

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 13, 2018

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 PRESENT

Marc Dobin
Mike Stevens
Mike Salvemini
Jason Alexandre
Nick Scopelitis

OTHERS PRESENT

Denise McNeill & Joah Freeman, Pension Resource Center
Ken Harrison & Jose Javier Rodriguez, Sugarman & Susskind P.A.
Chad Little, Frieman Little Actuaries
Burgess Chambers; Burgess Chambers & Associates
Rob Rossi; CS McKee
Michael Villella; Town of Jupiter

PUBLIC COMMENTS

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

APPROVAL OF MINUTES

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

- Mike Stevens made a motion to approve the May 2018 minutes as presented. The motion received a second by Mike Salvemini and was approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT – CS MCKEE

Rob Rossi of CS McKee appeared before the Board to present the quarterly report for the period ending June 30, 2018. Mr. Rossi provided a firm update explaining there have been no changes to their firm, they are 100% employee owned and 20% of staff are equity owners. He reported the Fed has raised short term interest rates twice so far this year and possibly two more are expected by the end of December. He reviewed the asset classes explaining the low quality corporate bonds under-performed while their portfolio holds higher quality. He addressed agency and treasury bonds explaining they took profits by selling out of bonds when they were compressed; they sold at a great price and bought back at a much lower cost. Mr. Rossi noted they currently match the index; however they have protected on the downside. He reported they have a high yield on the portfolio versus the bench due to an underweight in treasuries. Additionally they had an overweight to corporate bonds in June which they trimmed back some in July. He explained they may begin to buy TIPS back if the market transitions. He reported the interest rate sensitivity is almost the same as the index currently; however it is typically lower. Mr. Rossi reviewed the sector weights. He then reviewed the security selection explaining they have added value by buying and selling the right securities. He explained every recession since 1959 has been preceded by an inverted yield curve; however not every inverted yield curve equates to a recession. He reported they may begin to see a softening of the GDP growth later in 2020. Looking ahead for the rest of the year, 0.50% - 1% is expected if it is a stable rate environment. Mr. Rossi explained they have been ranked in the top percentile nine of the past ten years by PSN, a company who ranks national managers. He further noted when junk bonds are doing well, CS McKee will not do as well. Mr. Chambers explained the space between the top 50% of managers is very narrow and managers who have done better have higher exposure to credit resulting in more yield with more risk.

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

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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 June 30, 2018. He reported being very pleased with the Plan's performance including the reduction of fees. He noted other plans with higher earnings have higher allocation to equities with more risk. He reviewed the asset allocation noting they were slightly overweight equities and cash and slightly underweight infrastructure. He reported 1/3 of the assets are now indexed and the changes moving more to passive has reduced fees by \$140,000. Mr. Dobin noted they are saving without losing on performance. Mr. Chambers reviewed the quarterly report noting the following; the total fund was up 1.9% for the quarter; equities were up 2.7%; domestic equities were up 4.6%; large cap infrastructure was up 2.4%; convertibles were up 2.6%; international equity was down -2.8%; REITs were up 10.1%; private real estate was up 1.8%; fixed income was static at 0% and cash returned 0.3%. He reviewed each manager in detail noting Advent was below the median while their other managers have done well. Mr. Chambers recommended waiting to see what happens with the Advent account when equities drop. Lengthy discussion followed regarding Advent's performance.

- Nick Scopelitis made a motion to move \$1M from Advent to the index. The motion received a second by Mike Salvemini and was approved by the Trustees 5-0.

Mr. Chambers continued reviewing the report. Mr. Dobin noted the Plan went from \$9M to \$73M in 15 years and he feels both the Trustees and the consultant are doing a good job. Mr. Chambers reported that he had hired another employee to handle 457 clients however defined benefit clients remain his primary focus.

- 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 5-0.

OTHER REPORTS

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

ATTORNEY REPORT

LEGISLATIVE UPDATES: Mr. Harrison reported the last session ended with no real impact to pension plans. He had previously reported the Work Comp Bill passed related to PTSD which he expects to see some increase in disability applications since he is already seeing an increase in such applications elsewhere.

ACTUARY REPORT

STATE ACCEPTANCE OF VALUATION REPORTS: Chad Little explained they had received notice from the State they accepted the Plan's valuation reports.

