

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 10, 2020

Chairman Marc Dobin called the electronic meeting to order at 10:08 A.M. 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
Michael Villella; Town of Jupiter
Rob Rossi, CS McKee
Kimberly Kutlenios, Fifth Third

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held May 4, 2020. The Board noted a few minor typographical errors.

- Jason Alexandre made a motion to approve the May 4, 2020 minutes as corrected. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT – CS McKEE (ROB ROSSI)

Rob Rossi appeared before the Board. He discussed the market environment for the quarter ending June 30, 2020. He stated that fixed income had a great quarter, outperforming by 124 basis points. The year-to-date return through June 30, 2020 was 6.74% versus the benchmark at 6.14%. He stated that the portfolio made back more than what was lost in the 1st quarter. He noted that the 1st quarter was brutal and the worst quarter they have ever had. He stated that in the 1st quarter if a manager did not have an overweight to Treasuries they lost to the Index. The total market value of the portfolio as of June 30, 2020 was \$23,327,386. Mr. Rossi stated that they added to corporate bonds at some of the cheapest levels they have ever seen, which included the financial crisis period. He stated that they started adding TIPS which has been a great addition to the portfolio. Mr. Rossi stated that they will be moving next September to an office in the City. They will be reducing space and will have a number of people working from home. He stated that he expects an increase in vacancies and thinks mortgage-backed securities reflect that expectation. Mr. Rossi stated that year to date through July 31, 2020 the portfolio was up 8.4% while the benchmark was up 7.7%.

Rob Rossi departed the meeting.

CUSTODIAN REPORT – FIFTH THIRD BANK (KIMBERLY KUTLENIOS)

Kimberly Kutlenios appeared before the Board. Ms. Kutlenios gave a brief background of their company. She stated that they have been serving the Board since July 2006. Over this time period updates have been done. They recently updated the pension payment system and can provide access so that payment information can be viewed. They continue to perform weekly death audits. They received an updated list of authorized signers in February 2020. There was a discussion on the trade process, specifically the process in March 2020. Ms. Kutlenios state that the trade tickets go to the trade desk. They received the letter in March which involved a lot of activity on the letter to raise cash and make purchases. She stated that they needed to wait for the cash to be raised before they could transfer the money to make the purchases. Once the cash was raised the money was moved into the Mutual Fund Account and at that point a trade ticket was submitted. She stated that they will only process a trade ticket on the date it is received. Ms. Kutlenios stated that trades have to be posted and they are posted on a batch system in the evening. The Board expressed their concern with the delay in the trading. The

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Board questioned why the trades do not happen as fast as they would in a brokerage scenario. Rather, the process takes 3 to 4 days and leaves the Fund exposed for several days. The Board believed this was a rather slow and antiquated system. The desire is to be able to do both sell and buy trades at the same time, so the Fund is not out of the market. As Fifth Third has a brokerage arm, the Board was not sure why there is such a delay, and the Board does not want to keep trying to determine how much such delays cost the Fund. There was a lengthy discussion. Ms. Kutlenios stated that she would communicate with their trade desk and try to get an explanation on why the process functions like it does and what options there might be for the future. Mr. Chambers stated that he would set up a conference call with Ms. Kutlenios, the trade desk, and the Chair to see what can be done to make such trade transactions move more quickly.

Kimberly Kutlenios 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 downturn in the market lasted about four weeks. He noted that the market has not seen anything like this since 2008-2009. He stated that there were a lot of challenges in 2009, yet the stock market recovered very nicely. This is a similar situation here with all of the stimulus that has been provided. He believes the market is confident that there will be a vaccine between now and next summer which has a lot to do with the recovery as well. Mr. Chambers stated that \$1.2 million was raised at the bottom of the market. Growth was a winning combination during the quarter and the best place to have money in the market.

There was discussion on real estate. American Realty has been a real stabilizer all of these years and real estate has a negative correlation to the stock market and produces more in return than the bond market. There is pressure in real estate on malls and office buildings. Mr. Chambers stated that the Fund can put in a request to withdraw money from real estate, but any amount will be de minimis and it might take a year or two to get the money back. The Board previously ended reinvesting the dividends, so no money is being added to the strategy at this time. Real estate is very dynamic. There is talk of converting malls into Amazon distribution centers. Long term real estate is a very good asset class. Mr. Chambers stated that he thinks the Board should stay the course with real estate but monitor it and have American Realty attend the next meeting.

Mr. Chambers reviewed the market for the quarter ending June 30, 2020. The total market value of the Fund as of June 30, 2020 was \$84,592,984. The total Fund was up 14.3% net of fees for the quarter ending June 30, 2020 while the benchmark was up 13.0%. Total equities were up 21.8%; domestic equities were up 23.3%; large cap infrastructure was up 9.2%; convertibles were up 27.2%; international equity was up 22.8%; REITs were up 9.4%; private real estate was down 1.5%; and fixed income was up 4.0%. Mr. Chambers stated convertible bonds have been a fantastic asset class. The growth area has been a great place to be while value has been a detractor. Small business, airlines, hotels and hospitality are areas that will suffer. It is not certain when these areas will turn around. A vaccine will be a critical part of it all. It is too early to tell when things will open back up. There are segments that are benefiting from this market though.

