

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

February 10, 2020

Chairman Marc Dobin called the meeting to order at 10:04 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
Nick Scopelitis

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Ken Harrison, Sugarman & Susskind P.A.
Chad Little, Frieman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Eric Leventhal, Kabat, Schertzer, De La Torre, Taraboulos
Scott Reynolds; 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 November 4, 2019.

- Michael Stevens made a motion to approve the November 4, 2019 minutes as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

INVESTMENT CONSULTANT REPORT – BURGESS CHAMBERS & ASSOCIATES (BURGESS CHAMBERS)

Burgess Chambers appeared before the Board. He provided an overview of the market environment. He stated that in 2007 there were unlimited resources and no one saw the collapse of the equity and credit markets. He stated that economists are not great at forecasting the market. It is getting harder to make forecasts because the world is getting more complicated. It was noted that the Fed cut rates three times in 2019 when it was predicted that the Fed would raise rates four times. No one seems to be able to predict the capital markets.

Mr. Chambers reviewed the market for the quarter ending December 31, 2019. He stated that it was a strong quarter. The Fund earned \$4.1 million for the quarter. For the one year, the Fund was up 20.6% net of fees and in the top 15th percentile of the public fund universe for the quarter. The total market value of the Fund as of December 31, 2019 was \$84,460,806. The total fund was up 5.1% net of fees for the quarter ending December 31, 2019 while the benchmark was up 4.9%. Total equities were up 7.8%; domestic equities were up 8.8%; large cap infrastructure was up 2.8%; convertibles were up 7.7%; international equity was up 10.1%; REITs were down 1.3%; private real estate was up 1.2%; and fixed income was up .1%. Mr. Chambers stated that the Fund was on target with all of the current allocations and there was no need to rebalance at this time.

Mr. Chambers reviewed the individual manager performance. He stated that the biggest disappointment here and everywhere was international. Eagle, Fidelity and Polen were the top performers. Mr. Chambers reviewed the growth of investments from January 1, 2015 to December 31, 2019. He stated that the Fund has had an annualized rate of return of 7.2%. He reviewed the capital markets for the period ending December 31, 2019 and the 3 and 5 year risk and reward analysis. He stated that the Fund was taking on appropriate risk while still meeting the benchmark which put the Fund in the top percentage. There was discussion on real estate. Mr. Chambers stated that he thought the fee for American Realty was too high. He stated that they have grown tremendously and have not cut their fees. They do a good job for the Fund

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being fully leased. Returns are expected at 6% to 7% He stated that they have lower leverage than Intercontinental.

REQUEST FOR FEE INCREASE: Mr. Chambers requested a fee adjustment to change to a market value based approach instead of the current fixed dollar fee. He stated he was requesting to go from a current fee of \$30,000 a year to a 4 basis point fee. There was a lengthy discussion. Mr. Harrison stated that the Division of Retirement has stated that the fee should be a fixed fee. He stated that the State interprets the language in the Florida Statutes quite strictly, which is a fixed rate. Mr. Chambers stated that the Statute requires that an analysis be done every 3 years and it be based on a flat fee. He stated that he believes this is a different situation as he provides an analysis every quarter which should allow for a more comprehensive fee structure. Mr. Harrison stated that after the Merrill Lynch issue many years ago, the State is taking a harder approach. Mr. Chambers stated that a fee of 4 basis points would be approximately \$32,000 to \$33,000. If the Board did not want to move toward the basis point fee, his flat fee would increase to \$38,000 to be commensurate with the basis point fee. Mr. Chambers stated that about half of his clients are using an asset based fee and there has never been a problem. He noted that everyone else besides the Attorney and Administrator are paid based on the assets of the Fund. Mr. Harrison stated that he had no objection to the proposed change in fee structure at this time.

- Michael Salvemini made a motion to approve a Fee Addendum to the Consulting Services Agreement which changes the annual retainer fee to a market value based approach of 4 basis points effective January 1, 2020. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

CS MCKEE CONSENT FORM: The Board was provided with a Press Release dated January 7, 2020 regarding the acquisition of CS McKee by North Square Investments. Mr. Chambers stated that the management team handling the Fund's account is still in place. He noted that such an acquisition is not unusual. He recommended the Board consent to the assignment. He noted that North Square Investments has been around for a while. He stated that he talked to the key individuals and they will operate as an independent affiliate of the parent company.

- Jason Alexandre made a motion to approve the CS McKee Consent Form. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

SCHWAB AS CUSTODIAN: There was discussion on the status of possibly using Schwab as a custodian for the Fund. It was noted that this item has been tabled for a while until other matters were resolved. The Board decided to table this matter for a future meeting. There was Board consensus to table the matter.

FIDELITY MUTUAL FUNDS- REINVEST DIVIDENDS: Mr. Chambers stated that currently the dividends with the Fidelity Mutual Funds are not reinvested. He recommended that this be changed and that direction be given to the Custodian to reinvest dividends.

