

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
May 8, 2017

Secretary Nick Scopelitis called the meeting to order at 10:05 A.M. at the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES

Nick Scopelitis
Mike Salvemini
Mike Stevens
Jason Alexandre

OTHERS

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
David Hulme; Advent
Anthony Xuereb; Polen Capital
Kimberly Kutlenios; Fifth Third Bank
John Cuomo, Member of the Public

PUBLIC COMMENTS

Nick Scopelitis invited those present to address the Board with public comment. John Cuomo introduced himself, explaining he is a Town resident and would like to be considered on the Board for an open seat. He explained he was involved with the Town of Palm Beach pension plans and does not want to see the same issues that happened to those plans, happen in Jupiter. He offered his time, explaining he would like to be involved.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held March 2017.

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

INVESTMENT MANAGEMENT REPORT – EAGLE CAPITAL MANAGEMENT

It was noted that Eagle Capital Management was not able to attend the meeting due to a scheduling error.

INVESTMENT MANAGEMENT REPORT - ADVENT CAPITAL MANAGEMENT

David Hulme of Advent Capital Management joined the meeting via telephone to provide a report on the investment performance of the portfolio for the quarter ending March 31, 2017. He reported convertibles have been a good place to be in the rising interest rate environment with a 45% increase in issuance thus far in 2017 over this time in 2016. Portfolio management anticipates several catalysts will lead to greater convertible issuance; higher interest rates, increased volatility and stable equity valuations as well as companies seeking growth capital in an improving economy. Mr. Hulme then reviewed the sector diversification and the top five and bottom five holdings in detail. He explained the most equity sensitive portion of the portfolio was up 8% for the prior quarter; however the portfolio can be "bond-like" when the market is going down. Mr. Hulme noted a couple of the holdings that were in the bottom the prior year have transitioned to the top in the first quarter of 2017. He addressed foreign politics noting convertibles become more valuable when politics become more volatile. He explained they expect this Administration to be more tax friendly and some companies with convertibles could benefit from the Trump tax policy reductions. Discussion followed regarding the index Advent is compared to. Mr. Hulme explained the Merrill Lynch index tends to be more bond-like while Advent tends to focus more on mid-market and avoiding lower quality; however lower quality has been more in favor in the past year. Discussion followed regarding active versus passive management.

INVESTMENT MANAGEMENT REPORT - POLEN CAPITAL MANAGEMENT

Anthony Xuereb and Brandon Ladoff appeared before the Board on behalf of Polen Capital Management to present investment services to the Board. Mr. Xuereb reported they have averaged 14% since inception with a 28 year track record. Mr. Ladoff reviewed their investment philosophy explaining they have a concentrated portfolio with only 20 names, their holdings average five years, they invest in competitively advantaged businesses and they do not make market predictions, remaining fully invested at all times. He explained they adhere to a strict discipline and sell structure. Mr. Ladoff then reviewed their investment process in detail. Discussion followed regarding specific holdings and Mr. Ladoff provided an example explaining they held Apple for several years, then sold late in 2016 due to their sell discipline. He explained Apple is large already, phones are coming closer to the end of the innovation cycle and much of their growth is now coming from China which is a lower priced market with thinner margins. Mr. Ladoff and Mr. Xuereb responded to several questions from the trustees explaining the political environment in 2016 lifted the sectors in energy; however Polen does not participate in the energy sector so that had a negative impact on the portfolio in relation to the index. Mr. Xuereb reviewed their results in the rolling three and five year periods noting their recovery time during recovery periods were half that of the S&P 500.

Mr. Chambers addressed a recent notice received from Eaton Vance. He explained one of the Eaton Vance traders pleaded guilty to illegal trading and he has no idea what impact the action has on this Plan. He explained if the Board determines Eaton Vance is no longer suitable, he feels Polen could be a good backup. He noted the founder of Polen passed away a few years ago; however the firm has continued to grow and do well and he believes the culture and discipline have remained in-tact.

