

# **TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**

## **MINUTES OF MEETING HELD August 12, 2019**

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  
Jason Alexandre  
Michael Salvemini  
Michael Stevens

### **OTHERS PRESENT**

Denise McNeill & Margie Adcock, Pension Resource Center  
Ken Harrison, Sugarman & Susskind P.A.  
Chad Little, Frieman Little Actuaries  
Mitchell Brennan; 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 made.

### **APPROVAL OF MINUTES**

The Trustees reviewed the minutes of the meeting held May 13, 2019.

- Jason Alexandre made a motion to approve the May 13, 2019 minutes as presented. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

### **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, 2019. He reported the following: Excess returns in the corporate sector were volatile but positive in the second quarter. An increase in the allocation to credit in early June enhanced performance, as the sector rebounded from trade-related deterioration in May. The quick recovery in valuations has them approaching yield spread target levels, leading them to slightly reduce their allocation at quarter end. Currently 3% to 5% overweight the sector, they will move to neutral if the average investment grade corporate yield spread reaches their target levels near 100 to 105 basis points from the current reading of 115. The allocation to TIPS was trimmed with the 10-year breakeven rate approaching 2%. Their bias towards principal preservation led to slight underperformance with respect to duration management for the quarter. Portfolios remained between 96% and 100% of benchmark duration during the period, finishing the quarter at 98%. They look to retain a slightly bearish to neutral bias with yields at current levels, as they envision little net change in Treasury rates by the end of 2019. Current year to date the plan is up 7.7% versus the index of 7%. They would not have expected such a great year. Mr. Rossi provided a brief firm update reporting they have had a change in management. Their CIO was removed May 21, 2019 and they feel the change will be positive with less distraction. The primary team has been in place for years and continues as such so there is no concern of primary team members leaving.

### **INVESTMENT MANAGER REPORT – EAGLE CAPITAL MANAGEMENT**

Jim Johnson joined the meeting via telephone on behalf of Eagle Capital Management to provide a report on their investment performance. He reported the following: Currently they may have an 18.66% year which is very good considering the market volatility. The trade war is creating short term noise; however over time they expect no real impact on the portfolio since they do not hold supply chain assets which are the type mostly affected. They expect a recession sometime between 2019 and 2021; however they do not expect for it to be deep or long. They do not expect a gradual onset recession to impact the portfolio. A sharp drop in the market would affect the Plan as it did in 2008; however the following year the portfolio did extremely well due to the assets held so they feel confident with their position. Mr. Johnson responded to several

# **TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**

## **MINUTES OF MEETING HELD**

**August 12, 2019**

questions from the Trustees noting the following: There have been no structural changes in their organization. The S&P re-classed the sectors in 2018 therefore Eagle had to also make the sector classification adjustments as well. They expect incremental shifts in their portfolio and they are carefully listening to the noise out of Washington regarding the break-up of big tech. If such a break-up were approved, it would take 5-7 years in courts alone. With Washington out of the picture, they do not feel Amazon is a scary stock as they have doubled their free cash flow the last three years and is expected to do so next year as well. The telephone call with Mr. Johnson ended.

### **INVESTMENT MANAGER REPORT – POLEN CAPITAL MANAGEMENT**

Anthony Xuereb and Steve Atkins appeared before the Board on behalf of Polen Capital Management to provide a report on their investment performance. They reported the following: Earlier in 2019 the employees acquired 11% of the company from the Polen Family Trust. They have added 25 employees in the past 1.5 years and twenty-six (26) employees now have ownership portions. The portfolio team has remained largely in-tact. They have launched two new teams completely autonomous from the large cap team. Polen is reducing the flow into the large cap strategy by increasing minimums. Their returns have been strong; however they do not expect the rest of 2019 to be as strong as the first half. They would not expect a recession to have a fundamental impact on the companies they hold. They also hold Facebook and Alphabet (as does Eagle Capital) and while they are not dismissing the concerns of action from Washington, they did add both stocks to the portfolio after the announcement from Washington to take advantage of the reduced stock price. They are aware of the risks; however they do not feel the risks are material at this time and they do not expect to add to the holdings of both companies. Mr. Dobin explained there is a noticeable exposure to some of the same stocks with Eagle and Polen which will need to be reviewed and addressed by the consultant to make sure they are properly managing the risks to the Plan and not having an over-exposure.

