

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 4, 2020

Chairman Marc Dobin called the electronic meeting to order at 10:26 A.M. Those persons present were:

TRUSTEES PRESENT

Marc Dobin
Jason Alexandre
Michael Salvemini
Michael Stevens
Nick Scopelitis (10:32 A.M.)

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Ken Harrison, Sugarman & Susskind P.A.
Chad Little, Frieman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Michael Villella; Town of Jupiter
Anthony Xuereb & Roland Cole; Polen Capital
John Johnson; Eagle Capital

APPROVAL OF ADMINISTRATIVE POLICY

The Board reviewed a draft Administrative Policy Governing the Use of Audio-Video or Telephone Conferencing to Conduct Virtual Public Board of Trustee Meetings that was prepared by the Attorney's Office. Mr. Harrison noted that the Policy governs the use of video conference meetings. The Board has to meet in the Sunshine and have the meetings open to the public so members of the public can attend. When the pandemic started, the Governor adopted an Executive Order to suspend the Sunshine Law's requirement to meet in person. The Policy governs how the Board will have virtual meetings.

- Jason Alexandre made a motion to adopt the Administrative Policy Governing the Use of Audio-Video or Telephone Conferencing to Conduct Virtual Public Board of Trustee Meetings. The motion received a second by Michael Stevens and was approved by the Trustees 4-0.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held February 10, 2020.

- Jason Alexandre made a motion to approve the February 10, 2020 minutes as presented. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT – EAGLE CAPITAL MANAGEMENT (JOHN JOHNSON)

John Johnson appeared before the Board. He reviewed the market environment for the quarter ending March 31, 2020. He stated that the portfolio had a real challenge in the first quarter. He noted that April has been much better. For the year to date the portfolio is down about 14%.

Nick Scopelitis entered the meeting.

Mr. Johnson stated that when the market rolled over in mid-February they became very active in managing the portfolio. He stated that they took advantage of the market going down. They added to existing positions in Microsoft, Comcast, and Marriott. They added new positions in AerCap Holdings; Hexcel; and Woodward. He stated that he thinks this virus is going to be around for the next 1 ½ years to 2 years so they are questioning what companies will still be in business in two years. Their decision making process is based on the strength of the company and not the stock price. He stated that in April the market went up so they trimmed positions in Citigroup; Wells Fargo; and Goldman Sachs. Mr. Johnson stated that he thinks this a great opportunity as stock pickers to add value to the portfolio. They are looking at the longer term perspective and trying to determine what companies can survive this. He noted that in 2008 and 2009 there was an economic challenge that impacted stocks. He stated that this is a new non-economic challenge that is impacting the economy and stocks. He stated that it is hard to make

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comparisons as this is a situation that only happens once in a hundred years. There was discussion on the airline industry. Mr. Johnson stated that they bought two airlines in February, Delta and United, but sold them shortly after. He noted that they do own some aerospace companies.

John Johnson departed the meeting.

INVESTMENT MANAGER REPORT – POLEN CAPITAL MANAGEMENT (ANTHONY XUEREB AND ROLAND COLE)

Anthony Xuereb & Roland Cole appeared before the Board. Mr. Xuereb stated that he was on the client service team and that Mr. Cole was a member of the investment team. Mr. Xuereb provided a background of their firm. He stated that are 100 percent operational and functional. They are working remotely and it has been quite seamless. They are a US large cap growth manager. He stated that they last appeared before the Board in August 2019. There has been no change to employee ownership. They opened a London office earlier in the year. Their firm has been growing. They have positive net inflows. He reviewed the investment team. There have been no changes since last year. He reviewed the large cap growth team portfolio managers.

Mr. Cole discussed their investment philosophy. He stated that they have returned 15% annually over the last 30 years. Their philosophy encompasses a few core pillars: conviction, quality, patience and risk management. They have 20 companies in the portfolio which speaks to their conviction and confidence in those companies. The average holding period for the investments is 5 years, which is higher than that industry average. Mr. Cole stated that they build portfolios with these characteristics: consistent revenue growth; returns on equity of 20% or more; abundant free cash flow; and a strong balance sheet. He reviewed the portfolio characteristics. He stated that on average companies in the portfolio have more cash than debt on their balance sheets. He reviewed the companies in the portfolio noting that they invest across the growth spectrum. They have a portfolio that they expect to consistently deliver and protect on the downside. He discussed their recent purchases noting that they bought Autodesk, which has been a leader in computer data design software and transitioned to a subscription model where 95% of their revenues are reoccurring. They sold Nestle because of the increasing competition and moved into Abbott.

