

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 9, 2021

Chairman Marc Dobin called the meeting to order at 10:08 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES PRESENT

Marc Dobin
Jason Alexandre
Michael Salvemini

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Pedro Herrera, Sugarman & Susskind P.A. (via electronic)
Chad Little, Frieman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Michael Villella; Town of Jupiter (via electronic)
Rob Rossi, CS McKee

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held May 3, 2021.

- Jason Alexandre made a motion to approve the May 3, 2021 minutes. The motion received a second by Michael Salvemini and was approved by the Trustees 3-0.

INVESTMENT MANAGER REPORT – CS McKEE (ROB ROSSI)

Rob Rossi appeared before the Board. He discussed the market environment for the quarter ending June 30, 2021. He stated that the second quarter was a great quarter for bonds, noting that the first quarter was the worst quarter for bonds in 40 years. He stated that they stayed ahead of the Index by 17 basis points but lagged year to date by about 22 basis points. He stated that they are ahead of the Index for all trailing time periods going back 20 years. Mr. Rossi stated that they are overweight in corporate and agency bonds and underweight in mortgage backed securities. He noted that TIPS did well. The biggest headwind was their underweight to low quality bonds. Lower quality bonds have done fairly well. He stated that he thinks rates will trend higher from here. They will keep the duration short to protect the portfolio from the rising rate environment. Mr. Rossi stated that he thinks inflation will increase over the next three to four quarters, but does not see runaway inflation. He thinks inflation will be moderate going forward. He stated that he expects a negative return for calendar year 2021. This would be only the fourth time in 40 years that they will have a negative return.

Mr. Rossi provided a firm update. He reported that they sold 80% of their firm to North Square Investments, a company in Chicago. They have been acquiring boutique institutional firms. They are pretty much hands off and it has been business as usual.

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

Burgess Chambers appeared before the Board. He discussed the degree of overlap of investments. He provided the Board with a handout of the overlap in the portfolio of certain stocks and reviewed the information. He noted that the Investment Policy Statement provides that there can be no more than 5% of the total Fund assets in any one stock. Microsoft represents 6.36% of the total Fund which is not an issue. He stated that Alphabet is owned by Polen, Eagle, Fidelity LCV and Fidelity LCG but it is still under 5% of the total Fund assets. There are a number of holdings that are owned by more than one manager. Mr. Chambers stated that he does not see an issue. He is comfortable with the holdings. All of the companies are sustainable. They are driving this wonderful performance. The Fund's overall portfolio is good. This is no issue with risk controls in place now and thinks the risk controls are still appropriate.

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Mr. Chambers discussed real estate. He stated that last year he had grave concerns regarding real estate given the pandemic and the Board stopped the dividend reinvestment program (DRIP) with American Realty. He stated that he would like the Board to consider going back to the DRIP. Real estate has stabilized and had a nice 7.5% return for the year. He believes it is time to go back to where the Fund was before the pandemic. There is a tailwind in real estate. The money supply disruption has made real estate go up significantly. It costs significantly more to put up a building now than it did a year ago. He recommends staying the course. He thinks real estate is still one of the best assets.

- Jason Alexandre made a motion to re-establish the dividend reinvestment program with American Realty. The motion received a second by Michael Salvemini and was approved by the Trustees 3-0.

Mr. Chambers reported on the performance for the quarter ending June 30, 2021. He provided an overview of the market environment. He discussed the impact of low interest rates. He reviewed the fiscal year rates of return since fiscal year 2005. The best return was in fiscal year 2012 at 17.9%. The return for the fiscal year to date now is 20.71%. Assuming everything stays the same, this fiscal year will be one of the best in 17 years. Mr. Little stated that the Fund is already in a net gain position. With the 5 year smoothing, he will be dropping off a 9.12% return and adding over a 20% return.

Mr. Chambers reviewed the performance of the Fund. The total market value of the Fund as of June 30, 2021 was \$107,414,232. The total Fund was up 6.2% net of fees for the quarter ending June 30, 2021 while the benchmark was up 4.5%. Total equities were up 7.9%; domestic equities were up 9.2%; large cap infrastructure was up 4.6%; convertibles were up 4.5%; international equity was up 7.1%; REITs were up 11.6%; private real estate was up 4.0%; and fixed income was up 2.2%. Mr. Chambers stated that there was a 4.6% overweight to domestic equities. He stated that it is still within the target. They are taking a more aggressive position which has helped the portfolio. Mr. Chambers reviewed the performance of the individual managers. He stated that he is still comfortable with the market. He thinks the stock market will continue to perform well this year and next year.

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.

Rob Rossi departed the meeting.

ATTORNEY REPORT

Pedro Herrera appeared before the Board electronically. He reminded the Board to file the Form 1 Financial Disclosure noting it was due on July 1 but there is a grace period until September 1.