CUSTODIAN REPORT

Kimberly Kutlenios appeared before the Board on behalf of Fifth Third Bank to provide a report on custody of the portfolio assets. Mr. Chambers requested an update of how the company runs trading related to recent GASB reporting. Ms. Kutlenios explained the administrator deals most commonly with the ISG Florida and Retirement Distributions groups and Ms. Kutlenios is copied on activity. Ms. Kutlenios reviewed the trade process in detail. Mr. Chambers explained that he does not feel there is any monetary issue for the Plan at this time related to the rebalancing done in March. Mr. Chambers explained actions can happen in one day; however there are several checks and balances which typically take several days; confirming balances, processing instructions then review of the instructions. He explained moving from an active manager to passive typically moves together; noting once the trades were completed on the sell side, the money was put back into the market on the passive side. It was noted that in 2013, they had set up an automated sweep process with Fifth Third, moving any funds in the R&D cash account into the money market account automatically. Ms. Kutlenios explained she had not realized the funds being raised would be swept out of cash before they could be moved to the new investment; however she confirmed the funds were moved back into the account the following day with the help of the administrator. Mr. Scopelitis inquired into the initial delay between the instructions by the Board to the beginning of the money movement with Fifth Third. Mr. Chambers confirmed there was a couple week time period; however he explained that he does not believe the timing was a detriment to the Plan. He explained he tasked the action after the meeting to be done; however he did not see it as an urgent action requiring immediate attention. Mr. Chambers confirmed the money did not sit in cash long. Ms. Kutlenios confirmed they had received initial notice on March 9th and all final transactions were completed on March 17th. Mr. Scopelitis expressed his concern of the delay noting that it may not have been a loss to the Plan this time; however transactions should be processed more timely by all parties. He recommended the administrator, consultant and custodian discuss the process and address how to ensure such delays are not repeated. Lengthy discussion followed regarding the process. Mr. Chambers explained it was a rebalance exercise which is not to be done in haste. Mrs. McNeill requested going forward, once the custodian receives the instruction, that Ms. Kutlenios manage the process through to completion to ensure issues such as the cash sweep can be identified and accounted for so they do not impact the transactions of the Plan. Mr. Scopelitis requested the item be tabled to the August agenda for discussion with Mr. Dobin. Ms. Kutlenios then addressed

process changes initiated by Fifth Third Bank over the past couple of years such as money movement and accounts payable call backs and weekly death searches (versus the quarterly death search process done previously). Discussion followed regarding their reporting and benefit payment processes. Ms. Kutlenios explained the GASB72 changes caught them off guard for 2016; however it will be done automatically for all plans for September 30, 2017. Ms. Kutlenios confirmed she will attend the August 14th meeting to address service with Mr. Dobin as requested.

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, 2017. He explained they moved a large amount from active to passive in the prior quarter and the plan will save much money in management fees. Mr. Chambers addressed Miller Howard's performance and discussion followed regarding the MLP search. Mr. Watkins explained his office previously negotiated an agreement with Tortoise so that is ready to go. Mr. Chambers presented an updated MLP search explaining that he still recommends the Board consider replacing Miller Howard (MH Invest) with Tortoise.

- Jason Alexandre made a motion to replace Miller Howard Investments with Tortoise in the MLP asset. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

Upon receipt of the signed agreements with Tortoise, the administrator will liquidate the MH Invest asset and move funds to Tortoise accordingly.

Mr. Chambers went on to review the total investment return for the quarter. The Fund was up 4.0% compared to the model of 3.7%. Mr. Chambers reported the following: total equities were up 5.8%, domestic equities were up 5.8%, MLP's were up 4.6%, convertibles were up 4.6%, International equities were up 9.3%, REITS were down -0.4%, private real estate was up 2.3% and fixed income was up 0.7%. Mr. Chambers then went on to review each manager in detail. He reported Eagle has continued to do well, in the top 17% for the three year view and Eaton Vance holds strong in the top 36%. He then reviewed the investment policy objectives. He explained American Real Estate only has 18% leverage which is more conservative than the index and will trail the index with rising interest rates. Discussion followed regarding the notice from Eaton Vance and Mr. Watkins explained they will need to know the following: 1) if the Plan was affected; 2) if this institutional oversight at the firm could affect the Plan down the road and 3) they should have someone from Eaton Vance explain what happened and what they are doing about the issue. Mr. Chambers recommended that he and a trustee take a trip to Boston for a "due diligence" meeting with Eaton Vance. Discussion followed regarding active versus passive with that portion of the portfolio. Mr. Chambers explained every major firm has had issues over time and since every step will need to be reviewed by Eaton Vance, he does not see an urgency to move from the asset at this time.

- Jason Alexandre made a motion to approve that a Trustee make a due-diligence meeting with the manager as needed. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

ATTORNEY REPORT

Dustin Watkins reviewed the custody agreement with the Board. Discussion followed regarding review of all service providers. Mr. Villella explained that he doesn't believe the Town has experienced any significant service issues with the custodian in the past five years and it appears the recent money movement was an issue of expectation of urgency.

Mr. Watkins reported the investment consultant agreement was finished and pending signature.

