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

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

TRUSTEES	**OTHERS**
Marc Dobin	*Dustin Watkins, Sugarman & Susskind P.A*
Nick Scopelitis	*Denise McNeill, Pension Resource Center*
Mike Stevens	*Chad Little, Freiman Little Actuaries*
Jason Alexandre	*Burgess Chambers; Burgess Chambers & Associates*
Mike Salvemini	*Michael Villella; Town of Jupiter*
	Kimberly Kutlenios; Fifth Third Bank
	David Hicks; Salient
	Richelle Hayes; American Realty
	Members of the Plan

PUBLIC COMMENTS

Marc Dobin invited those present to address the Board with public comment. Member Danielle Hirsch addressed the Board regarding the payroll issues experienced when she entered the DROP explaining that she had double pension contributions deducted for six weeks. She explained the administrator contacted her advising that her benefit had been recalculated to include additional pay that had not been identified initially. Discussion followed regarding the process. Mrs. McNeill explained that she has begun copying all members on the detailed data being used to process their benefit calculations in an effort to verify the correct data is being captured. It was noted that Detective Hirsch was one of the two members who had their data corrected and clarified during the valuation process which had taken place after her initial DROP calculation had been processed, which required the benefit be recalculated to include the additional pay.

APPROVAL OF MINUTES

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

- *Mike Stevens made a motion to approve the August minutes as presented. The motion received a second by Mike Salvemini and was approved by the Trustees 5-0.*

INVESTMENT MANAGEMENT REPORT – AMERICAN REALTY

Richelle Hayes of American Realty appeared before the Board to provide a report on the investment performance of the portfolio for the quarter ending September 30, 2017. She provided an update of the firm explaining they remain solely focused on real estate. She reported on the following. Leverage is 19.8% and they are not taking on much debt. They are taking longer in the purchase process for due diligence to reduce their risk which takes longer to close on properties. Returns have reduced back in the normal range and they are expecting 8-10% return on the portfolio going forward. There is a change in the portfolio in that what they are buying is young; one to two years and they have larger tenants with longer leases. Mrs. Hayes confirmed that even with the large Apple lease, no one tenant is over 5% of the total portfolio. They are buying mixed use properties such as large retail stores on the bottom with business leasing above. Mrs. Hayes reviewed the top ten holdings and reported of one property in Houston that had flooding in their basement from the hurricane. She then reviewed the recent acquisitions noting they are industrial and near port cities and highways. Discussion followed regarding the leverage held. Mr. Chambers explained as interest rates rise, if there were more leverage, it would be less dividends paid quarterly to investors. Discussion followed regarding the characteristics of the portfolio. Mrs. Hayes explained in major markets, if they feel it is too expensive to buy, they may consider a build project. Mrs. Hayes confirmed there is currently no *exit queue; however there is an inflow queue currently of $120M which they hope to have invested over the next two or three quarters. Mrs. Hayes explained they have been lagging their peers; however they have been in the top third quartile the past couple of quarters and expect that to continue going forward. Discussion followed regarding the CAP rate.*

