

**TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**  
**MINUTES OF MEETING HELD**  
**May 14, 2018 REVISED**

Chairman Marc Dobin called the meeting to order at 10:01 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

**TRUSTEES PRESENT**

Marc Dobin  
Mike Stevens  
Mike Salvemini

**OTHERS PRESENT**

Denise McNeill, Pension Resource Center  
Ken Harrison, Sugarman & Susskind P.A  
Chad Little, Freiman Little Actuaries  
Burgess Chambers; Burgess Chambers & Associates 10:23  
Michael Villella; Town of Jupiter 10:19

**PUBLIC COMMENTS**

Marc Dobin noted there were no members of the public present and no public comments were made.

**TRUSTEE ELECTION UPDATE**

The administrator announced Michael Salvemini was re-elected by default to another two year term effective May 1, 2018.

**APPROVAL OF MINUTES**

The Trustees reviewed the minutes of the meeting held February 2018.

- Mike Stevens made a motion to approve the February 2018 minutes as presented. The motion received a second by Mike Salvemini and was approved by the Trustees 3-0.

**INVESTMENT MANAGER REPORT – EAGLE CAPITAL MANAGEMENT**

Jim Johnson appeared before the Board on behalf of Eagle Capital Management to provide a report on their investment performance for the period ending April 30, 2018. He provided updates on their firm since his last meeting attendance in August of 2017. He reported the addition of new employees has not affected their processes and their activity remains status quo. Mr. Johnson reviewed companies they feel are market disrupters such as Amazon and Google. He then provided an example of Google; noting that they have changed their entire strategy again and Eagle likes how they look. He reviewed specific holdings explaining they want to hold companies that cannot be affected by disrupters. He explained that there continues to be much discussion of FANG stocks; however Eagle is finding much value in other companies such as UPS. Discussion followed regarding UPS and the potential effect of Amazon creating their own delivery system. Mr. Johnson explained UPS is making a significant effort to remain on the cutting edge and the Amazon logistics will take much time to work out; therefore they feel there is room for Amazon, UPS and FedEx in the portfolio at this time. He then reviewed specific holdings along with the buys and sells in the recent period. Discussion followed regarding the financial institutions and Mr. Johnson explained he feels Wells Fargo has one of the best franchises in the industry and their management change will make a big difference keeping them on the right track. He explained they began to purchase banks in 2011 and have continued to purchase another each year. With the expectation of interest rates beginning to rise, the financial companies should be in a good position. He further explained each of the financial services companies held have a niche in each part of the industry and banks were a significant portfolio gain in half of 2016 and part of 2017.

**INVESTMENT MANAGER REPORT – ADVENT CAPITAL MANAGEMENT**

David Hulme joined the meeting via telephone on behalf of Advent Capital Management to provide a report on their investment performance for the period ending March 31, 2018. He

provided an update of their firm since his last meeting attendance. He reviewed their company philosophy and strategy in detail noting their convertibles capture more of the upside and less of the down side on the market transitions. He explained they have a strict research and discipline process. He reported the current yield is 2.6% below the bench of 2.9%; however they avoid the money part of the market. He reviewed the sector diversification explaining their tech sector is really a catch-all of online travel, twitter, media, etc. Mr. Hulme explained they have a bottoms-up process. He reviewed the top five and bottom five holdings in detail. He reported there are many new companies in the market and they are seeing the changes in the tax code as beneficial. He reviewed the market outlook explaining the rising volatility tends to be good; the tax reform is positive for companies' issuance and they are seeing decent earnings growth around the world. Mr. Hulme responded to various questions explaining the bench outperformance related to 2016 where Advent was deeper in the money part of the market while the bench was deeper in the equity sensitive part of the market which has relatively outperformed. Discussion followed regarding the average credit rating of the bench versus the Advent portfolio. Mr. Chambers addressed the option of the Board purchasing the CWB index solely, noting the concentration in that bench is high with the largest holding at 10% and no credit work is done on the underlying issues. Mr. Chambers further noted he feels they are better off on the downside risk with Advent. The call with Mr. Hulme ended at 11:02 AM.

