

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

## **MINUTES OF MEETING HELD**

**November 4, 2019**

Chairman Marc Dobin called the meeting to order at 10:11 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  
Richelle Hayes, American Realty  
Brian Casey, Cohen & Steers  
Michael Villella; Town of Jupiter

### **PUBLIC COMMENTS**

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

### **APPROVAL OF MINUTES**

The Trustees reviewed the minutes of the meeting held August 12, 2019.

- Michael Stevens made a motion to approve the August 12, 2019 minutes as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

### **INVESTMENT MANAGER REPORT – AMERICAN REALTY (RICHELLE HAYES)**

Richelle Hayes appeared before the Board. She provided a brief background of the firm. The firm was founded in 1987. She stated that there have been no changes in the firm. They continue to grow in assets and have \$10 billion in assets under management. She stated real estate has been a popular asset class to be in since 2010 as it is not correlated to stocks or bonds. Real estate has lower volatility than stocks and REITs. Ms. Hayes reviewed the American Core Realty Fund. She stated that it was a very diversified portfolio. The American Core Realty Fund is the largest fund that they have. It is an open-end fund. As of June 30, 2019 the gross asset value was \$7.07 million and there are 71 investments. She stated that the leverage was 24.2% which is higher than normal. They are usually at about 18%-20% leverage. They are taking advantage of the low interest rates and refinanced some properties. They currently have 6 properties in Florida.

Ms. Hayes reviewed the performance of the Fund's portfolio was of September 30, 2019. The total market value as of September 30, 2019 was \$5,011,432. She reviewed performance as of September 30, 2019. She stated that the total return was 1.16% net of fees for the quarter while the benchmark was up 1.08%. For the fiscal year the total return was 5.64% net of fees while the benchmark was up 4.65%.

Ms. Hayes reviewed the portfolio management team. She stated that they focus on income which is the most important part of the fund. They are increasing their exposure to the multifamily and industrial sectors while decreasing their exposure to the office and retail sectors. She reviewed their target markets noting that they have a lot in port cities. Ms. Hayes reviewed the top ten properties as of September 30, 2019. They have strong current occupancy levels. She stated that they have stable and diverse tenancy. She discussed the property they have in Delray Beach with the IPIC movie theater. She stated that there were some recent issues where IPIC filed for bankruptcy. She stated that this is more of a tenant concern and not a building concern. She stated that they are managing the property and are looking for other possible tenants if necessary.

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### **INVESTMENT MANAGER REPORT – COHEN & STEERS (BRIAN CASEY)**

Brian Casey appeared before the Board. He provided an overview of the firm. They offer a global product and created the first REIT structure 70 years ago. They have an experienced team with over 300 employees all over the world. They are headquartered in New York. They have just under \$71 billion in assets under management. They have \$7.5 billion in the strategy the Fund is invested in, which strategy was launched in 2003. It was noted that 50% of their clients are institutional investors. Mr. Casey stated that they have a new CIO. He was head of the global real estate team. He stated that nothing is really changing. He will still be the portfolio manager of the global real estate team. They are one of the largest teams in the world. They are an independently owned company. Mr. Casey provided a representation client list. They have added 34 public funds in the last two years.

Mr. Casey discussed infrastructure. He stated that it includes communications, midstream energy, transportation, and utilities. He stated these all have predictable cash flows. He stated that the strategy has equity-like returns. They really shine on the downside protection. It is a global strategy but has 55% in the US. It is very liquid with daily valuations. It is very diversified with a wide range of investments. Mr. Casey discussed cell towers as being a great asset. He stated that companies rent space off cell towers and moving from 4G to 5G will increase the need for more data and towers in the future.

Mr. Casey reviewed the performance of the portfolio as of September 30, 2019. The total market value of the portfolio as of September 30, 2019 was \$4,001,528. The portfolio was up 3.3% gross of fees for the quarter while the benchmark was up 2.3%. Mr. Casey stated that the portfolio is positioned more defensively right now. They have more investments in utilities, water companies, and cell towers.