INVESTMENT MANAGEMENT REPORT - SALIENT

David Hicks of Salient appeared before the Board to provide a report on the investment performance of the portfolio for the quarter ending September 30, 2017. He provided an update of their firm and reviewed the MLP team. He reviewed the portfolio guidelines explaining they invest in midstream energy assets such as pipelines. He explained MLP's ended up having an unexpected and disappointing high correlation to the price of oil. Mr. Hicks reviewed their return explaining they outperformed the bench; however it has been a challenging period. Mr. Dobin explained the board entered into the asset with the understanding it was not sensitive to oil prices; only to find out that it is sensitive to oil. Mr. Scopelitis expressed his frustration that the Board had invested into the asset with an understanding which turned out to be incorrect. Mr. Chambers explained when he had done the research initially, they had found no correlation to the price of oil; however he feels the Saudi's and Russian's manipulation of the global oil market has caused an the unexpected correlation. Mr. Chambers noted he is unable to explain why the market is being so irrational regarding the asset. Mr. Hicks explained when the oil prices collapsed, many small oil producers domestically closed, then the recovery early in 2016, then there was a concern of excess supply. He explained that long-term, the correlation has been low; however it does sometimes happen and the recent period has been one of those periods of higher correlation. Mr. Hicks reviewed the allocation of what commodity flows are going through the lines. He explained absolute valuations are well below averages and trading higher than high yield bonds. Mr. Dobin explained the value of the fund dropped and even if the yield has improved, that does not help the Plan. Mr. Chambers addressed the sentiment of the industry. Mr. Hicks explained he believes as the sentiment plays out, they are still in recovery mode and as the companies reflect their strength and that they are still in-tact; then other retail will begin to transition. He explained the export from the US is increasing and Mr. Chambers explained the fact that the export is increasing is another reason why the market sentiment doesn't make sense; natural gas is much less expensive and a great time to own pipelines. Mr. Scopelitis explained the risk versus reward is not reasonable and he feels they should exit the asset class. Mr. Hicks explained he cannot guarantee they will not lose more money; however the market transition, recovery story and outlook are all positive. He further explained the credit space suggests fundamentals are strong. It was noted the asset class volatility has been extraordinary while it was designed to be low volatility. Lengthy discussion followed regarding the asset class. Mr. Chambers explained any great investor has many asset classes and will always have some part of the portfolio down. He recommended the Board keep the asset; however if they are not comfortable with the volatility, then they should move the asset. He noted private real estate is very stable and has more return than bonds. Discussion followed regarding the volatility and unexpected correlation to oil. Mr. Watkins noted there is also a proposed Bill that would apply Unrelated Business Income Tax (UBIT) to pension plans which could affect certain assets.

- *Nick Scopelitis made a motion to exit the MLP asset class due to the unexpected correlation to oil. Discussion followed regarding the matter. The Trustees expressed concern of exiting the asset if the market is down and they discussed the market not understanding the asset. Mr. Chambers explained if natural gas prices were high, he would recommend they exit the asset; however with the natural gas prices so low, he feels they should stay the course. He further explained if the EIA (US Energy Information Administration) is correct and the US does hit the largest volume of production in 2018, then the pipelines will be needed. Mr. Chambers explained ARAMCO (the Saudi's company) is going to take their company public and wants to take oil prices to $80-$90 dollars per barrel. He reported Venezuela has more reserve than Saudi Arabia; however the country is in shambles and the quality of what they are exporting is poor so it is believed the US will need to fill the gap for the demand. The record reflects that Trustee Scopelitis wishes to exit the asset. It was noted they could begin to sell off as the asset improves to earn back more money, then when possible, to exit the asset entirely. The motion failed for lack of second.*

- *Jason Alexandre made a motion to exit Tortoise to reduce their exposure to the MLP asset class. Mr. Chambers explained Tortoise has a better track record than Salient and originally was not hired as they were not willing to attend meetings; the Board later retained Tortoise due to their returns. Mr. Chambers recommended the Board allow him to begin to move funds out of the asset as the portfolio is rebalanced as necessary. The motion had not received a second and Jason Alexandre retracted the motion.*

- *Jason Alexandre made a motion to authorize the investment consultant to liquidate the two MLP positions as he sees fit, to his best ability. The motion received a second by Mike Salvemini and was approved by the Trustees 4-1 (with Nick Scopelitis voting against the motion).*

Mr. Chambers confirmed he will monitor the asset closely.

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, 2017. He began by addressing a letter sent to the board reporting of an error made regarding the trade procedure when rebalancing the portfolio. He explained they have adjusted their process internally at their staff and management level to avoid such an error in the future. He explained the error was in their Excel spreadsheet that was used to determine the allocation. He explained this is not a common occurrence and the error was detected the same day of the trade and the trades were reversed. Mr. Chambers explained they will adjust their next bill to the Plan by $2,392.44, reducing it by the loss that occurred to make the plan whole.

Mr. Chambers went on to review the quarterly report in detail. He reviewed bonds and their place in the recent Bull market explaining bonds are in the portfolio due to their negative correlation to equities. Bonds are expected to return 0%-2% in the next five years. He noted that on the political side, they do not typically see discussion of tax cuts unless the economy is in a recession and not in the middle of a recovery. Mr. Chambers reviewed the asset allocation and assumed rate of return. Mr. Little confirmed the assumed rate of return is 7.5% and the Plan's funded ratio was 87.7%. Mr. Chambers addressed real estate, leverage and interest rates. He explained REITS in the recent year have been telegraphing what is expected to happen in real estate and the rate of return is decelerating. He noted the overweight in cash is not hurting the portfolio since the cash would go to bonds and cash is doing better than bonds; therefore he has no issues with the current cash held. He reminded the trustees he had initially recommended moving extra money to private real estate. The managers hold higher quality firms which have the liquidity; however in the last market transition, the higher quality space did not fare well.