### **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, 2018. He provided tumblers as gifts for the trustees reflecting his firm's 30th anniversary; confirming the mugs were valued under \$25 each. Mr. Chambers explained there tends to be a common error to jettison good firms who are underperforming too quickly. Mr. Chambers explained at the previous meeting there was discussion of the Town having interest in borrowing money from the pension plan to build a new police headquarters. Mr. Dobin explained he had not yet spoken with the new Town manager regarding the matter; however he had attended a Town strategic planning meeting. Mr. Villella explained the Town Manager's concern related to other jurisdictions elsewhere, where such relationships appeared to take undue risk in the pension fund; however Mr. Villella explained as long as they are a solid entity and careful to arrange properly, he feels such an arrangement could be beneficial to both entities. He explained at the Town's strategic planning, they were discussing deferring a particular project related to the park; however the Pension Plan's funding could allow the Town to not have to defer the community project and do the park as well as the new police headquarters at the same time. Mr. Dobin would like to keep going forward with the discussion as he feels both the Town and the Pension Plan are in very good shape and feels the venture would be positive for both. Mr. Chambers explained he has a few clients exploring similar arrangements. Mr. Harrison explained as long as the action is handled properly, he does not feel it would be an issue.

Mr. Chambers reported the Investment Policy needs to be updated. He reviewed a draft with the necessary changes which included removing the MLP and adding the infrastructure reference. Mr. Chambers noticed the wrong page five had been included in the document for signature; therefore he will have the corrected page sent to the administrator.

- Mike Salvemini made a motion to adopt the revised Investment Policy Statement as presented. The motion received a second by Mike Stevens and was approved by the Trustees 3-0.

Mr. Chambers reviewed the quarterly report. He explained 32% of the portfolio is now passive which has reduced the Plan's annual cost by approximately \$142,000. He reported the quarter results were slightly better than the national median. He reported the following; the total fund was down -0.4% for the quarter; equities were down -0.2%; domestic equities were down -0.4%; MLP/infrastructure was up 0.9%; convertibles were up 1.8%; international equity was up 1.0%, REITs were down -7.5%; private real estate was up 2.0%; fixed income was down -1.2% and cash returned 0.2%. He reviewed each manager noting Eagle was outstanding in the value space. He reported the five year numbers were not meeting compliance due to 2015. He reminded the Trustees the REITS are priced daily while private Real Estate values are delayed and the true realization is not precise; resulting in private real estate having 1/3 the volatility of REITS; however they have limited liquidity. He further explained REITS historically are a leading

indicator of what will happen in private real estate. Mr. Chambers explained the goal of the portfolio is not to be a super high performer; they are trying to dial down volatility and lower BETA. He feels the Plan is well funded and it is not necessary to be more aggressive. Discussion followed regarding convertibles. Mr. Chambers explained he had originally selected convertibles for improvement over bonds and he expects 2% returns on bonds the next few years. Mr. Chambers had no rebalancing recommendations for the Board at this time.

- Mike Salvemini made a motion to accept the Investment Report as presented. The motion received a second by Mike Stevens and was approved by the Trustees 3-0.

## **OTHER REPORTS**

It was noted the PomTrack portfolio monitoring reports were in the Trustee packets for informational purposes.

## **ATTORNEY REPORT**

**LEGISLATIVE UPDATES:** Mr. Harrison reported the Work Comp Bill passed related to PTSD which he does not see will have an immediate impact to the Plan. He explained all other items died on the floor. He then reminded the Trustees the Form 1 filing is due and the information is listed in their packets for easy reference.

## **ACTUARY REPORT**

Chad Little Inquired if there had been any update from the Union on the forfeiture language for the Share account. Mrs. McNeill explained there is a potential member impacted by the forfeiture language and clarification is needed. Mrs. McNeill will follow up with Jason Alexandre regarding the matter.

Mr. Little explained he had reached out to the State regarding the 185 funds; however the State refused to give the information directly to anyone other than the Town. Mr. Villella explained he had sent the follow up request and received a generic report with no real detail. Mr. Little reviewed the historical funds received: 2013 \$528K, 2014 \$559K, 2015 \$730K, 2016 \$632K. They were unsure of the cause of the spike in 2015 and Mr. Little doesn't know if they will be able to acquire any further detail.

The trustees requested the actuary look into the disability/death matter related to the State's change in 2017. Mr. Little explained FRS uses a 25% assumption and the State's change cost them 3.1% of pay while the cost impact to this Plan had come to 3.3% of pay. Discussion followed regarding the Plan's assumptions and Mr. Little explained the last experience study was done in 2014. Mr. Little agreed it would make sense to change the death assumption to the same as FRS' even though this plan has experience in that category, since FRS' assumptions are based on a more broad membership of over 10,000.