LINE OF DUTY DEATH ORDINANCE: Mr. Watkins reported on the pending Ordinance amendment recently drafted related to line of duty death. He explained it is currently pending with the actuary for an impact statement. Mr. Villella explained the Ordinance references 100%

of monthly salary and he feels that is slightly ambiguous as it is not capitalized. Discussion followed regarding the definition of salary and Mr. Little explained if capitalized, then the definition of salary in the Ordinance as of 2005 is the total cash compensation including overtime and excluding special duty. Mr. Little explained the old definition of line of duty death was 60% of base salary and the new definition appears would be 100% of what the member was making versus base salary. Lengthy discussion followed regarding the salary definition, effective date and the details listed of payment to spouse or children versus estate. Mr. Watkins will need to review the Chapter 185 rules. Discussion followed regarding how this change request came to the Board. Mr. Villella confirmed he had requested the change due to recent State legislative changes. Mr. Watkins reminded the Board that the Board can recommend Ordinance changes; however the Union and the Town must agree on the changes.

- Michael Salvemini made a motion to approve the Ordinance draft and recommend to the Union and Town that they initiate the changes. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

Mr. Little will work on the impact statement accordingly.

SHARE ACCOUNT POLICY: Mr. Watkins explained the Board may draft; however the policy will need to be sent to the collective bargaining rep to be addressed between the Union and the Town. He reviewed the policy details with the trustees. Discussion followed regarding forfeitures and Mr. Watkins would like to revise the language to be compliant with the IRS accordingly. Mr. Little explained the language used for the interest should be the same as the DROP and the IRC 415 limits should also be listed. Lengthy discussion followed regarding eligible members and it was noted that allocations could either begin once vested or begin upon date of hire; however if the member does not vest then those accumulated funds would be forfeited. Discussion followed regarding vested deferred members and Mrs. McNeill explained that typically, if a member has a Share account and defers retirement, then they will not be eligible to receive the Share funds until they go into pay status for the retirement benefit. Mr. Watkins will review IRS rules, then make the necessary adjustments accordingly before providing back to the actuary.

Mr. Watkins will have the Tortoise agreement completed accordingly.

Mr. Scopelitis inquired into the IRS Determination and Mr. Watkins explained the IRS has stopped that program and now it is only recommended that public pension plans request a determination when a new plan is initiated and when a plan is terminated.

ACTUARY REPORT

Mr. Little had no additional items for discussion.

AUDIT REQUEST FOR PROPOSAL

Mr. Villella addressed the Board explaining he is happy with Cherry Bekaert & Holland. He explained that 2015 was the issue which related so some of the new reporting requirements and the recent 2016 audit seemed to go smoothly. He recommended the Board continue services with the existing auditor. The Trustees reviewed the RFP summary. It was noted that all responses had been provided to the Trustees electronically and books were distributed for the meeting. Lengthy discussion followed regarding the fees and expected services. The Board instructed the administrator to invite Kabat Schertzer De La Torre and Taraboulos (KSDT) to the August meeting to present to the Board for consideration of the 2017 audit service. Mr. Villella will have the Town's auditor reach out to KSDT to confirm they will be able to meet the town's audit needs at no additional cost to the Plan.

APPROVAL OF DISBURSEMENTS

Mr. Scopelitis inquired into the timing of DROP processing. The Board discussed potential issues with pending DROP members who have not yet elected a payment option. Mrs. McNeill has a client who allows a member to sign an interim form. She will provide the form to the attorney for review.

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

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit Approvals were listed in the meeting packets for consideration which listed two DROP distributions and three non-vested refunds of contributions.

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

TRUSTEE APPOINTMENT: The administrator received confirmation from the Town of Jupiter that Mr. Dobin and Mr. Stevens were both reappointed to the Board. Discussion followed regarding the process currently used by the Town for such appointments. Mrs. McNeill advised the seat held by Jason Alexandre terms soon and the position has been posted as open for nominations.

TOWN OF JUPITER ORIENTATION AND ETHICS TRAINING: Notice has been sent to all Trustees as a reminder of the mandatory ethics training due in July.

FORM 1 FILING: Mrs. McNeill reminded the Trustees of the upcoming deadline to file the Form 1 reports by July 1st. She recommended if mailing, to be sure and send via return receipt to have proof of the filing.

PUBLIC PENSION GUIDE: The administrator had sent an informational report to the Board. The pension guide had been written specifically for public officials and appeared to be well written with no specific bias. The administrator had provided the information to the Board as they felt it was worthy of review and it may be something the trustees would like to use with local public officials.

OTHER BUSINESS


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

Mrs. McNeill advised the auditor had filed the annual report; however the new process was extremely difficult this time and there is no clean way to capture a complete, final report. She explained the historical tracking of annual reports has been helpful to pension plans so there is concern about the new format and lack of historical tracking going forward.

Mr. Scopelitis inquired into the cash accumulation in the plan. Mr. Chambers explained that will be addressed with the next round of rebalancing.

The Trustees confirmed the next meeting had been previously scheduled for August 14, 2017.

With there being no further business, the meeting adjourned at 1:52 P.M.


Respectfully submitted,
Secretary