

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
February 12, 2018

Chairman Marc Dobin called the meeting to order at 10:07 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES

Marc Dobin
Nick Scopelitis
Mike Stevens
Jason Alexandre
Mike Salvemini

OTHERS

Ken Harrison, Sugarman & Susskind P.A
Denise McNeill, Pension Resource Center
Chad Little, Freiman Little Actuaries
Burgess Chambers; Burgess Chambers & Associates
Eric Leventhal; Kabat Schertzer De La Torre & Taraboulos
Michael Villella; Town of Jupiter

PUBLIC COMMENTS

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

APPROVAL OF MINUTES

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

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

2017 AUDITED FINANCIAL REPORT

Eric Leventhal of Kabat Schertzer De La Torre & Taraboulos appeared before the Board to present the fiscal year ending September 30, 2017 Audited Financial Report. He explained they are currently waiting on details related to one CD held in with CS McKee explaining it is shown as fair value however he does not expect a change to disclosures or the balance sheet related to the item. He reported there were no issues with management or any service providers in the audit. He explained there were no material weaknesses or deficiencies and therefore they were issuing an unmodified, clean opinion. He reviewed the management discussion summary with the Trustees reporting the total net position was \$69,605,542 which was 11% greater than 2016; contributions were down slightly however they had a big increase in the appreciation of assets. Mr. Leventhal noted the total additions were \$9,982,939 while the total deductions were \$3,335,370 reflecting a net of gain of \$6.6M. He noted the total administrative cost decreased due to the reduction in manager fees primarily due to Eaton Vance. He reported a reduction in trustee travel from the prior year and the difference in insurance cost is only due to the timing of when the bills were paid. Mr. Leventhal responded to questions from the Trustees regarding the report.

- Mike Salvemini made a motion to approve the 2017 Audited Financial Statement as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

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, 2017. He explained that at the last meeting he was keeping an eye on the MLP. He explained the Russians and OPEC had decided to maintain their cut back of oil production and since the last week of November through current, the asset class had increased by 18%. He noted since the class is sensitive to oil, it may not be a good fit for the Plan. He reviewed the Plans asset allocation noting better performing plans had higher allocations to equities or international. Discussion followed regarding the compliance checklist and Mr. Chambers explained 2015 was the reason they have not beaten the five year number and he feels very confident in the current allocation. He explained that he believes the current assumed rate of

return of 7.5% is reasonable for the Plan. Mr. Chambers went on to review the quarterly report in detail noting the total fund was up 3.3% for the quarter; equities were up 4.8%; domestic equities were up 6.8%; MLP's were down -0.3%; convertibles were up 1.4%; international equity was up 4.2%, REITs were up 2.0%; private real estate was up 1.4%; fixed income was up 0.4% and cash returned 0.2%. He reviewed each manager in detail reminding the Trustees Polen was added to the portfolio in January. Discussion followed regarding the MLP managers. Mr. Dobin expressed a fundamental concern that the MLP does not provide a negative correlation to oil. Mr. Chambers explained MLP's have been more correlated to oil in recent years than in the past. He then presented an investment summary reflecting the volatility of the market in recent years. He explained that while he still feels investment in pipelines makes sense; due to the volatility, it may not be the right asset for solely pipelines. He presented information of Cohen & Steers for infrastructure investments which include pipelines; however is much more diverse into other assets. It was noted 40% are non US investments. Mr. Harrison reviewed the investment policy. It was noted the Cohen & Steers was a mutual fund. Mr. Chambers recommended revisions to the investment policy to expand the MLP to infrastructure. Mr. Chambers presented a draft Investment Policy with revisions to allow infrastructure. Discussion followed regarding the changes needed for the investment policy. Mr. Harrison explained he would need to research the international piece further to confirm. Mr. Harrison explained Tortoise is being taken over (one of the two founders are retiring) and there is an issue with the timing and when the Plan received notice. Mr. Chambers explained the management team remains intact and the key people are still there. Mr. Chambers reviewed the Cohen & Steers fund noting the fund is made up of transportation, utilities, communications and energy companies. He explained that he met with three research firms to discuss the MLP issue and all explained MLP companies got caught up in raising debt on their balance sheets which was fine until November when oil prices had fallen. The bond companies were worried about the debt and the industry did not like the accumulation of the leverage that happened over the past several years. He explained the stress caused by the creation of too much debt precipitated the MLP decline in the recent period. Mr. Chambers explained as an alternative, he found two infrastructure companies that he likes; Cohen & Steers and Lazard; both of which are mutual funds and CIT structure. He explained the CIT structure could have language to benefit the Plan. He recommended investing in both the mutual fund and the CIT structure simultaneously and if the attorney cannot arrange the specifics on the CIT, then they could just use the mutual fund. Lengthy discussion followed regarding the asset class. Mr. Chambers recommended if the Board is exiting the MLP, they should consider the infrastructure as the replacement. Mr. Dobin pulled up the Cohen & Steers website and reviewed the top ten holdings with the Trustees.

