

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 13, 2019

Secretary Jason Alexandre 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 PRESENT

Jason Alexandre
Michael Salvemini
Michael Stevens
Nick Scopelitis

OTHERS PRESENT

Denise McNeill, Pension Resource Center
Ken Harrison, Sugarman & Susskind P.A.
Chad Little, Frieman Little Actuaries
Burgess Chambers and Frank Wan; Burgess Chambers & Associates
Michael Villella; Town of Jupiter

PUBLIC COMMENTS

Marc Dobin invited members of the public to make comments. There were no public comments were made.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held February 11, 2019.

- Mike Stevens made a motion to approve the February 11, 2019 minutes as presented. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

It was noted that Polen Capital and Eagle Capital would be scheduled to present at the August meeting.

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, 2019. He reported the following: It was a great quarter as the market had rebounded nicely. Quarter to date the Plan was up 9.8% while fiscal year to date the Plan is up 1.5% regaining the loss from the prior quarter. Mr. Wan had researched and found that of the last seven recessions, all had been preceded by a tightening from the Fed. The yield curve is slightly inverted; however the consultant does not feel they are moving into a recession due to the stimulus in the economy. They expect moderate tax growth. In the last quarter of 2018, the Fed had reported expecting four rate increases in 2019 and the market dropped at the news. The Fed then issued a revised statement at the end of December and the market has since rebounded. Mr. Chambers reported the Plan ranked in the top 16th percentile of the public fund universe for the quarter. The total fund was up 9.8%; equities were up 14.2%; domestic equities were up 15.2%; large cap infrastructure was up 12.8%; convertibles were up 11.8%; international equity was up 13.2%, REITs were up 15.7%; private real estate was up 1.5%; fixed income was up 3.0% and cash returned 0.5%. Polen was in the top 2% of their peer group due to their stock selection. The REIT and private real estate did well. Mr. Chambers feels the REIT drop is a forecast of the real estate market drop. He recently learned a couple things about the REITS; many small REITS are being bought out and when the Fed held off on the rate increases, it affects the loans in the REITS. Mr. Chambers reviewed the risk versus reward noting the Plan is earning more without taking on more risk; capturing 88% of the down market while capturing 102% of the up market. There is currently a high cash accumulation so he will prepare the necessary rebalance letter, expecting to move the funds to equities. He reminded the Board that they are not day traders and some of the funds may be moved to convertibles and REITS as well.

- Mike Stevens made a motion directing the consultant to move \$1M from cash and rebalance the portfolio accordingly. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

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Mike Stevens inquired into the US/China trade situation and Mr. Chambers explained he had heard an interview regarding the situation noting "they are on the five yard line and the last five yards are difficult to do". \$200B is flowing into the US and China is reducing their production.

Discussion followed regarding the custodian RFP. Ken Harrison reviewed an email of his firm's legal interpretation regarding using Schwab as the custodian. There are specific standards Schwab will need to meet. He confirmed it is possible; however they will need additional information to ensure they are operating under Florida Security and Public Depositor requirements. He noted they are operating under Nevada law and he is not sure if Nevada law requires them to meet banking standards. Mr. Chambers will send Schwab the RFP inclusive of the additional consultant questions and the attorney's memo. Mr. Chambers explained it is worth the effort if it can be done with Schwab so it is important to vet accordingly. The overall Schwab cost savings would be roughly \$30K annually. Schwab and Fidelity have the best technology in the industry, well advance of any other firms. Mr. Harrison explained that as long as he can get confirmation of a few important pieces, then "yes", it appears it can be done; as long as Nevada law requires them to meet banking standards and in Florida they must be in compliance with Chapter 280 Florida Security for Public Depositors. Mr. Chambers explained that Fifth Third did pay the Plan for the earnings lost on the delayed transaction; however the communication is lacking. He feels they are a good commercial bank but lacking the infrastructure for custody trust.