Mr. Xuereb reviewed the performance of the portfolio as of March 31, 2020. He stated that the total market value of the portfolio as of March 31, 2020 was \$4,124,687. The portfolio was down 13.10% net while the Russell 1000 Growth was down 14.10%. Since the inception of January 16, 2018 the portfolio was up 9.52% net while the Russell 1000 Growth was up 4.39%. Mr. Xuereb stated that historically they trade very little. However, they have had higher trading activity lately where they are focusing on getting the portfolio in the best position. Mr. Cole stated that they feel the companies in the portfolio are well positioned and will be strong for the next five years. He stated that they think these companies will grow much faster out of this market and will take a greater share from those companies that will not make it out of this market.

Anthony Xuereb & Roland Cole departed the meeting.

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 the market is in an economic shutdown. He noted that in 2009, when the market was at the bottom of the financial crisis, a turnaround was not seen until 2010. However, here there has been a big rebound in April in stocks and stocks are up 9% to 15%. It was noted that a \$2.4 million rebalance of the account was recently done where more money was put into equities to bring the portfolio back to the targets. He stated that the rebalance was started

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on March 24 which was the bottom and the timing was perfect. It took a little bit of time to finalize but was the same as elsewhere given the circumstances. Mr. Chambers discussed real estate. He stated that the REIT has already responded to the current market conditions. American Realty will not see appraisals for another twelve months. There will be a gradual degrading of valuations throughout the year. He told the Board that if they wanted to pull money out of American Realty it would not be easy to do right now. He stated that it will be hard to get money out of for the next couple of years given the size of the queue.

Mr. Chambers reviewed the market for the quarter ending March 31, 2020. He stated that it was a tough quarter but the Fund did better than more than half of the peer group. Any exposure to small or mid cap was painful. The total market value of the Fund as of March 31, 2020 was \$73,419,264. The total Fund was down 13.0% net of fees for the quarter ending March 31, 2020 while the benchmark was down 13.8%. Total equities were down 21.0%; domestic equities were down 21.9%; large cap infrastructure was down 17.6%; convertibles were down 13.4%; international equity was down 22.3%; REITs were down 28.6%; private real estate was up 1.5%; and fixed income was up 2.2%. Mr. Chambers stated that talking about finding a vaccine will temper fears in the market. He noted that that the country needs to get back to work and spend money.

MARKET UPDATES AND REBALANCING IN MARCH 2020: There was discussion on the process of rebalancing the portfolio. Mr. Dobin expressed concern of the logistics of accomplishing the most recent rebalancing direction. He stated that he felt there was an unnecessary delay in waiting for the Custodian to do what needed to be done. He stated that he asked Mr. Chambers if he had a chance to determine if the Fund was affected by the delay. Mr. Chambers stated that the process took a couple of weeks. He noted that there have been some delays in the past with the Custodian. He stated that until a change is made with the bank, the rebalancing process might experience some delays. He stated that this is not uncommon as other banks operate the same way. Mr. Dobin stated that when using a brokerage firm bonds settle in T+2, and once the trade is done the money shows as trading power and can be invested. In dealing with a trust company, nothing is done until all the money has cleared. He stated that the rebalance was done because of a market swing and he felt that it was done in a manner which the delay in trading cost the Fund money. Mr. Chambers stated that he would have to do a valuation. He has the data but would have to perform the analysis. Mr. Chambers asked Mr. Harrison how this issue is addressed in other contacts with custodians. He stated that maybe they can have Fifth Third agree to move forward with any purchase when they have confirmed that the sell transaction has gone through. Mr. Chambers and Mr. Harrison stated that they would talk to Fifth Third about this matter.