Mr. Chambers provided an update of Polen as requested by Jason Alexdandre. He reported that he has Polen in 8-10 clients; the founder had passed a few years ago and the firm has added staff. Overall they are doing well and headed in the right direction. He explained Polen tends to have periods where they do really well, then not so well. He reported five years ago when they did the manager search, Eaton Vance had sustainability where Polen did not. It was noted 56% of Polen's allocation is in one sector and 77% in two sectors and they are a focused, large cap growth manager. Mr. Chambers continued reviewing Polen in detail explaining his only negative is the huge allocation to Info technology which is a thesis Polen is willing to take a large position in. Mr. Scopelitis expressed concern with an eagerness to transition to the index and Mr. Dobin explained he has not been impressed with active management overall; however he sees Mr. Scopelitis' concern. Mr. Alexandre explained he likes Polen and does not feel they try to chase the bench as some managers do.

- *Jason Alexandre made a motion to hire Polen, transferring half of the asset in the index ($3.6M) to Polen. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.*

The attorney will work on the contract with Polen.

Mr. Chambers provided an update of Intercontinental real estate as requested by Jason Alexandre. He explained they had been presented six years ago when the board hired American Real Estate. He noted the return, net of fees, are comparable. He explained both are good firms; however very different in their process and debt. He noted American's 20% allocation to retail space seems high considering the market and retail direction.

ATTORNEY REPORT

VANSTEENBURGH REFUND: Dustin Watkins reported that he had responded to an inquiry from the administrator regarding a vested deferred member who had applied for a full refund of contributions with interest. The administrator had reached out to his office to confirm the Plan had no specific written rules that would not allow such a refund and she had provided an affidavit being used with the member. Mr. Watkins explained he had written a letter confirming the member could elect to do a full withdrawal from the Plan. Mrs. McNeill reviewed the process and the affidavit requiring the member acknowledge they are giving up all rights to any future benefit by withdrawing their contributions. She confirmed the distribution had been processed accordingly.

LEGISLATIVE UPDATES: Mr. Watkins reported of tax changes being proposed which may impact the Plan regarding Unrelated Business Income Tax (UBIT); even though they have an exempt status as a 401 Pension Plan. He explained they will continue to monitor and study the implications.

Mr. Watkins presented holiday gifts to the trustees; radios to be used in the event of a storm. He confirmed the gifts are under $25 each.

Jay Alexandre explained the Share Account vote passed with the Union. He will forward the information accordingly.

ACTUARY REPORT

Chad Little reported the State had questions regarding the Plan's contributions and mutual consent and he had confirmed the Town did fund the Plan properly.

Mr. Little then explained the State has released new rules requiring the valuation report be filed electronically into the State's new online system. He explained the new process will cost an additional $1K for processing annually. He noted the online filing is due within 60 days of the valuation presentation.

Mike Villella addressed the cost of the additional Line of Duty Death benefit. He explained they initially thought the cost would be negligible; however the Plan cost would increase by $120,000 according to the Impact Letter from the actuary and he could not present it to the Town for approval since the cost was high. Discussion followed regarding the assumptions. Mr. Little will look to see why the liability was so much higher and he will report back to the Board at the February meeting.

Mr. Little explained the current valuation will be done "as is" and if the Town decides to change the Line of Duty Death benefit, the cost will impact the 2018 valuation.

APPROVAL OF DISBURSEMENTS

The Disbursement list was presented for consideration. Mrs. McNeill explained Eaton Vance had reached out stating they had been overpaid by the Plan back in the 2013-2014 fiscal year. They had been able to provide proof of the duplicate payment and therefore processed a refund to the Plan on 9/11/17 of $7,866.99. There were no questions regarding the financial statements.