- Nick Scopelitis made a motion to approve the investment consultant report. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

OTHER REPORTS

It was noted PomTrack and Robbins Geller monitoring reports were in the Trustee packets for informational purposes and there were no recommendations for action.

ATTORNEY REPORT

CONYETTE – VESTED DEFERRED REQUEST FOR RETRO PAYMENT: Mr. Harrison addressed the matter with the Board explaining the member was eligible for retirement in 2016 and did not apply until 2019. The Plan has clear rules that in order to begin receiving benefits, the member would have to submit a retirement application and only in the circumstance of the mandatory tax rule of 70.5 years of age would the Plan initiate the payment process. It was Bob Sugarman's opinion that the member is entitled to a "late" payment which increases the amount and he had recommended the actuary recalculate the benefit to factor in an increase for the late payment start. Mr. Little addressed the process of the recalculation noting there was a multiplier adjustment for an early retirement on the pension; however there is no such adjustment on the supplement as it is a straight calculation on service. In reviewing, he noticed the SPD states the supplement is adjusted for early retirement (age 50-55); however that has not been the practice so the SPD reflects language that is not practice relative to the supplemental benefit. He did recalculate the pension benefit and feels an increase does not apply to the supplement as the supplement is clearly based on when the member applies for retirement. Mr. Harrison agreed with the actuary's interpretation that the supplement language is clear and only effective when retirement is applied for. Mr. Harrison explained the member is not eligible to receive back pay; however it is possible to pay on an actuarially adjusted benefit. Lengthy discussion followed regarding the language in the Ordinance related to the supplemental benefit. All agreed that the language was clear and the supplemental benefit would not be entitled to an adjusted increase. Mr. Little explained the language from GAM83 is hard coded into the Plan and the Board may want to consider updating the mortality table to something more up to date. Mr. Harrison explained that the Board cannot allow a member to change their benefit election once a member is in pay status.

- Nick Scopelitis made a motion to accept the attorney's and actuary's opinion on Mr. Conyette's benefit being actuarially increased effective April 1, 2019 due to the later

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retirement filing. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

- Mike Stevens made a motion to approve the attorney's opinion and move forward with Schwab as a custodian. The motion received a second by Mike Salvemini and was approved by the Trustees 4-0.
- Mike Stevens made a motion to accept the correspondence from Fifth Third as payment received for the reimbursement of the late trade processed August 2018. The motion received a second by Mike Salvemini and was approved by the Trustees 4-0.

LEGISLATIVE UPDATES: Mr. Harrison reported on the Firemen's Cancer Bill noting there are 21 types of cancer being considered. Such a benefit for police is expected to follow. The Bill does not change the Board's action or process; it only means that workers compensation now assumes the condition as job related if all criteria have been met.

The proposed changes to public record did not pass; however there were several changes to FRS. Discussion followed regarding world politics and potential military action. No real "free trade" exists as they all have negotiated tariffs.

Mr. Harrison reminded all of the upcoming FPPTA Conference. He reported there has been an issue with their website change. The IFEBP conference will be on a global level. NCPERS also has good pension information at their conferences as well.

Denise McNeill addressed the FRS Investment account. If a member is hired who previously worked for a department that had FRS and if that member had opted for the FRS Investment account, when they terminate employment and either take a refund or roll the funds over to another qualified account; it is still considered constructive receipt of a pension benefit as the money includes employer contributions so the member would not be eligible to buy the time in this pension plan. Discussion followed regarding Chapter 175 and 185 Plans and ones that have closed and moved to FRS. Once a closed Plan is over 100% funded, the State stops paying the Chapter money. The reaction to public pension plan situations has changed as the market is up and the cost has shifted in a way that is not costing municipalities as much to have local law plans. Some municipalities are looking to move out of FRS and take the Police and Fire benefits back into their local pension plans.