- Jason Alexandre made a motion to accept the Investment Monitor's Report. The motion received a second by Nick Scopelitis 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.

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ATTORNEY REPORT

Mr. Harrison provided a proposed Ordinance Amendment for compliance with the SECURE Act. He reviewed the requirements of the Act

- Michael Salvermini made a motion to approve the proposed Ordinance Amendment for compliance with the SECURE Act. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

Mr. Little stated that he would produce an actuarial statement of no impact. Once received, Ms. Adcock stated that she would forward the proposed Ordinance Amendment and the impact statement to the Town.

ACTUARY REPORT

EXPERIENCE REVIEW STUDY: Mr. Little presented an experience review study to the Board. He stated that the study reviewed the past five year from 2014 to 2019. He stated that there are not a lot of changes he is recommending. Mr. Little reviewed the summary of their findings. With respect to retirements, the actual and expected numbers were almost identical. It has been pretty consistent, so he is not recommending any change. With respect to terminations, the actual and expected numbers were about the same as well, so he is not recommending any change. With respect to disabilities, there have only been two disabilities and the assumption is 1.86, so he is not recommending any change to the disability assumption. With respect to salaries, the individual salary growth has been very close to the assumption on average, so he is not recommending any change. With respect to mortality, the assumption is set by Florida Statute and is linked to what FRS uses. The actual and expected mortality rates are consistent though. Mr. Little noted that it will change effective October 1, 2020 to the new table the FRS is using. Mr. Little reviewed the minimum required contribution. He stated that in revising the mortality, the accrued liability and required contribution would decrease. He then noted that reducing the assumed rate of return from 7.4% to 7.3% will increase the accrued liability and required contribution. There was discussion on possibility reducing the assumed rate of return to 7.2% rather than 7.3%. It was noted that this change would pretty much offset the decrease in mortality. There was a lengthy discussion. The Board thought they should revisit the assumed rate of return but wanted to wait until the November meeting to consider it.

- Jason Alexandre made a motion to accept the Experience Review Study. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

STATUS OF SUMMARY PLAN DESCRIPTION: Mr. Little stated that he recently completed updating the Summary Plan Description. He stated that he sent it to the Attorney to review. He will provide it to the Board for review in advance of the November meeting.

APPROVAL OF DISBURSEMENTS

The Disbursement list was presented for consideration.

- Michael Salvemini 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 June 30, 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.

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

RENEWAL OF FIDUCIARY LIABILITY INSURANCE: Ms. Adcock presented the renewal of the Fiduciary Liability Insurance which is due to expire on September 30, 2020. It was noted that the cost increased slightly by about 3% or by \$263 to \$8,771.

- Nick Scopelitis made a motion to renew the Fiduciary Liability Insurance as presented. The motion received a second by Michael Stevens and was approved by the Trustees 5-0.

ENGAGEMENT LETTER FROM KSDT FOR AUDIT FOR FYE September 30, 2020: The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2020. It was noted that the fee increased slightly by \$500 to a total of \$13,300.

- Nick Scopelitis made a motion to approve the engagement letter for the audit for the fiscal year ending September 30, 2020 assuming it is in line with the original proposal. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

COMPLIANCE BUDGET 2020-2021: Ms. Adcock presented a draft administrative expense budget for fiscal year 2021 that is required by Section 185.08(a)2, Florida Statutes. The Board reviewed the draft budget. There was a lengthy discussion. The Board decided to increase the amount for Dues to \$940 which is the same amount as last year; add \$5,000 for technology; and decrease Miscellaneous Expenses by \$5,940.

- Michael Stevens made a motion to adopt the administrative expense budget as amended and provide the budget to the Town in compliance with Section 185.08(a)2, Florida Statutes. The motion received a second from Jason Alexandre and was approved by the Trustees 5-0.

TRUSTEE ELECTIONS

RATIFICATION OF ELECTION FOR MICHAEL SALVEMINI: It was noted that an election was conducted for the employee seat that was held by Michael Salvemini, and that Mr. Salvemini was re-elected to the Board for another term.

- Jason Alexandre made a motion to ratify the election of Michael Salvemini. The motion received a second from Michael Stevens and was approved by the Trustees 4-0.

OTHER BUSINESS

TECHNOLOGY: There was discussion on replacing the computer devices currently in place with Chromebooks. The Board was provided with information regarding the Chromebooks and the IT support necessary to set up the devices. Marc Dobin reviewed the history and the options available. He stated that he had spoken with Sergio Giron, the IT Director and a partner at the Resource Centers. They came up with the device and process presented. The proposed process would be to order one device and test it out with one Trustee. If it passed the test, then the rest of the devices would be ordered for the remaining Trustees. It was noted that if the Board would like Mr. Giron to handle the IT support, it would be billed separately per incident as noted. There was a lengthy discussion. It was determined that Jason Alexandre would be the one to test out the device.

- Michael Stevens made a motion to authorize moving forward with the process and purchase of the computer devices, along with using the IT Support of the Resource Centers as noted in the proposal. The motion received a second from Michael Salvemini and was approved by the Trustees 5-0.

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PUBLIC COMMENTS

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

OTHER BUSINESS CONTINUED

With there being no further business, the meeting adjourned.

Respectfully submitted,

Jason Alexandre, Secretary