Mr. Herrera stated that the State set aside \$200 million for first responders. He stated that checks will be issued directly to eligible first responders, which checks have already started to be sent out.

There was discussion on the necessity to ratify actions that were taken by the Board at any electronic meetings that occurred after October 31, 2020. He stated that this should be done at the next meeting.

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ACTUARY REPORT

Chad Little appeared before the Board. He stated that it was time for the Board to decide the assumed rate of return for the October 1, 2021 Valuation. He stated that currently the rate is at 7.2%. He noted that FRS is at 7.0% and is headed to 6.8%. Last year the cost to reduce the assumed rate of return by 10 basis points was \$137,000. The Plan is 92% funded. He stated that another client of his has an assumed rate of return at 7.15% and they received a letter from the State saying they recommended the rate be in the range of 5.5% to 6.5%. He stated that there has not been a huge press from the State on this yet and the State has never mandated a decrease, but this Board has always been forward looking. He stated that he would recommend continuing to lower the assumed rate of return. There was a lengthy discussion on the DROP. It was noted that DROP members can leave their money in the Fund after they separate service. There was discussion on possibly having some limitations put in place. It was noted that any further limitations might be subject to collective bargaining. Additionally, there is an Administrative Rule in place that only allows distributions during open enrollment periods of April and October with 30 days written notice. Mr. Little stated that the DROP balance is growing quickly. It has about \$7 million now whereas it was at \$5 million last year. It is about 7% of the Fund. This year there were a few that entered the DROP but last year there was quite a few. Mr. Chambers stated that they can earmark the number in bonds which is more than appropriate to cover an exit in case that occurs. He stated that he can keep a watch on it. He stated that a lot of plans are using bonds to fund private equity with several year lockups and no liquidity. He thinks the issue can be managed administratively. The Board decided to discuss the assumed rate of return further at the next meeting with a full Board.

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 was approved by the Trustees 3-0.

It was noted the financial statement through June 30, 2021 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 Approvals as presented. The motion received a second from Jason Alexandre and was approved by the Trustees 3-0.

RENEWAL OF FIDUCIARY LIABILITY INSURANCE: Ms. Adcock presented the renewal of the Fiduciary Liability Insurance and Cyber Liability Insurance which is due to expire on September 30, 2021. It was noted that the Fiduciary Liability Insurance increased from \$7,194 last year to \$7,553. The Cyber Liability Insurance increased from \$1,577 last year to \$12,306. There was a lengthy discussion on the necessity of cyber liability insurance. Mr. Herrera stated that it was less of a legal requirement and more of a comfort level. He stated that he did not know practically speaking how much sensitive information the Board has and where the Board would be directly liable. Each service provider has their own cyber insurance. The question is how much sensitive information does the Board have. The Board does not host any data. Additionally it was noted that the deductible was \$50,000. The Board did not think it made sense to continue with the cyber liability insurance given that the Board does not hold any sensitive data and the service providers have their own cyber liability insurance.

- Jason Alexandre made a motion to renew the Fiduciary Liability Insurance as presented and decline the Cyber Liability Insurance. The motion received a second by Michael Salvemini and was approved by the Trustees 3-0.

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ENGAGEMENT LETTER FROM KSDT FOR AUDIT FOR FYE September 30, 2021: The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2021. It was noted that the fee increased to a total of \$13,950. Mr. Herrera stated that he reviewed the letter and was fine with it. He stated that he did talk to KSDT regarding a provision concerning third party reliance. He stated that obviously the Board can rely on it as well as the City, State, and other various third parties. He stated that KSDT is going to re-phrase that language going forward but he did not feel it was an issue now. Mr. Dobin inquired about language on page 12 regarding if KSDT has a breach. Mr. Herrera stated that he would reach out to KSDT for some further revisions prior to Board execution.

- Jason Alexandre made a motion to approve the engagement letter for the audit for the fiscal year ending September 30, 2021 contingent upon final legal approval. The motion received a second by Michael Salvemini and was approved by the Trustees 3-0.

COMPLIANCE BUDGET 2021-2022: Ms. Adcock presented a draft administrative expense budget for fiscal year 2022 that is required by Section 185.08(a)2, Florida Statutes. The Board reviewed the draft budget.

- Michael Salvemini 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 3-0.

RESOURCE CENTERS SSAE-18 SOC 1 REPORT: The Board was provided with certification from the Resource Centers that they successfully completed their SSAE 18 SOC 1 Audit as of June 30, 2021.

STATUS OF ELECTION FOR JASON ALEXANDRE: It was noted that an election was currently in process for the position held by Mr. Alexandre. It was noted that Mr. Alexandre was interested in serving for another term.

OTHER BUSINESS

There was no other business.

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