- Mike Stevens made a motion to liquidate the MLPs and move the funds to Cohen & Steers. Chairman Dobin passed the gavel to Mr. Scopelitis. The motion received a second by Marc Dobin and was approved by the Trustees 5-0.

Mr. Scopelitis passed the gavel back to Mr. Dobin.

Discussion followed regarding the Investment Policy. Mr. Chambers will send a revised IPS to the attorney for review and they will have it for consideration at the next meeting.

ATTORNEY REPORT

TORTOISE NOTICE OF ASSIGNMENT: No further discussion was necessary as the Board has chosen to exit the investment.

LEGISLATIVE UPDATES: Mr. Harrison explained one Bill may impact the Plan related to requiring more reporting and disclosure from the actuary; requirements on amortization reducing the schedule down from 30 years and how to determine average payroll reducing from ten down to three years. Mr. Harrison explained the likelihood of it affecting the Plan is minimal. He then explained there is a change on the forfeitures and if there is a person with a court case and they are in pay status; once they have been paid out their contributions to the Plan, the Plan will need to freeze and stop payments to the member until the case is resolved. He explained if the member has been overpaid they will need to repay the Plan. He explained the Board will need to address the language change to the Plan that he will provide for the next meeting. Discussion followed regarding the pending cancer bill. Mr. Harrison explained that bill affects workers

compensation and firefighters. Mr. Little noted SB980 has a particular section that tells the Department of Management Services they can make rules and the law deletes the word "reasonable".

ACTUARY REPORT

Chad Little presented the 2017 Actuarial Valuation Report. He reported the employer contribution reduced slightly and the Plan's funded status was 89.96%. He reviewed the participant data noting the pay was close to the assumptions; however the ten year average went down from 1.8% to 1.4%. He reported a sizable gain as one retiree had passed away with no beneficiary and one vested member took a refund of contributions. He reported no changes to the methods since the prior report. Discussion followed regarding the financial information and market volatility noting the Plan has more at risk in the market in general to help achieve the return. Mr. Chambers explained he does not feel the market is more volatile, it is just that the Plan has further diversified the allocation. He explained even if the dollar movements seem to be bigger, the denominator is also bigger. Mr. Little reviewed the historical asset values. Mr. Villella noted in 2007/2008 the Plan was only 60% funded versus the current 89.96% which shows market change have a significant transitional impact on funding. Mr. Chambers explained about a year ago he began trying to encourage Plans and Municipalities to coordinate investments into the local economy. Mr. Villella explained the Town is looking to build a new Police Department and would be looking into a short term loan for the project. Mr. Harrison explained such an option would be allowable and has been discussed for some time. Lengthy discussion followed regarding investing into the local community. Mr. Scopelitis feels an arrangement would be very positive for the fund. Mr. Little mentioned another client who did coordinate an investment with the Plan sponsor. The Trustees felt such investments were a good idea for the Plan and Plan sponsor. Mr. Little explained the State's actuary previously stated the asset needed to have a market value assigned and therefore they may need to have someone value the benefit. Mr. Villella will discuss the matter further with Mr. Dobin. Mr. Little explained the Chapter 175 funds for Firefighters had a significant reduction around the State and he will reach out to the State regarding the reason for Jupiter's 185 funds decline.