AMERICAN REALTY COVID UPDATES: Mr. Chambers reviewed the updates that American Realty has sent regarding COVID. He stated that the portfolio has a considerable amount of exposure to multi-family apartments. He stated that they are 95% occupied. There have been some delinquencies but they are not excessive. They also have some retail exposure but it is in strip centers which are doing better than the mall retailers. He thinks overall American Realty is in better shape than other similar real estate managers.

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 Report regarding the Sunshine Law Requirements and Executive Order No 20-69 dated March 20, 2020. He stated that the Governor issued an Order which extends the state of emergency Executive Order so that boards can have electronic meetings until the Order

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expires. He stated that there is no Board action needed other than implementing a Policy on how the meetings will be held, which Policy was adopted by the Board earlier in the meeting

Mr. Harrison provided a Report regarding the CARES Continued Guidance on the Families First Coronavirus Response Act (FFCRA) and the CARES Act dated April 2020. He reviewed the different provisions of the Federal legislation passed regarding COVID and the impacts on the Plan.

Mr. Harrison provided a Memorandum regarding QDROs and IDOs. He stated that a question came up with a member and thought it would be a good idea to provide it to the Board again.

Mr. Harrison provided the Administrative Services Agreement with the Pension Resource Centers, LLC. He stated that he drafted it based on the proposal.

- Michael Stevens made a motion to authorize the Chair to execute the Administrative Services Agreement with the Pension Resource Centers, LLC. The motion received a second by Michael Salvermini and was approved by the Trustees 5-0.

ACTUARY REPORT

STATUS OF EXPERIENCE REVIEW STUDY: Mr. Little stated that he is in the process of preparing the experience review study that was authorized by the Board at the last meeting. He stated that he expects to present it at the August or November meeting. He noted that any changes will need to be adopted in time so the Actuarial Valuation can be delivered at the February meeting.

STATUS OF SUMMARY PLAN DESCRIPTION: Mr. Little stated that he is in the process of updating the Summary Plan Description that was authorized by the Board at the last meeting. He stated that he will need to add some language and modify the factors that apply to the Supplemental Benefit. He stated that he will provide the document to the Board to review when it is completed.

SMOOTHING: Mr. Little discussed the current market environment and the impact on the future Valuations. He stated that in 2008-2009 there was a market decline and it took some time to work out the losses through the Plan. There were some significant market fluctuations and there was a lag on the municipal budgets due to a decrease in revenues. He noted that such decreases lag and slowly come into the Plan. He stated that he thinks the Plan might be in the same situation as it was in 2008-2009. It was noted that some of the pension attorneys have asked the State for relief to smooth returns over a longer period of time if a board feels that is appropriate. He stated that if a plan takes advantage of such a smoothing option to ease some of the fluctuations on a municipality's budget, it would have to take it on both losses as well as gains and treat everything consistently. Mr. Little stated that he just wanted to make the Board aware of these early discussions on the matter. He stated that he will not know where the Plan stands until the end of the fiscal year.

INFECTIOUS DISEASE EMERGENCY PAY: It was noted that the Town passed a policy whereby certain Police members would receive pay at a rate of time and a half for hours worked during this pandemic. Apparently this pay was coded as overtime and contributions were not made over the 300 hour threshold. Mr. Villella stated that the policy was to increase salaries to employees that showed up to work. When the time and a half went into the system it was treated as overtime and any hours over the 300 cap were not treated as pensionable and contributions were not taken out. He stated that the Town is in the process of rectifying the situation. He stated that the employees will need to pay back the contributions that should have been taken out. He stated that they are going to reach out to the employees affected and work out a payment plan. Mr. Little stated that as long as the contributions are made by September 30th there will be no effect on the Fund.

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APPROVAL OF DISBURSEMENTS

The Disbursement list was presented for consideration.

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

It was noted the financial statement through March 31, 2020 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 Salvemini made a motion to approve the Benefit Approval for the DROP Distributions as presented. The motion received a second from Michael Stevens and was approved by the Trustees 5-0.

TRUSTEE APPOINTMENTS

ELECTION FOR EMPLOYEE SEAT: It was noted that an election was being conducted for the employee seat currently held by Michael Salvemini

PUBLIC COMMENTS

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

OTHER BUSINESS

With there being no further business, the meeting adjourned.

Respectfully submitted,

Jason Alexandre, Secretary