman Little Actuaries  
Burgess Chambers; Burgess Chambers & Associates  
Michael Villella; Town of Jupiter  
Neal Renuart; Cherry Bekaert & Holland

**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 November 2016.

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

**ATTORNEY REPORT**

Ken Harrison reported the custody contract with Fifth Third Bank was pending. Marc Dobin noted a few items to be corrected on the agreement for Mr. Harrison. He further requested to have the "in writing" statement defined, as physically written documents may not exist at some point in the future.

Mr. Harrison reported on an Ordinance amendment recently drafted related to line of duty death. Jason Alexandre explained the contract was ratified on February 7, 2017. Mr. Harrison confirmed it can be retroactive and can be signed between meetings if approved.

**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, 2016. Mr. Chambers explained at the last meeting the Board had approved to move \$1M from American Realty to cash for which the real estate redemption was processed by American Realty early January. Additionally, cash was rebalanced \$1M to CS McKee, \$350K to Salient and \$350K to Advent. He provided a market perspective as outlined in the report. Mr. Chambers addressed a strong dollar environment. He explained emerging market economies do well in periods of economic growth. He explained active managers have struggled; however Eagle and Salient were the exception. He noted overall, index based assets continue to outperform most active management. Mr. Chambers went on to review the total investment return for the quarter. The Fund was up 0.4% compared to the model of 1.2%, ranking the Plan in the sixty-fifth decile of public funds. Mr. Chambers reported the following: total equities were up 1.7%, domestic equities were up 4.3%, MLP's were up 3.1%, convertibles were up 1.2%, International equities were down -4.0%, REITS were down -2.5%, private real estate was up 1.2% and fixed income was down -2.4%. Mr. Chambers then went on to review each manager in detail. He reported Eagle has done well and Salient was up 27.7% for the one year versus Miller Howard of 5.5%. Mr. Chambers explained Miller Howard's performance was due to a specific

holding that was in litigation and they have been trailing the bench for five consecutive quarters. Mr. Chambers explained that although they have not had Miller Howard for long, he recommended the Board transition away from them as the issue has been too big for too long. He then addressed the convertibles noting the bench is difficult for active managers to beat as it holds a lot of low quality junk bonds while Advent focuses on high quality. Mr. Chambers noted he has no problem with the way Advent is managing risk in the portfolio and their returns are good. He then addressed private real estate noting it has done well for the Plan and has been an excellent bond substitute; however going forward he has some concerns with private real estate in the current environment. Discussion followed regarding REITS and private real estate. Mr. Chambers will provide an update on private real estate at the next meeting. Mr. Dobin inquired if action needs to be addressed at this time and Mr. Chambers explained the Board has given BCA rebalance authorization; therefore if he feels any specific change is needed between meetings within the current investment policy guidelines, then the transition would be handled. Mr. Chambers noted REITs are an early warning on private real estate and they are accurate 80% of the time. Mr. Chambers addressed Miller Howard explaining one of the founders released a notice of retirement. He explained he has also spoken with another firm (Tortoise) and Westwood would also be an option. He recommended the Board liquidate the Miller Howard account and move funds to Salient. Discussion followed regarding Tortois and Westwood. Lengthy discussion followed regarding the asset allocation and active management versus indexed funds.

- Nick Scopelitis made a motion to liquidate Miller Howard. The motion died for lack of a second.
- Nick Scopelitis made a motion to have Ken Harrison review the Tortois agreement for investment. The motion died for lack of a second.

Burgess Chambers confirmed his recommendation to replace Miller Howard is Tortois or Westwood. Lengthy discussion followed regarding active versus passive management. Mr. Chambers explained that has been the long time debate and he confirmed it is becoming more difficult to justify active management now more than ever. He explained in the 80's, the S&P was 50% in tech and the Russell Growth was 78% in tech; however that is no longer the scenario. He confirmed he does have a few clients who are 100% indexed. Mr. Chambers explained we are conditioned to believe we need active managers to forecast market transitions; however such transitions happen so quickly that managers do not have the time to get out in front of the transition. He further explained the active argument that managers protect on the downside, is not being proven. Discussion followed regarding the passive options. Mr. Chambers noted it could be a good idea for the Plan to index half of the large cap value, large cap growth and convertibles. Discussion followed regarding moving 25% or 50% into passive for these three categories. Nick Scopelitis explained the active versus passive matter was a big argument at the conference he attended the prior week. Mr. Chambers explained he will take fiduciary responsibility for the recommendation of the index and he will keep an eye on the index detail. He further advised not to expect a linear outperformance of the index as there will be periods the active management will outperform. Marc Dobin passed the gavel to Nick Scopelitis.

- Marc Dobin made a motion to Move 50% from active to passive for convertibles (Advent), large cap value (Eagle) and Large cap growth (Eaton Vance). The motion received a second by Michael Salvemini and was approved by the Trustees 5-0.

The gavel was returned to Marc Dobin.

Discussion followed regarding the Europacific Growth fund. Mr. Chambers explained he feels it is a good allocation for the Plan. Mr. Scopelitis inquired into a presentation he attended related to private credit. Mr. Chambers will look into it further. Nick Scopelitis inquired into Polen Capital. Mr. Chambers explained the Board had chosen Eagle in place of Polen due to a management change that had taken place at Polen near the time of the firm being considered. He reported that he has Polen in six other Plans. The Trustees instructed the consultant to invite Polen to the May meeting for presentation. Discussion returned to the international allocation.