Mr. Little reviewed the Share account rules as they relate to the vested deferred member who took a refund of his contributions and exited the Plan. Mr. Little reviewed the language and feels it is open for interpretation as to whether or not the member would forfeit their Share account funds. Mr. Little explained the question is if it is reallocated to all members after five years or is it paid out to the member. Mrs. McNeill read the members' affidavit forfeiting all benefits. Mr. Harrison explained a member's forfeiture of vested benefits is very unusual. Jay Alexandre will address the matter and intent of interpretation with the membership.

Mr. Little addressed the previous discussion related to duty death benefits. He explained the benefit was more expensive than the Town had expected. Mr. Little reviewed the details of the assumptions used in the cost study. Mr. Little explained the assumptions being used were inherited from the prior actuary and there did not seem to be a reason to change them.

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

Mr. Little explained the GASB 68 Report was included in the meeting packet for informational purposes as it had been submitted accordingly.

APPROVAL OF DISBURSEMENTS

The Disbursement list was presented for consideration. Mrs. McNeill reviewed two changes on the Disbursement list in the packet from the original list sent out the prior week.

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

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit approvals were presented for consideration. Mrs. McNeill explained Thomas Broedell's spouse had passed away early in 2017; however it had not been

reported until recently when Mrs. McNeil was reviewing documentation received from his son who is his acting POA.

- 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.

FINANCIAL STATEMENT FEE INCREASE: It was noted the pending item of financial statements should have been discussed with the auditor before he departed the meeting. Mrs. McNeill will request that Mr. Leventhal reach out to Chairman Dobin to discuss the need for the statements. Discussion of the financial statement processing was tabled to the next meeting. Mrs. McNeill reminded the Trustees the statements are not currently being processed for the current fiscal year and the auditor may have other recommendations.

HOW TO APPLY FOR DROP: Mrs. McNeill presented an informational member communication form explaining the timing and the process for a member entering DROP. The Trustees agreed to use the information and instructed for it to also be posted on the website for easy access.

OTHER BUSINESS

SHARE POLICY UPDATE: It was noted the Share Policy was reviewed at the November meeting; however the administrator did not find that an original had been signed by the Board after approval. Mr. Harrison will look into the final document.

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 policy had been presented at November and tabled to this meeting for further discussion. Mr. Harrison described the policy coverage. Discussion followed regarding the type of hack attempts, SIM card hijack and cyber-attacks being reported in the news. The Trustees reviewed policy coverage options and Mrs. McNeill explained the rates were quoted several months ago and will need to be updated prior to binding coverage if the Board elects to have the policy.

- Mike Stevens made a motion to apply for a \$2M coverage policy. The motion received a second by Nick Scopelitis for discussion. Mr. Scopelitis inquired into the administrator's and custodian's coverage and Mrs. McNeill explained Fifth Third Bank confirmed they have coverage and the Resource Centers also has specific coverage; however the policies are specific for the vendors and does not apply to the Board. The motion was approved by the Trustees 5-0.

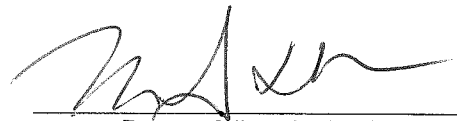
Marc Dobin explained he had received an introduction email from Comerica for custody services. Discussion followed regarding the custodian and Mr. Dobin explained it seemed appropriate to share the email with the Board for consideration of an RFP for custody services since they have experienced issues in the past. Mr. Chambers explained he is not aware of any issues with Comerica and why the Board couldn't consider them for custody services.

- Jason Alexandre made a motion for the administrator to do an RFP for custody services. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

Mr. Harrison requested the RFP be sent to his office for review prior to the document being submitted.

The Trustees confirmed the next meeting had been previously scheduled for May 14, 2018.

With there being no further business, the meeting adjourned at 1:10 P.M.


Respectfully submitted,
Secretary
chair