- Nick Scopelitis made a motion to direct the Custodian to reinvest dividends for the Fidelity Mutual Funds. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

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.

2019 AUDITED FINANCIAL STATEMENT

Eric Leventhal of Kabat Schertzer De La Torre & Taraboulos appeared before the Board. He presented the Annual Audit as of September 30, 2019. He stated that they were issuing a clean unmodified opinion. He reviewed Management's Discussion and Analysis. He reviewed the

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Statement of Net Fiduciary Position as of September 30, 2019. The total assets were \$81,431,011 with most of the money in investments. Total liabilities were \$566,797. Total net position restricted for pensions was \$80,864,214, with \$73,618,456 restricted for defined benefits, \$6,765,455 restricted for DROP benefits and \$480,303 restricted for Share benefits. Mr. Leventhal reviewed the Statement of Changes in Net Fiduciary Position. He stated that there were total additions of \$8,805,969 and total deductions of \$3,298,762 leaving an increase in the Plan net position of \$5,507,207.

Mr. Leventhal reviewed the schedule of investment and administrative expenses. He stated that there was a reduction in the management fees from the prior year. He stated that this was due to moving from higher fees paid to active managers to lower fees paid for mutual funds. He stated that the administrative fees were slightly lower than the prior year as there were not as many actuarial studies or trustee conferences. Mr. Leventhal stated that there were no substantive changes to any of the disclosures. He stated that he found no significant internal control issues. He received full cooperation from management and the service providers. There were no material weaknesses.

- Nick Scopelitis made a motion to approve the 2019 Audited Financial Statement as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

Eric Leventhal departed the meeting.

ATTORNEY REPORT

Mr. Harrison provided a Special Report dated January 2020 on the SECURE Act and Annual Limits under the Internal Revenue Code. He stated that the law increases the required minimum distribution age from 70 ½ to 72 ½ effective January 1, 2020 for those that have not taken distributions. If someone has already started taking distributions, then they are subject to the old rules regarding minimum distribution requirements. Mr. Harrison stated that the other part of the memorandum dealt with the IRS limitations for the 415 limits which went up from \$225,000 to \$230,000. The amounts for 457 and 401 plans also increased to \$19,500. There was a lengthy discussion.

Mr. Harrison noted the continuous discussions he has had with the Board regarding ADA compliance. He stated that there still seems to be a problem with reports that have charts. He stated that he continues to suggest that reports are submitted in compliance with the ADA.

Mr. Harrison noted the continuous discussions he has had with the Board regarding ransomware. He stated that this is still happening and he continues to suggest that plans have cyber insurance. The industry is trying to deal with it but it is not going to go away any time soon. It was noted that the Fund has a rider for cyber insurance.

Mr. Harrison stated that the Florida Legislature will be considering HB 1113/SB 1270 which is bill that adds a new section to Chapter 112 of the Florida Statutes establishing a general fiduciary standard for all local officers and appointed public officials. It was noted that this new section may conflict with the fiduciary standards already applicable to public pension plans that is in Section 112.656. As trustees for public pension plans, there is already a fiduciary duty to the participants of the plan, not the governing entity. It was noted that their office is trying to work out this conflict with the Division of Retirement. He noted that the proposed new law would also require five hours of governance training once a term.

Mr. Harrison discussed changes to Florida's Notary Public Law. He stated that Florida's Public Notary Law was changed effective January 1, 2020 to permit remote online notarizations under certain circumstances. It was noted that there are certain exemptions to the new law, such as not being applicable for change of beneficiaries or change of joint survivor annuitants. He stated that

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certain forms that are required to be notarized should be revised to include the new notary acknowledgment.

ACTUARY REPORT

2019 ACTUARIAL VALUATION REPORT: Chad Little appeared before the Board. He presented the Actuarial Valuation as of October 1, 2019. This Valuation determines the minimum funding requirements for the plan year ending September 30, 2021. He stated that the total employer expected contribution requirement is \$3,272,657. With the expected State contribution of \$611,245, the Town's contribution increased from \$2,308,308 in the last Valuation to \$2,661,412. He stated that the funded ratio was 89.56% compared to 91.00% last year. He stated that the Valuation includes reducing of the assumed investment return from 7.4% to 7.3%. He noted that FRS is at 7.2%. He stated that based on the market forecast he recommended that the actuarial assumed rate be lowered. Mr. Little reviewed the participant data. He stated that there was a demographic loss. Salary increased 12.6% versus the expected increase of 8.1%. The net return on the market value of assets was 6.14% in comparison to the 6.15% assumed rate of return. There was an actuarial loss due to the return on the actuarial value of assets being less than 7.4%. Mr. Little noted that FRS adopted a new mortality table. There were no changes in methods or in Plan provisions. Mr. Little reviewed the historical investment returns since October 1, 1981. It was noted that they are required to include certain examinations of risk in the Valuation. He reviewed the assessment and disclosure of risks. Mr. Little reviewed the historical asset values. It was noted that 8% of the Fund is in DROP balances. He noted that there are a couple retirees that still have a Share Account balance which should be distributed. Mr. Little reviewed the Share Account balances and stated that they are growing and becoming a larger part of the Fund. He reviewed the reconciliation of the funded status. He reviewed the historical contributions and benefit payments. He reviewed the amortization of the unfunded accrued liability. He reviewed the reconciliation of change in the Town's minimum required contribution. The vast majority of the change is due to the investment experience and the demographic experience.

