

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

December 14, 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
Richelle Hayes Cook, American Realty
Henry Pierandre & Evan Serton, Cohen & Steers

APPROVAL OF MINUTES

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

- Michael Stevens made a motion to approve the August 10, 2020 minutes. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT – AMERICAN REALTY (RICHELLE HAYES COOK)

Richelle Hayes Cook appeared before the Board. She provided a brief introduction and reviewed the firm. They are headquartered in Los Angeles. There have been no changes in the company. They hired six new employees and are growing substantially. She reviewed the American Core Realty Fund. The return target is a 7% to 9% gross return. They are still on target for the 7% to 9% return over the next couple of years. Ms. Cook reviewed the performance of the portfolio. The Fund started investing in 2012. The total market value as of September 30, 2020 was \$4,963,112. The portfolio was down .41% for the quarter while the benchmark was up .27%. For the fiscal year the portfolio was up .51% while the benchmark was up .52%. She stated that they expect to be in positive territory in the quarter ending December 31, 2020.

Ms. Cook discussed more about the American Core Realty Fund. The fund is very strong. They have had strong rent collection results with collections at about 95%. Ms. Cook highlighted what happened in the various sectors of their real estate fund. With respect to industrial, ecommerce has just taken off. It was doing well before COVID but really is outperforming during COVID. A new trend they are seeing is cold storage with 46% of the market ordering groceries online. With respect to multifamily, the stimulus package has helped. There are no major issues in multifamily apartments, and they are seeing more activity right now in this sector. With respect to office, there is currently nothing negative, but they think this sector is going to face a headwind as more people are working from home. However, companies seem to want people to get back in the office as they are more productive in the office and it helps with corporate comradery. The headwind here would be that companies might need more space for social distancing and to get away from the open workstation concept. They are not seeing any major changes in office and no tenants are breaking their leases. With respect to retail this is the area that has been most negatively affected, even prior to January 2020. Ms. Cook stated that their portfolio only has grocery anchored centers which have done well. Regional malls have had more problems and they do not believe they will be coming back any time soon, but this will not affect their fund.

Ms. Cook provided an outlook of the real estate market. She stated that they are very well positioned to outperform in this environment. They have no issues related to retail or hospitality. She stated that they have about 50 clients that have requested redemptions totaling about \$227 million, or less than 5% of the total fund. The requests were made in March, April and May when

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the market was down, so the allocation to real estate went up and a lot of rebalancing was required under the investment policies of the plans. It was noted that there is a queue to get in the fund of \$33 million.

Richelle Hayes Cook departed the meeting.

INVESTMENT MANAGER REPORT – COHEN & STEERS (HENRY PIERANDRE & EVAN SERTON)

Henry Pierandre and Evan Serton appeared before the Board. Mr. Pierandre stated that he was on the client service team and Mr. Serton was a portfolio specialist who has been with the firm since 2006. Mr. Pierandre provided an overview of the firm. He stated that the members of the firm have been working from home since March 2020 and the transition has been seamless. IT is quick to respond if there are any issues. They are a boutique asset management firm. They were founded in 1986. They have the same investment team and are following the same investment process. They are constantly delivering alpha for their clients. They have \$70 billion in assets under management. They have had positive net inflows this year. He reviewed the investment team.

Mr. Serton stated that they invest in portfolios of publicly traded infrastructure stocks. He noted that infrastructure has underperformed in 2020. There has been significant underperformance in infrastructure compared to stocks. There has been broad based underperformance in this asset class. He stated that they can isolate the problem sectors in this class. The most notable underperformance is in airports which is down 31%; midstream energy which is down 28%; and transportation which is down 19%.

Mr. Serton reviewed the performance of the portfolio as of November 30, 2020. The portfolio was down 2.7% gross of fees while the benchmark was down 5.3%. Since inception the portfolio was up 9.1% gross of fees while the benchmark was up 6.7%. Mr. Serton discussed the market outlook. He stated that they think the global economy is entering an expansion phase. They are expecting a V shaped recovery in infrastructure and goods demand and a U shaped recovery in services and employment. He reviewed the secular themes and outlook across sectors of utilities, telecommunications, transportation and midstream energy. He stated that they have an overweight this year in telecommunications which has been a major contributor to their outperformance. He discussed their investments in macro cell towers. With respect to transportation, he stated that this segment delivered some of the weakest returns but with the resumption of activity he thinks that will increase freight and rails. They are anticipating a slower recovery for air travel. With respect to midstream energy, they have been underweight for the entire year. There is lower demand for oil and gas and they believe the market is oversupplied. Mr. Serton stated that the relative valuation is historically attractive. The broad equity market is trading at a premium over the listed infrastructure market so he thinks this is an advantageous time to have an allocation to this class. He reviewed the global listed infrastructure portfolio weights.