- Mike Salvemini made a motion to instruct the actuary to use the FRS assumption rate of 25% for the on the job death provision. The motion received a second by Mike Stevens and was approved by the Trustees 3-0.

Discussion followed regarding the Plan potentially loaning money to the Town for the new police department headquarters. Mr. Little will reach out to the State and the auditor to inquire. He wants to make sure the auditor will report as the value of the note and not the purchase for resale and he also wants to verify if the State will allow carrying the asset at the note value. Mr. Chambers explained if the funds are illiquid, they have a 5% maximum and they may be able to place a PUT item in the document to address the asset.

## **APPROVAL OF DISBURSEMENTS**

The Disbursement list was presented for consideration.

- Mike Stevens made a motion to approve the disbursements as presented. The motion received a second by Mike Salvemini and was approved by the Trustees 3-0.

## **ADMINISTRATIVE REPORT**

**BENEFIT APPROVALS:** Benefit approvals were presented for consideration. They reviewed each of the pending items. Mrs. McNeill explained the beneficiary reference was for Samuel Miller who had recently passed away.

- Mike Salvemini made a motion to approve the Benefits as presented. The motion received a second by Mike Stevens and was approved by the Trustees 3-0.

**2018 CONFERENCE LIST:** It was noted the 2018 Conference list was presented in the trustee packets for informational purposes. Ken Harrison explained the FPPTA is doing an election at the June conference and they would like for each Board to designate a Trustee to pick up the ballot and cast a vote. Mr. Harrison reviewed the list of the FPPTA Board member nominees. He explained they must cast three votes for three seats.

- Mike Stevens made a motion for Mike Salvemini to vote on behalf of the Board at the June conference. The motion received a second by Marc Dobin and was approved by the Trustees 3-0.

**DRAFT BUDGET 2018-2019:** The draft budget had been presented in the trustee packets for review. Mr. Harrison explained the budget does not include investment management costs. Discussion followed regarding the projections listed. Mr. Harrison explained the Board may want to increase their fiduciary liability coverage in the future when the Plan hits \$100M.

- Mike Salvemini made a motion to approve the 2018-2019 Draft Budget as presented. The motion received a second by Mike Stevens and was approved by the Trustees 3-0.

**FINANCIAL STATEMENT FEE INCREASE:** Discussion followed regarding the administrative fee increase related to interim financial statement processing that had been presented from the administrator in August of 2017. Mr. Dobin explained he had discussed the matter with the auditor to verify A) if the cost was worth the reporting and B) if necessary, would the Board be able to have financial statements done elsewhere for less cost. He explained that Mr. Leventhal had responded that the process was worth the cost, was necessary and he didn't think they would be able to have the service done for less cost elsewhere.

- Mike Stevens made a motion to have the administrator do the interim financial statements for the plan at the cost of \$800 monthly in addition to the current administrative agreement. The motion received a second by Mike Salvemini and was approved by the Trustees 3-0.

Mrs. McNeill explained they will work on doing the interim financial statements retroactively back to October 1, 2017 accordingly.

## **CUSTODIAN RFP**

Mrs. McNeill explained all RFP responses had been included in the electronic meeting packets. She reviewed the summary in detail with the trustees. She explained that the investment consultant's office had responded confirming the custodian's whose reports could be used. It was noted that PNC had been added to the RFP list at the request of the Chairman. Mr. Chambers explained the specific questions for his office were: A) Do they have open architecture for sweep vehicles; B) Do they provide tier 1, 2 and 3 reporting for the auditor and C) Do they have brokerage affiliates that can handle mutual funds and ETF trades on occasion. Mr. Chambers explained that a custodian such as Salem Trust understands what pension plans do and he would be hesitant to go to a commercial bank for such services. He explained that he feels Salem Trust is knowledgeable and specialized while there are issues with Regions and Fifth Third Bank. Mrs. McNeill confirmed that her office also has pension accounts with Salem, KeyBank and Comerica, all of which are handled well; however the majority of the mutual clients are with Salem Trust. Mr. Dobin addressed prior issues with Salem Trust. Mr. Chambers explained their trading platform change had experienced issues. It was also noted that fraud occurred in another of their affiliate companies; however it was not related to any action of Salem Trust. Further discussion of the custodian RFP was tabled to the August meeting.

**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 provided the final document for signature.

The Trustees confirmed the next meeting had been previously scheduled for August 13, 2018.

With there being no further business, the meeting adjourned at 12:25 P.M.

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Respectfully submitted,  
Secretary