ACTUARY REPORT

Chad Little explained cities are dealing with an issue related to the ADA requirements for online documents and most public websites are not ADA compliant. His actuarial reports are not compliant at this time. Another actuary reported it would be an additional \$1,000 cost to make their valuation report compliant. The difference between government in the Sunshine and voluntary Sunshine may be going away. They discussed how to be compliant in a situation where having a website for the Plan is not mandatory; however if a site does exist and is open to the public, then it is to be compliant.

Mr. Little reported the annual Actuarial compliance reports have been filed accordingly.

Mr. Little addressed the DROP schedule for Tier 2 members explaining the actuary has been treating the DROP as a maximum employment of 30 years; however they have been allowing a member at least five years in the DROP so if a member enters the DROP at 28 years of service, they would be allowed five years in the DROP so their time will go beyond 30 years. He then addressed DROP effective dates. Benefits have always been calculated as of the first day of the month; however they recently became aware that the paperwork reflects two dates; one as the termination date and one as the DROP entry date. He reviewed an example where a member

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listed a day in the middle of December 2018 as his termination date and January 1, 2019 was then listed as his DROP effective date. Mr. Little wanted to verify the service, pay and final member pay is being properly tracked through the pre-DROP period. Mrs. McNeill confirmed the payroll used is tracked with the pre-DROP payroll codes and captured for payroll up to the termination date the employee lists on the application. She explained any pensionable sick or vacation pay that is paid after the termination date is then manually included in the member's final year of payroll accordingly. Jason Alexandre asked the administrator to look into the pay date of the final pay being processed as he believed the Town had agreed to pay all final pre-DROP payroll prior to the termination date accordingly. Lengthy discussion followed regarding the process. Mr. Little explained he wanted to confirm as the payroll process is a little different for this plan due to the members continuing to contribute after their DROP effective date. Mrs. McNeill confirmed the Town uses one payroll code for pre-DROP and another for post-DROP contributions which helps the administrator figure out what is to be included in the member's final calculation. The Trustees agree that the current process is accurate and agrees with their interpretation of the benefit as well.

Discussion followed regarding the online access on the administrators website for members to access their DROP and Share statements. A Trustee asked if the login can be changed to match the pension calculator. Mrs. McNeill is not certain if the program can accommodate the same login so she will look into and advise.

ATTORNEY REPORT - CONTINUED

Mr. Harrison explained the administrator had inquired into a member using a Trust as their contingent beneficiary. The Plan language requires the beneficiary must be a person for the joint and survivor life expectancy. He is not sure if a Trust can be the beneficiary for a 10 year certain; however the beneficiary for a DROP or Share account balance should be fine. He will research on the 10 year certain and advise.

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 from Mike Salvemini and was approved by the Trustees 4-0.

It was noted the financial statement through April was included in the trustee packet for review. The Trustees accepted the financial statement.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit Approvals were presented for consideration. Mrs. McNeill noted the amount listed for Mr. Conyette was the original calculated amount and not the newly calculated amount approved by the Board earlier in the meeting so the benefit approval was tabled to the next meeting.

CUSTODIAN RFP

The RFP was tabled to the August meeting while the consultant addresses the remaining questions with Schwab.

OTHER BUSINESS

It was reported that the Town had reappointed Marc Dobin and Mike Stevens to the Pension Board.

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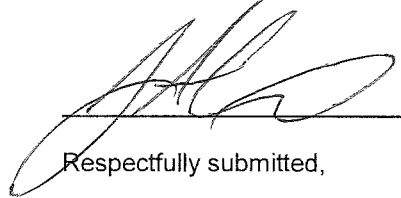
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The Town had sent a notice of required Ethics Training. Those Trustees who were not able to attend the April 30th training are to complete the training online. The Trustees confirmed all had received the notice and would complete the course accordingly if they have not already done so.

Mike Salvemini explained he had sent information to the actuary for the cost of benefit changes.

The Trustees confirmed the next meeting had been previously scheduled for August 12, 2019.

With there being no further business, the meeting adjourned at 12:20 P.M.



Respectfully submitted,

Jason Alexandre, Secretary