

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

November 15, 2021

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
Nick Scopelitis
Frank LaPlaca

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Ken Harrison & Caroline Quill, Sugarman & Susskind P.A. (via electronic)
Chad Little, Frieman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Scott Reynolds; Town of Jupiter
Richelle Cook, American Realty
Brian Casey & Evan Serton, Cohen & Steers

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held August 9, 2021.

- Michael Salvemini made a motion to approve the August 9, 2021 minutes. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT – AMERICAN REALTY (RICHELLE COOK)

Richelle Cook appeared before the Board. She provided a brief introduction and reviewed the firm. She stated that she has been working with the Board since 2012. The firm was founded in 1989. They are headquartered in Los Angeles. There have been no changes in the company. They have \$10.7 billion in assets under management. They have over 500 institutional investors. They have 89 employees and hired four new employees last year. She reviewed the American Core Realty Fund. She stated that this was their flagship fund. It has \$7 billion in assets under management. The return target is a 7% to 9% gross return, which it has been doing since inception. Ms. Cook reviewed the performance of the portfolio. The total market value as of September 30, 2021 was \$5,455,372. The portfolio was up 5.32% net of fees for the quarter while the benchmark was up 6.41%. For the fiscal year the portfolio was up 12.24% net of fees while the benchmark was up 13.64%.

Ms. Cook discussed more about the American Core Realty Fund. She highlighted what happened in the various sectors of their real estate fund. She noted that industrial is the darling sector right now. There has been a big increase in cold storage. With respect to residential, rents are increasing and affordable housing is a problem. They are doing well with rentals. There is a greater demand for more square footage. She stated that they are starting to buy single family rentals, like townhouses with yards. With respect to office, this is the most negative sector, especially last year. Of the 12 office properties they had, they sold 3 last year. They are doing well receiving rents on time and only one tenant asked for a three-month concession. With respect to retail, they only own grocery anchored centers which have done well. They do not own any regional malls. There are only 1,000 regional malls left in the United States.

Ms. Cook discussed the investments. There are 66 investments in the portfolio. Their leverage ratio is 19.9% which is pretty low right now. She expects that to increase 5% to 6% to take advantage of the low interest rates. Their leased percentage is 92.8%. They have a \$36 million queue to get in the fund and there currently is no redemption queue. She reviewed their diversification across markets and property types. She reviewed their recent investments and dispositions. She reviewed their debt management. They do not hold any debt on their firm's balance sheet. They have a credit line of \$400 million.

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- Nick Scopelitis made a motion to accept the Investment Manager Report from American Realty. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

INVESTMENT MANAGER REPORT – COHEN & STEERS (BRIAN CASEY & EVAN SERTON)

Brian Casey and Evan Serton appeared before the Board. Mr. Casey stated that he was on the client service team and with the firm for five years. He introduced Mr. Serton as the portfolio specialist who has been with the firm since 2006. Mr. Casey provided an overview of the firm. He stated that the firm was founded in 1986. They are a boutique asset management firm. They have \$97.3 billion in assets under management. Beginning on March 1, 2022 the current President of the firm, who has been with the firm since 1982, will take over as CEO. Mr. Casey reviewed the investment team. He stated that the members of the firm have been working from home since March 2020 and are now back in the office three times a week. He briefly discussed the market. As the market opens up even more, railways and marine will benefit. They are seeing attractive tailwinds for infrastructure.

Mr. Serton stated that there are a lot of ways to allocate in infrastructure. He stated that they invest exclusively in portfolios of publicly traded infrastructure companies. He stated that the four major sectors they focus on are utilities, telecommunications, transportation and midstream energy. He stated that they exclude materials and engineering because they do not have the same stability and visibility of cash flow as the other four categories. He stated that the market had significant underperformance last year in holdings in midstream energy due to low oil prices and transportation due to widespread shutdowns. The current valuation spread is below the long term average. Infrastructure is cheap relative to global equities. As a benefit of owning this asset class he thinks as the market reemerges the spreads will widen.

Mr. Serton reviewed the performance of the portfolio year to date as of November 30, 2021. The portfolio was up 8.4% gross of fees while the benchmark was up 6.8%. They have outperformed the benchmark meaningfully following the very distressed year of 2020. He reviewed attribution. He stated that the contributors were midstream energy, electric and railway. They are in a period of market acceleration and rising inflation. There are positive benefits of inflation for this asset class. Mr. Serton discussed proposed legislation. He stated that he sees the most benefit as being substantial tax breaks being offered to renewable energy leaders and on the telecommunications side for owners of cell towers which will benefit from global 5G leadership. He reviewed the infrastructure portfolio weights. He stated that they are overweight in commodities, midstream energy, railways and water. The goal in having a portfolio like this is to reduce overall volatility, especially when the broad market is falling. Generally speaking, there is value in owning this asset when the market is not rosy.

- Frank LaPlaca made a motion to accept the Investment Manager Report from Cohen & Steers. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

Brian Casey and Evan Serton departed the meeting.