### **INVESTMENT CONSULTANT REPORT**

Mitchell Brennan 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, 2019. He began with the compliance review explaining they monitor all assets to ensure that no current asset held is over 5% of the entire portfolio. The Plan is well below the maximum allowance and they will provide a compliance review for the next meeting. He reported the Plan ranked in the top 22<sup>nd</sup> percentile of the public fund universe for the quarter. The total fund was up 3.4%; equities were up 4.0%; domestic equities were up 5.0%; large cap infrastructure was up 4.2%; convertibles were up 1.7%; international equity was up 3.9%, REITs were up 0.8%; private real estate was up 1.2%; fixed income was up 2.7% and cash returned 0.5%. \$1M was rebalanced from cash into the portfolio in the recent period. The combo of active and passive along with the alternative assets have done well for the Plan. There is no recommendation to rebalance further at this time. The Plan is in the top 17% for the two year view and top 10% in the one year view. Each manager was reviewed in detail. Convertible ETF's underperformed their peers due to specific holdings; however the diversified portfolio barely missed the index. Active managers are outperforming their indexes. Marc Dobin addressed the history of the Plan and feels the investment consultant deserves credit for his part in the growth of the Plan. Mr. Villella thanked the Board and consultant on behalf of the Town. He then inquired into real estate explaining they are seeing a softening of retail real estate in the Town and he requested the consultant carefully monitor that asset class and be prepared to recommend the Board pull back in that asset if necessary. Mr. Brennan explained that one of the largest real estate portfolios is UBS and they recently wrote down their retail by 15%. American Core's retail is mostly grocery anchored and has less exposure. Amazon's growth is causing them to take on much more space locally to be able to offer the same day and next day delivery service. The big malls are still

# **TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**

## **MINUTES OF MEETING HELD**

**August 12, 2019**

thriving while smaller and mid-sized malls are beginning to struggle. Jason Alexandre noted the theme at the recent FPPTA conference was International exposure; however Mr. Brennan explained they are seeing more growth in the US versus international. Countries like Germany and the UK posted retractions in the GDP and their bonds are negatively yielding. The Europacific Growth mutual fund included different managers with different strategy. Mr. Brennan reviewed the allocation and he is comfortable with the 10%-15% range.

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

SCHWAB AS CUSTODIAN: Mr. Brennan explained they received a quote from Schwab and all assets are currently available on their platform. He reviewed the quote with the Trustees explaining Schwab has a Trust side and a Bank side. In reviewing the fees, he reported the following: Not all activity is included. There is a cost to trade each individual stock which will have an impact on the Eagle portfolio due to much movement, causing a significant fee. The mutual funds and ETF's are not an issue. They could see a significant cost with Schwab based solely on trades. They have not been able to negotiate or verify benefit payments to retirees and it may cost the Plan less to have the Resource Centers take over the benefit payment process. The consultant will reach out to the current managers to verify the current amount of trades to review the costs in more detail. Mrs. McNeill will forward the trade information from the prior year that had been provided for the RFP to the consultant's office.

### **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**

TRUST AS BENEFICIARY: Mrs. McNeill explained the inquiry received from a member asking if a Trust can be designated as the contingent beneficiary of a member's pension. Mr. Harrison explained that based on their firms review of Internal Revenue Code, Florida Law and the Town of Jupiter Code of Ordinances, it is their opinion that a trust may be so designated as a contingent beneficiary. The member will need to provide a copy of the final trust agreement for his office to review to ensure the established Trust is capable or legally sufficient to receive benefit payments from the Fund. He recommended the Board consider adopting a policy that any member designating a trust as a beneficiary or contingent beneficiary, submit a copy of the final corresponding Trust Agreement along with the completed and executed beneficiary form as part of the application process. This will ensure two things. First, the Fund will have a readily accessible copy of the trust agreement should such be necessary when effecting payments. Secondly, his office would have an opportunity to review such for legal sufficiency. This will avoid any delays or potential issues which may arise later once benefit payments are set to be paid.

- Jason Alexandre made a motion to approve adopting such a policy to clarify the allowance of a Trust as beneficiary. The motion received a second by Mike Salvemini and was approved by the Trustees 4-0.

LEGAL UPDATES: Mr. Harrison reported on the Cancer Bill noting 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 so the issue relates to employers; however Plans can anticipate an increase in disability applications related to same. He also noted they are currently seeing an increase in other Police Pension Plans related to PTSD.

# **TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND**

## **MINUTES OF MEETING HELD**

**August 12, 2019**

### **ACTUARY REPORT**

Chad Little reviewed the JP Morgan Capital Market Assumptions of 2019 versus 2018 reporting the following: Bonds were up significantly while stocks were lower. Moody's purchased a climate change product and it will be interesting to see what they think of the sea level rising. Mr. Little is currently doing two studies; one is for the Town to get an understanding of the impact of the pay increases on the Pension Fund and the second relates to a Tier Two (2) review. The Tier Two study has two components; 1) to make all Tier Two members equal to Tier One and 2) to increase the multiplier and three year final average salary. He verified the cost of the first study is being paid for by the Town and Mr. Harrison explained the Board should still be copied on the study as it is still public record. Mr. Little confirmed both studies will be copied to the Board.