STATE RESPONSE ON PLAN FUNDING TOWN BUILDING: Mr. Little previously explained that he wanted to make sure the auditor will report as the value of the note and not the purchase for resale and he also wanted to verify if the State will allow carrying the asset at the note value. He reported the State was concerned it may be a prohibited transaction under ERISA; however the Plan is not ERISA. Ken Harrison explained he reached out the State and they advised him that they feel it is a conflict to have such a relationship with the Plan sponsor. Marc Dobin explained that he likes the idea; however he is concerned it could cost a lot of money to find out legally if it can be done. Mr. Little explained one of the State's actuaries expressed that it would need to be carried at market value. Mr. Chambers explained he is working on the process elsewhere and he recommended the Board table the matter until he can create the framework for the process. Lengthy discussion followed regarding the matter. Mr. Harrison explained there is nothing

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formally in the statute to exclude such a transaction. He advised that he can do a review and offer an opinion on the matter under their current retainer. It was noted if counsel gives an opinion that it can be done, then they can address it with the Town. Mr. Little explained he has another client with a two year note and their auditor is carrying it at face value. Mr. Harrison will have an opinion for the Board at the November meeting.

- Nick Scopelitis made a motion instructing the attorney to research the matter of funding a Town building and provide an opinion to the Board for discussion at the next meeting. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

Mike Salvemini inquired into the DROP statements asking if they can be provided quarterly. Mr. Little explained due to how the policy is written; the accounts are measured on an annual basis. Mr. Harrison noted the Ordinance would need to be changed to alter the reporting dates. Mr. Little explained if the rate is fixed, they would be able to provide quarterly statements.

Discussion followed regarding the Plan's assumed rate of return (ARR). Mr. Little will present information for discussion of the ARR at the November meeting. He explained he can do the valuation at 7.5% with a 7.4% cost difference to show the potential cost. Jason Alexandre explained the Tier II members want to know the cost of a 3% multiplier. Mr. Little explained the Board could approve for the actuary to work on specific cost requests received from either the Union or the Town. Mr. Little explained the last study was approximately eight years ago.

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 Nick Scopelitis and was approved by the Trustees 5-0.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: A Benefit Approval was presented for consideration regarding a refund for Charles Fronrath.

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

CUSTODIAN RFP

Discussion followed regarding the pending RFP. It was noted Wilmington Trust is new to Florida and their rates are low, possibly in an attempt to earn business. Mr. Harrison explained he has a client who has been using Wilmington Trust for a few years now and he will ask them to forward a copy of their statement to the administrator. Discussion followed regarding the fees. Mr. Chambers explained they will need to take into consideration the custodian platform being used. He also suggested getting the cost for the specific number of manager transactions for 2017. He will send a list of questions to the administrator to request each custodian respond.

- Mike Stevens made a motion to appoint Marc Dobin as the committee of one; the consultant to provide the additional questions to be answered by the custodians and for Mr. Dobin to short list of who to invite for presentation. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

Mrs. McNeill will work on getting the list of the total manager transactions accordingly.

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OTHER BUSINESS

SHARE POLICY UPDATE: Chad Little explained additional questions had arisen related to the Share Policy process. He reviewed recommended changes in detail with the Board inclusive of the "as of" date and who receives the allocation. Lengthy discussion followed regarding forfeitures. The trustees were divided as to whether or not a member who takes a refund of all contributions and forfeits all future pension benefits also forfeits the Share account money. Mr. Harrison will address the changes and will provide a revised draft policy for review for the November meeting. Mr. Little will provide a revised total to the administrator for the vested deferred member who took a refund of contributions.

TOWN INQUIRY OF PART TIME POLICE OFFICERS: Mrs. McNeill explained the Town had inquired to confirm that part time police officers would not be eligible for pension benefits. Mr. Villella had followed up with another response explaining the issue originally arose to assist the School Board with coverage at local schools and the Town will be using full time police officers on detail assignments instead.

TOWN VOLUNTEER LUNCHEON INVITATION: Mrs. McNeill reminded the Trustees of the invitation from the Town for the Volunteer Lunch. All agreed no pictures will be provided for their Board. The administrator will provide a copy of the letterhead template with the Trustee names in place of pictures.

AUDIT ENGAGEMENT: Mr. Harrison explained he had reviewed the audit engagement; the language was standard and there were no issues.

- Nick Scopelitis made a motion to execute the audit engagement with KSDT as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

Mrs. McNeill reported the Annual State Report is pending approval.

Mrs. McNeill reported on a recent matter with Fifth Third where the administrator was being required to approve private exchange trades being requested by the bond manager. Apparently Fifth Third had a different employee handling that process and they were mistakenly assuming the administrator must approve such transactions. The matter was resolved and the necessary exchanges were completed accordingly for Advent.

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

With there being no further business, the meeting adjourned at 1:00 P.M.

Respectfully submitted,

Jason Alexandre, Secretary