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

TRUSTEE SEATS

It was noted that the Board had discussed Mr. Scopelitis' interest to remain on the Board in the Fifth (appointed) seat at their last meeting.

- *Jason Alexandre made a motion to reappoint Nick Scopelitis to the Fifth Seat. The motion received a second by Mike Salvemini and was approved by the Trustees 5-0.*

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit approvals were presented for consideration. The Board discussed the payroll data matters that caused for two member's DROP calculations to be reprocessed.

- *Jason Alexandre made a motion to approve the Benefits as presented, inclusive of the revised DROP calculations. The motion received a second by Mike Salvemini and was approved by the Trustees 5-0.*

PAYROLL DATA UPDATE: Mrs. McNeill presented a memo regarding payroll issues related to member's data used for calculating benefits and she explained she had gone back to the third year to review what had been reported as pensionable to ensure the proper payroll information was being captured for the members' calculation. She explained she had recently met with the active member trustees to review the specifics of the issues related to each member who had experienced difficulty. She reviewed details regarding specific members from the past two years. As a result of the review, there were a couple of recommendations for the Town in processing the payroll. Mr. Villella explained he had only recently been made aware of the details and one of the items related to overtime has just been adjusted in their system. The Town will produce a list of those members getting close to the overtime maximum in an effort to catch the issue in advance and alleviate manual adjustments after the fact. He noted the duplication of pre DROP and post DROP contributions was human error as to when one code was activated and the other turned off, as in the case of Danielle Hirsch. He further explained they have been processing the sick and vacation after the DROP entry date to be sure they capture the correct sick and vacation time and if they process prior to the final pre-DROP date, it is a manual calculation to verify the accumulated time. Mrs. McNeill explained they are now aware of what type of issues to look for in the reported data going forward and with providing the members with copies of the detailed data, they hope to avoid a repeat of the recent data confusion. There was no update as to when the payroll report will be corrected by the Town.

FINANCIAL STATEMENT FEE INCREASE: Mrs. McNeill explained the administrator is requesting a fee increase related specifically to the financial statement services being provided to the Plan and a detailed letter regarding the request had been provided to the Trustees. The matter had been tabled from the last meeting. She explained the cost associated with the process and explained they are increasing the cost for that particular service across all of their clients accordingly. Discussion followed the financial statement process. Mrs. McNeill explained in some Plans, the municipality is taking the process back into their Finance Department. Mike Villella advised the Finance Department does not wish to take over the process of the reporting for the Plan as it is a lengthy process and not one they have the staff to produce and maintain going forward. It was noted the auditor will be presenting the annual audit at the February meeting so they will discuss the need for the interim financial statements with the auditor in February.

ADMINISTRATIVE STAFF: Mrs. McNeill addressed the relationship with the Board explaining they have other administrators at the Resource Centers and if the administrative relationship is not working out with Mrs. McNeill as the Plan's administrator, they can address transitioning the Plan to another administrator in their company. Mr. Dobin thanked Mrs. McNeill for the offer of the change and will take that into consideration if they feel a change is necessary at a future date.

ANNUAL REPORT APPROVAL: Mrs. McNeill advised the State had approved the annual report and the funds had been received. Marc Dobin explained he is receiving mail from the State at his place of business and requested the address be corrected back to the administrator's office. Mrs. McNeill will request the change accordingly.

MEETING SCHEDULE 2018: *The Trustees confirmed receipt of the 2018 meeting schedule. No changes were requested.*

CYBER LIABILITY INSURANCE: *Mrs. McNeill explained many Plans have been requesting the administrator acquire cyber liability policy quotes for coverage. She explained it allows a Board to have first party coverage in the event of a data breach. The Trustees tabled the item to their next meeting.*

GENERAL LIABILITY INSURANCE RENEWAL: *The General Liability insurance policy was presented for renewal. She noted it had not been included in the original packets due to the timing of when the renewal was received. Dustin Watkins confirmed they would not request the allowance of their own council for such coverage.*

- *Mike Stevens made a motion to renew the general liability policy with Nautilus Insurance Company as presented for $1,653 without the terrorism coverage. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.*

OTHER BUSINESS

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

The Trustees confirmed the next meeting had been previously scheduled for February 12, 2018.

With there being no further business, the meeting adjourned at 2:02 P.M.

Respectfully submitted,
Secretary