Henry Pierandre and Evan Serton departed the meeting. Marc Dobin 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 there has been a huge disparity of performance in the first nine months between growth and value. While growth has been the darling style for the last three years, value has started making a rebound in the last couple of months.

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Mr. Chambers reviewed the market for the quarter ending September 30, 2020. He stated that the Fund was in the top 17th percentile. He stated that the portfolio has a little over 55% in equities as of Friday. As such, he is preparing to rebalance, pulling out of convertibles and adding to bonds and infrastructure. The total market value of the Fund as of September 30, 2020 was \$89,500,080. The total Fund was up 5.9% net of fees for the quarter ending September 30, 2020 while the benchmark was up 4.8%. Total equities were up 8.7%; domestic equities were up 8.6%; large cap infrastructure was up 2.0%; convertibles were up 14.3%; international equity was up 9.6%; REITs were up .8%; private real estate was down .4%; and fixed income was up .9%.

- Nick Scopelitis made a motion to accept the Investment Monitor's Report. The motion received a second by Michael Stevens and was approved by the Trustees 4-0.

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.

ATTORNEY REPORT

It was noted that the proposed Ordinance Amendment for compliance with the SECURE Act was sent to the Town. The first reading is scheduled for December 15, 2020 and the 2nd reading will be in January 2021.

Mr. Harrison stated that an inquiry came up regarding the ability of a beneficiary to maintain a DROP Account. It was noted that the Ordinance has language that indicates that the DROP Account shall be distributed when the member passes away. Mr. Little stated that in the past a beneficiary has been allowed to maintain the DROP Account of the member. There was a discussion on how the Board wanted to handle such DROP Accounts. If the Board wanted to continue with past practice, he suggested that the Ordinance be amended to allow for a beneficiary to maintain the DROP Account of the deceased member. Mr. Little stated that there would be no impact to allowing a beneficiary to maintain the DROP Account.

- Nick Scopelitis made a motion to follow the Attorney's recommendation and amend the Ordinance to allow for a beneficiary to maintain the DROP Account of a deceased member. The motion received a second by Michael Salvermini and was approved by the Trustees 4-0.

Mr. Harrison discussed the Governor's Executive Order regarding the ability to meet remotely. He stated the Governor did not extend the Executive Order past November 1, 2020. What has evolved since then is that certain municipalities have enacted their own executive orders and continued to meet remotely. He discussed a couple Attorney General Orders regarding the requirement to have a quorum present in a room. Due to the concern of getting everyone together in person during this time, and this not being a Sunshine Law issue but rather a quorum issue, Mr. Harrison stated that there is a defensible position to allow for the continuance of remote meetings during this pandemic. He noted that Florida Statutes do not address the need to meet in person in a room. If for some reason meeting remotely was challenged, the Board would need to meet and ratify the actions that were taken remotely.

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ACTUARY REPORT

PROPOSED SUMMARY PLAN DESCRIPTION: Mr. Little provided the Board with a proposed updated Summary Plan Description. It was noted that the Attorney reviewed the document and approved the changes. It was now ready for the Board to adopt.

- Michael Salvermini made a motion to adopt the revised Summary Plan Description. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

DISCUSSION ON ASSUMED RATE OF RETURN: Mr. Little stated that at the last meeting the Board discussed the possibility of reducing the assumed rate of return to 7.2%. The Board decided to revisit the assumed rate of return at this meeting. He stated that the cost would be about \$132,000 and the Fund will get a small offset due to the decrease in mortality. It was noted that the plan was to keep moving to a lower rate and once the rate reached 7% to revisit that plan. There was a lengthy discussion.

- Nick Scopelitis made a motion to reduce the assumed rate of return to 7.2%. The motion received a second by Michael Salvermini and was approved by the Trustees 4-0.

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 Michael Stevens and was approved by the Trustees 4-0.

Marc Dobin re-entered the meeting.

Ms. Adcock inquired as to whether the Board wanted to renew membership with NCPERS for 2021. There was discussion. The Board decided to renew for another year and see if the Trustees are able to attend any of the conferences.

- Michael Salvermini made a motion to renew the annual membership for 2021 for NCPERS. The motion received a second from Nick Scopelitis and was approved by the Trustees 5-0.

It was noted the financial statement through September 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.

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

2021 MEETING DATES: The Board reviewed the proposed 2021 meeting dates. The Board moved the May meeting up a week and the November meeting back a week.

OTHER BUSINESS

TECHNOLOGY: As discussed previously, Alexandre was provided with a Chromebook to test out before getting the rest of the Board a computer device. Mr. Alexandre stated that he used the Chromebook for the entire meeting and found everything good. He would recommend the Board move forward and obtain the computer devices for the rest of the Trustees.

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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