- Mike Stevens made a motion that during the establishment of passive, to raise extra cash to move 2.3% into international, rebalancing closer to target. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

## **AUDITOR'S REPORT**

Neal Renuart appeared before the Board on behalf of Cherry Bekaert Holland to present the draft Audited Financial Statement report for the fiscal year ending September 30, 2016. Mr. Renuart reviewed in great detail the financial statements of the Plan and issued the Board with a clean, unqualified opinion letter on the financial statements. He reported that no material weaknesses in the financial statements had been determined and also that no deficiencies were identified with internal controls and procedures. Mr. Renuart reported on new accounting guidance related to the disclosures of the fair value of assets and he explained their management judgement is that all are reasonable for the Plan, based on the asset. He explained upon receipt of the signed management representation letter, the final audit report will be released. Mr. Renuart responded to questions from Mr. Villella regarding the report.

- Jason Alexandre made a motion to approve the audited financial statement as presented and authorized the chairman to sign the management representation letter. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

## **ACTUARY REPORT**

**2016 ACTUARIAL VALUATION REPORT:** Chad Little appeared before the Board to present the 2016 Actuarial Valuation. He reported that the Plan's funded ratio was 87.7%, same as the prior year. He noted the required employer funding for the 2018 fiscal year, net of the expected State contribution, is \$2,476,765, which expressed as a percentage of payroll is 29.81% (a slight increase from the previous year of less than 1%). The increase was mostly attributable to higher than expected payroll related to the 27<sup>th</sup> pay period which happens every few years. Mr. Little reported a 7.7% smoothed asset gain versus the 7.5% assumed rate of return; however he noted there are still some losses to absorb in the smoothing methodology. He reminded the Trustees that the State premium tax total received was \$730,605 of which \$611,245 is to be used by the Town to offset their contribution and the additional \$119,360 must be allocated to Share accounts as per the new state rules. Mr. Little had no other changes to recommend at this time.

- Mike Stevens made a motion to approve the Actuarial Valuation Report as presented. The motion received a second from Jason Alexandre and was approved by the Trustees 5-0.

**GASB 68 & 68 REPORT:** Mr. Little presented the GASB 67 & 68 Supplemental Report noting there is no required action necessary to approve from the Board.

**DROP INTEREST CREDITING:** Mr. Little reminded the Trustees they had requested an example explanation of the interest crediting to be used as an explanation with the members. He reviewed the example explanation with the Trustees in detail. The Trustees agreed to make the example part of the DROP file.

Mr. Little explained that, due to State law, the Board will need to adopt a Share Policy. He explained they should treat the Share accounts with the same interest earnings as the DROP with the one exception that while the DROP funds may remain in place when a member exits employment, the Share account should be withdrawn as he feels it is too expensive to administer. He explained the rules require the policy to be approved by membership. Mr. Harrison explained the Union will need to vote on the matter. Mr. Harrison and Mr. Little will work on the language and will address it further with the Board at the May meeting. Discussion followed regarding vesting and allocation. Mr. Little explained the typical process is that all members active at the end of the prior year would receive an allocation and all new hires are not included until the following year.

## **APPROVAL OF DISBURSEMENTS**

Denise McNeill presented the disbursements for review. Mrs. McNeill addressed the fiscal year end reporting and matters related to the payroll reports received from the Town. She explained the pension program needed to be updated to capture pay codes that had been added to the

Town's system. The differences were caught in the fiscal year end reconciliation which required extra time to address and provide revised reports to the actuary and auditor accordingly. The changes created additional cost from the actuary and additional charges are expected for the programming change. The actuary invoice was added to the disbursements.

- Michael Stevens made a motion to approve the disbursements as amended with the addition of \$31,325 for the actuary's invoice. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

The interim financial statements through January were included in the meeting packets and received by the Trustees.

#### **ADMINISTRATIVE REPORT**

BENEFIT APPROVALS: Benefit Approvals were listed in the meeting packets for consideration. It was noted there were three DROP entries and one refund reflected.

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

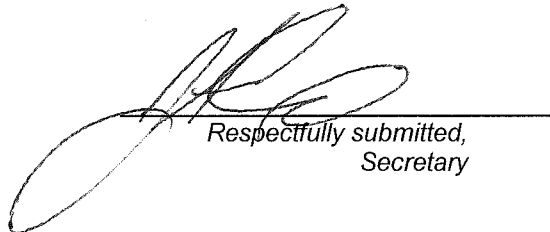
AUDIT UPDATE: Mrs. McNeill requested authorization to use the administrator's audit RFP template instead of the Town's document. It was agreed for the administrator to use their pension template. Mr. Villella confirmed that would not be an issue.

#### **OTHER BUSINESS**

The updated PomTrack reports had been included in the Trustee packets for review.

The Trustees confirmed the next meeting had been previously scheduled for May 8, 2017.

With there being no further business, the meeting adjourned at 12:30 P.M.

  
Respectfully submitted,  
Secretary