- Michael Salvermini made a motion to approve the Actuarial Valuation as of October 1, 2019. The motion received a second by Jay Alexandre and was approved by the Trustees 5-0.

EXPERIENCE REVIEW QUOTE: The Board was provided with a letter from the Actuary dated February 1, 2020 regarding an experience review. Mr. Little stated that fee would be \$10,000. He stated that the study is for the Fund's benefit. The study will review the assumptions and make sure they are accurate. He stated that he recommends performing an experience study every five years to look at the assumptions versus reality and see if the assumptions need to be changed.

- Michael Stevens made a motion to authorize the Actuary to do an Experience Study as set forth in the letter dated February 1, 2020. The motion received a second by Michael Salvemini and was approved by the Trustees 5-0.

SUMMARY PLAN DESCRIPTION: It was noted that it was time to update the Summary Plan Description. The last time it was updated was in December 2015.

- Jason Alexandre made a motion to authorize the Actuary to update the Summary Plan Description. The motion received a second from Nick Scopelitis and was approved by the Trustees 5-0.

ANNUAL DECLARATION OF EXPECTED RATE OF RETURN: Mr. Harrison stated that the Board needed to formally determine the expected rate of return for the short term and long term, as is required by the State. The Board stated that they would like to see it match the Valuation, which is 7.3%.

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- Nick Scopelitis made a motion to determine the expected rate of return using the rate of 7.3%. The motion received a second from Jason Alexandre and was approved by the Trustees 5-0.

APPROVAL OF DISBURSEMENTS

The Disbursement list was presented for consideration.

- Nick Scopelitis made a motion to approve the disbursements as presented. The motion received a second from Jason Alexandre and was approved by the Trustees 5-0.

It was noted the financial statement through December 31 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.

- Jason Alexandre made a motion to approve the Benefit Approval for the Refund of Contributions as presented. The motion received a second from Michael Salvemini and was approved by the Trustees 5-0.
- Jason Alexandre made a motion to approve the Benefit Approval for a DROP Exit as presented. The motion received a second from Michael Salvemini and was approved by the Trustees 5-0.
- Nick Scopelitis made a motion to approve the Benefit Approval for a DROP Entry as presented. The motion received a second from Jason Alexandre and was approved by the Trustees 5-0.

FIFTH THIRD AUTHORIZED SIGNERS FORM: It was noted that the Fifth Third Authorized Signers Form needed to be updated. The Board executed the updated Form.

GENERAL LIABILITY INSURANCE RENEWAL: It was noted that the General Liability insurance renewal quote came back exceeding 2.5% of the current premium that the Board authorized at the last meeting, so the policy was not renewed. While an alternate quote was being sought, the broker confirmed that the Town would cover the general liability on the pension boards and that a separate policy that the Board had been carrying was no longer needed. The Town's policy is from October 1, 2019- October 1, 2020.

DROP AND SHARE ONLINE STATEMENT ACCESS: It was reported that the DROP and Share Statements as of September 30, 2019 were recently received and are available on their website for members to access.

TRUSTEE APPOINTMENTS

FIFTH SEAT: It was noted that Jason Alexandre was reappointed to the employee seat for another term.

- Nick Scopelitis made a motion to ratify the election of Jason Alexandre for another term. The motion received a second by Michael Salvemini and was approved by the Trustees 5-0.

ELECTION FOR EMPLOYEE SEAT: It was noted that an election will need to be posted for the employee seat currently held by Michael Salvemini

- Jason Alexandre made a motion to approve the upcoming election for the employee seat currently held by Michael Salvemini. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

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ADMINISTRATOR RFP

Mr. Harrison stated that he provided the responses he received to the administrator RFP to the Board and he handed out a summary of the responses. It was noted that circumstances have changed and Ms. Adcock is now the administrator from the Resource Centers handling this Plan and the Board did not feel that a change needed to be made. The Board stated that they thought it was a good exercise to perform a RFP to make sure the Fund is not overpaying for services.

- Nick Scopelitis made a motion to continue to retain the Resource Centers as the Administrator. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

OTHER BUSINESS

With there being no further business, the meeting adjourned.

Respectfully submitted,

Jason Alexandre, Secretary