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

Burgess Chambers appeared before the Board. He discussed infrastructure. He stated infrastructure was never intended to keep pace with domestic equities. It is a more regulated sector. It tends to do well in down markets. So as the world opens up it will do better. He thinks it will do well and is an asset diversifier. He discussed the impact of inflation, noting that it is occurring due to a complete holdup from ports to truckers to distributors. The shippers were laid

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off last year and starting collecting unemployment. Now they are unable to get those people back to work. It is an unintended consequence of encouraging people not to go back to work. There is no end in sight. There is no visibility of when this will get corrected. Mr. Chambers stated that the Plan is doing very well. The manager changes that have been done the last five years have worked out well. Mr. Chambers provided an overview of the market environment. The Fed is the largest borrower in the United States, which has helped keep rates down. However this will end when prices start to go up and stay up. Everything is overvalued right now. He is not sure how long this will last. The Fed indicated that they will begin to gradually step away from weekly buying of securities.

Mr. Chambers reported on the performance for the quarter ending September 30, 2021. The total market value of the Fund as of September 30, 2021 was \$107,647,854. The total Fund was flat at 0.0% net of fees for the quarter ending September 30, 2021 while the benchmark was up .3%. Total equities were down .3%; domestic equities were up .6%; large cap infrastructure was down .1%; convertibles were down 1.3%; international equity was down 2.3%; REITs were up 1.2%; private real estate was up 5.3%; and fixed income was down .1%. Mr. Chambers stated that if there is a major downturn in the market, he has the authority to periodically rebalance between meetings. Mr. Harrison stated that Mr. Chambers can only rebalance to the ranges in the Investment Policy Statement. Mr. Chambers agreed, stating that this is what has been done in the past. He stated that the Board could call a special meeting, but sometimes it is difficult to get a quorum together in time to quickly act.

- Jason Alexandre made a motion to accept the Investment Consultant Report. The motion received a second by Frank LaPlaca and was approved by the Trustees 5-0.

Richelle Cook departed the meeting.

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.

Jason Alexandre stepped out of the meeting.

ATTORNEY REPORT

Ken Harrison and Caroline Quill appeared before the Board electronically. Mr. Harrison stated that the Board needed to ratify actions that were taken by the Board at any electronic meetings that occurred after October 31, 2020, as the Governor did not extend the authority to have remote meetings after that date. The Board needs to approve any motions to make them official. He stated that Ms. Adcock prepared a list of those meeting dates and the motions made at those meetings for the Board to review. It was noted that the Board needed to ratify motions from electronic Board meetings of December 14, 2020; February 8, 2021; and May 3, 2021. The Board reviewed each motion from the specified meetings.

- Nick Scopelitis made a motion to ratify the motions made at the December 14, 2020 meeting. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.
- Michael Salvemini made a motion to ratify the motions made at the February 8, 2021 meeting. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.
- Frank LaPlaca made a motion to ratify the motions made at the May 3, 2021 meeting. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

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Jason Alexandre re-entered the meeting.

Mr. Harrison stated that a Disability Application was filed by Jose Arango. He stated that he has received the Application and is in the process of obtaining the medical information.

- Michael Salvemini made a motion to accept the Disability Application filed by Jose Arango and authorize the Attorney to proceed processing the Application. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

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 noted that he discussed this at the last meeting but no decision was made. He stated that currently the rate is at 7.2%. He noted that FRS just lowered their rate to 6.8%. Last year the cost to reduce the assumed rate of return by 10 basis points was \$137,000. The return this year is over 20% so he is hopeful that will provide an offset. There was a lengthy discussion on whether lowering the assumed rate by only 10 basis points is adequate. Mr. Little stated that the Board has been diligent in moving it down. The real number is below 7%; however, they do not want to stress the system by dropping it abruptly. He recommended lowering it more but doing it by 10 basis points provides an opportunity to the Town by taking it in smaller steps. There was discussion on how lowering the assumed rate impacts the DROP accounts. Mr. Little stated that it would take the DROP earnings rate down to a maximum of 6%. Mr. Little recommended lowering the assumed rate of return to 7%.

- Nick Scopelitis made a motion to reduce the actuarial assumed rate of return from 7.2% to 7% for the Actuarial Valuation as of October 1, 2021 as recommended by the Actuary. The motion received a second by Frank LaPlaca and was approved by the Trustees 5-0.

APPROVAL OF DISBURSEMENT

The Disbursement list was presented for consideration. It was noted that the annual membership renewal for NCPERS was also included on the list but the Board indicated last year that they wanted to reconsider whether they should renew it again for 2022. The Board decided to renew the annual membership with NCPERS for 2022.

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

It was noted the financial statement through September 30, 2021 was included in the Trustee packet for review. The Trustees accepted the financial statement.

ADMINISTRATIVE REPORT

2022 MEETING DATES: The Board reviewed the proposed 2022 meeting dates. The Board moved the August meeting back a week.

RATIFICATION OF ELECTION FOR JASON ALEXANDRE: It was noted that an election was conducted for the employee seat that was held by Jason Alexandre, and that Mr. Alexandre was re-elected to the Board for another term.

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

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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 Frank LaPlaca and was approved by the Trustees 5-0.

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

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