Mrs. McNeill will follow up on the status of the new program being set up for members to access their annual Share account balance online through the administrator's website. The access to the annual DROP statements from the actuary has been completed.

### **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 Jason Alexandre and was approved by the Trustees 4-0.

It was noted the financial statement through June 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 previously listed for Mr. Conyette was the original calculated amount and not the newly calculated (revised) amount approved by the Board at the prior meeting so the prior meeting's benefit approval had been tabled to this meeting. Mr. Villella noted that one of the members on the list who received a refund of contributions had just been rehired by the Town. The administrator will reach out and send a letter to the member informing him that he has 90 days to roll the refund back into the Plan to receive credit for that prior time; otherwise the member may do a buyback later, which will cost more. Mrs. McNeill explained the DROP calculation for Tremblay will need to be revised to include his Comp time (his original calculation only captured the sick and vacation pay).

- Jason Alexandre made a motion to approve the Benefit Approval as presented. The motion received a second from Mike Salvemini and was approved by the Trustees 4-0.

**FIDUCIARY LIABILITY AND CYBER LIABILITY INSURANCE RENEWALS:** Mrs. McNeill presented the policy renewal quotes noting an increase of \$46 over the prior year which related to the increase of assets.

- Mike Salvemini made a motion to renew the current policies as quoted. The motion received a second from Mike Stevens and was approved by the Trustees 4-0.

Mrs. McNeill requested the Board approve for the Resource Centers' Client Service Team be authorized to instruct the custodian to make member updates such as change of addresses and tax withholding changes. She explained that currently, Fifth Third will only take action from an authorized signer and the service team sometimes experiences delays on basic daily member requests due to waiting for an authorized signer to approve. She advised that all money actions are an entirely different process, requires secondary review and they even undergo an annual

# TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

## MINUTES OF MEETING HELD

August 12, 2019

SSAE-18 (SOC 1) audit to review their internal controls and procedures; however she feels basic member changes should be allowed to be changed by any of their Client Service Team staff. The Board agreed to allow the Client Service Team to initiate the basic member changes as needed.

- Jason Alexandre made a motion to approve for the Resource Centers' Client Service Team to make basic member changes with the custodian. The motion received a second from Mike Salvemini and was approved by the Trustees 4-0.

2019-2020 BUDGET – Mrs. McNeill presented the 2019-2020 Administrative Budget for consideration. Discussion followed regarding the amounts.

- Mike Stevens made a motion to approve the 2019-2020 Budget as presented. The motion received a second from Jason Alexandre and was approved by the Trustees 4-0.

Mrs. McNeill reported a member requested an urgent divorce calculation. Instruction was confirmed by a trustee to process the request and the payment would follow. The calculation was processed accordingly and as soon as Mr. Little confirms the rate, the member will be instructed to pay for the cost of the calculation accordingly.

### ADMINISTRATOR RFP

Marc Dobin explained that he instructed for an administrator RFP to be added to the agenda. He feels they are in the process of reviewing all service providers and since Mrs. McNeill will be stepping back from daily activity of the Plan, it is time to review what other administrative services may be available. He had someone approach him some time ago about administrative services from an out of state accounting firm wanting to get into administration in Florida and he would like for them to be included in the consideration.

- Mike Salvemini made a motion to process an administrator RFP. The motion received a second from Jason Alexandre and was approved by the Trustees 4-0.

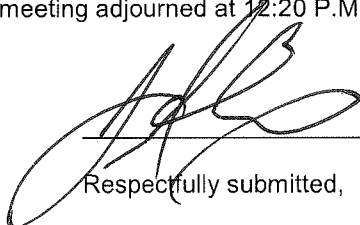
Mr. Harrison explained they are coming up on fiscal year end and the timing is tight. He will process the RFP accordingly.

Mrs. McNeill explained the change at the Resource Centers relates to the transition from Denise McNeill to Margie Adcock and Ms. Adcock worked for the Board initially several years ago so she is very familiar with the Plan. Additionally, the back office team members will remain the same.

### OTHER BUSINESS

The Trustees confirmed the next meeting had been previously scheduled for November 4, 2019.

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



Respectfully submitted,

Jason Alexandre, Secretary