### **INVESTMENT CONSULTANT REPORT – BURGESS CHAMBERS & ASSOCIATES (MITCHELL BRENNAN)**

Mitchell Brennan appeared before the Board. He provided an overview of the market environment. He stated that there was supposed to be a deadline date for Brexit of October 31, 2019. However, the deadline was pushed back to January 31, 2020. He stated that they will continue to monitor that situation. There is a lot of value in Europe right now but with Brexit and the trade war, valuations are not increasing. It appears they will not change until there is some clarification on these issues. Domestically things are strong. The Fed has cut rates for the third time in a row. REITs were the best performing asset class for the quarter and one of the best for the year. It was up 7% for the quarter and the next closest asset class was bonds which were up 2.3% and then US equities which were up 1.7%. Fixed income was one of the best performing asset classes in the portfolio for the last 12 months, which is very surprising.

Mr. Brennan reported on the investment performance of the portfolio for the quarter ending September 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. He reported the Plan ranked in the top 22<sup>nd</sup> percentile of the public fund universe for the quarter. The total market value of the Fund as of September 30, 2019 was \$80,076,341.

The total fund was up 1.1% net of fees for the quarter ending September 30, 2019 while the benchmark was up 1.1%. For the fiscal year the total fund was up 6.6% net of fees while the benchmark was up 5.3%. Mr. Brennan noted that although the Fund underperformed the actuarial assumed rate of return, the Fund ranked in the top 5% compared to its peers. For the quarter ending September 30, 2019, total equities were up .6%; domestic equities were up .6%; large cap infrastructure was up 3.5%; convertibles were down .2%; international equity was down 1.5%; REITs were up 6.8%; private real estate was up 1.4%; fixed income was up 2.4% and cash returned 0.5%. Mr. Brennan stated that the Fund is on target with all of the current allocations

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and there is no need to rebalance at this time. He reviewed the individual manager performance. He stated that Eagle and EuroPacific have done a phenomenal job. All of the rest of the managers have performed well. The Fund has done significantly better than their peer group. The Fund is close to being in the top quartile across the board. The Fund has passed the \$80 million mark. There are positive inflows and positive returns.

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

SCHWAB AS CUSTODIAN: Mr. Brennan stated that he went back to Schwab to try to negotiate the fee as discussed at the last meeting. He stated that Schwab was unwilling to negotiate on fees. A few weeks later, Schwab reduced their trading costs to 0% for all equities and stocks. So the fee structure did change and the only trading cost would be for fixed income. He stated that it would add some cost to change to Schwab. The current custodian has a 4 basis point all-inclusive fee. Schwab would be 4 basis points plus \$500 per account (currently there are 4 accounts) plus a fixed income trading cost. Mr. Brennan stated that he would work with CS McKee to see how many trades they did this past year, although trading depends on the market environment. There was a lengthy discussion. Mr. Brennan stated that moving to Schwab would eliminate some of the issues the Fund is having with Fifth Third but he has never worked with Schwab on the trading side to make sure payments and distributions are done properly. He has only worked with them on the retail side and everything has gone well. The Board discussed tabling the matter as there are too many moving parts to change at one time. There was discussion on looking at other custodians. It was noted that the Board already did a RFP and that is how it ended up talking about Schwab. Mr. Dobin stated that he would discuss the matter further with Mr. Chambers. There was Board consensus to table the matter.

Richelle Hayes and Brian Casey departed the meeting.

### **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**

Mr. Harrison provided a summary of the responses to the administrative RFP. He stated that he would discuss this later in the meeting as noted on the Agenda.

### **ACTUARY REPORT**

Chad Little appeared before the Board. He provided the Board with a pay increase study by letter dated August 16, 2019. He stated that the study estimated the impact of a one-time 10% pay increase to all active and DROP members so the Town could see the impact on the pension. It only affects the active employees but does have some impact on accrued liability. It is a forward looking change. The net result using the 2018 Valuation is an increase in the Town's required contribution. The change would add \$322,000 to their required contribution amount.

Mr. Little provided the Board with a Tier 2 benefit study by letter dated August 16, 2019. He stated that there were two studies involved, a unified plan and a unified formula. He stated that the retiree numbers do not change as it is only for active employees. It shows an increase in the unfunded liability and total liability. The increase to go to a unified plan is \$120,000. This is similar to the unified formula as well.

- Michael Salvemini made a motion to approve the studies. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

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Michael Villella, the Town's Finance Director, stated that his concern is that over the last five years the Fund has not met the assumed rate of return, which puts more pressure on the Town. He is concerned about the economy and what the future holds. It looks like a small cost now, but his concern is about the future. Mr. Salvemini stated that it is a good time to look at it. The Fund is over 90% funded right now and if it is not done now it will not get done. Mr. Harrison stated that this would not be adding a new benefit but rather returning a benefit that once existed. He stated that this would need to be negotiated so there is nothing for the Board to do at this point. Mr. Little stated that he does anticipate that the Board will continue to reduce the assumed rate of return which will have a cost increase. Additionally, he thinks FRS will change the mortality table next year and that will increase costs too. This is the first time in a while that the Fund will have back to back losses. He noted however that it would not be a huge impact on the recommended contribution this year.

Mr. Little discussed the definition of actuarial equivalence. He stated that right now the definition is from 1983 which is outdated. He stated that the Board should consider updating the definition. Mr. Harrison stated that it would result in a benefit change. If it is out of date, the Board should raise the issue and make a recommendation. Mr. Little stated that he can show how updating the definition would affect the individual and the overall Fund. There was a lengthy discussion. Mr. Little stated that he would bring a recommendation to the next meeting.

Mr. Little stated that in the last Valuation the Board reduced the assumed rate of return from 7.5% to 7.4% which cost about \$120,000. He recommended continuing to lower the assumed rate of return. He recommended reducing the assumed rate of return by .1% a year for 5 years for a target of 7%.

- Michael Stevens made a motion to follow the Actuary's recommendation and reduce the assumed rate of return from 7.4% to 7.3% for the 2019 Actuarial Valuation. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

### **APPROVAL OF DISBURSEMENTS**

The Disbursement list was presented for consideration. There was discussion on the NCPERS annual membership. It was noted that the Board would keep NCPERS for another year and then review whether to renew the membership next year.

- Mike Stevens made a motion to approve the disbursements as presented. The motion received a second from Michael Salvemini and was approved by the Trustees 4-0.

It was noted the financial statement through September 2019 was included in the trustee packet for review. The Trustees accepted the financial statement.

### **ADMINISTRATIVE REPORT**

**BENEFIT APPROVALS:** Benefit Approvals were presented for consideration.

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

**2020 MEETING SCHEDULE:** The 2020 meeting schedule was included in the trustee packets. It was noted that it was the same schedule as last year.

- Michael Salvemini made a motion to approve the 2020 Meeting Schedule as presented. The motion received a second from Jason Alexandre and was approved by the Trustees 4-0.

**RESOURCE CENTERS SSAE-18 SOC 1 REPORT & CYBER MEMO:** The Board was provided with certification from the Resource Centers that they successfully completed their SSAE 16 SOC 1 Audit as of June 30, 2019. Mrs. McNeill also provided the Board with a letter dated October 7,

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2019 from the Resource Centers regarding their cyber security measures. There was a lengthy discussion regarding cyber security.

185 STATE FUNDS RECEIVED: The details of the State 185 funds receipt had been included in the trustee packet.

DROP AND SHARE ONLINE STATEMENT ACCESS: Mrs. McNeill reported that the DROP and Share Statements are now available on their website for members to access. A letter has been sent to the membership advising them of same.

GENERAL LIABILITY INSURANCE RENEWAL: It was noted that the General Liability insurance policy was due to be renewed. It was noted that the renewal quote has not been received as of yet.

- Mike Salvemini made a motion to renew the general liability policy with a cost not to exceed 2.5% of the current premium. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

### **TRUSTEE APPOINTMENTS**

FIFTH SEAT: Mrs. McNeill noted that the term of the 5<sup>th</sup> Trustee held by Nick Scopelitis is up for reappointment. It was noted that Mr. Scopelitis has expressed interest in remaining on the Board.

- Michael Stevens made a motion to reappoint Nick Scopelitis as the 5<sup>th</sup> Trustee for another term. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

ELECTION FOR EMPLOYEE SEAT: Mrs. McNeill noted that a notice of election has been posted for the employee seat currently held by Jason Alexandre.

### **ADMINISTRATOR RFP**

Mr. Harrison provided a summary of the responses to the administrator RFP. It was noted that he did not forward the responses to the Board prior to the meeting. There was Board consensus to table this matter to the next meeting.

### **OTHER BUSINESS**

There was discussion on the Trustee tablets. It was noted that two are unusable. One is usable but the charge port is damaged and it is not worth repairing. Mrs. McNeill stated that the Board could use the administrator's secure file exchange for meeting packets. Mr. Harrison stated that if the Trustees download anything to their personal computers they might open themselves up to the Public Records Law. He stated that the Board could use their tablets to access the administrator's file exchange.

With there being no further business, the meeting adjourned.

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Respectfully submitted,

Jason Alexandre, Secretary