

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

May 9, 2022

The meeting was called to order at 10:05 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES PRESENT

Michael Salvemini
Jason Alexandre
Frank LaPlaca
Nick Scopelitis

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Ken Harrison & Madison Levine, Sugarman & Susskind P.A. (via electronic)
Chad Little, Freiman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Scott Reynolds; Town of Jupiter
Michael Villella; Town of Jupiter (via electronic)
Anthony Xuereb; Polen Capital
John Johnson; Eagle Capital

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held February 14, 2022.

- Michael Salvemini made a motion to approve the February 14, 2022 minutes. The motion received a second by Nick Scopelitis 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, 2022. He stated that the market has gone through an incredible six months. The market is bruised but not broken. He reviewed the portfolio compared to the end of 2019 before the pandemic. He stated that despite the pandemic and what is going on in the market now, the Fund is up \$1 million from where it was in 2019. There is incredible volatility in the market. It is a tough market. A lot of this is being caused by the uncertainty of what the Fed is trying to do. He thinks the Fed waited too long to do something and now that they waited, he is not sure they can do anything with a gentle touch. He said that his firm takes a longer view. That is how they navigated through the pandemic. When there is a stress, investors seek out short term safety and see what is good today. However, as managers, they look to the long term. Mr. Johnson stated that it is tough for active managers to navigate this market. They are underperforming, as are most active managers. He stated that this too shall pass. Travel is increasing and car prices are stabilizing. The price of lumber is coming down and unemployment is coming down. He thinks the portfolio is well positioned for the next five years. It is a diversified portfolio of 30 stocks. They have no energy in the portfolio. He stated that they cannot find any energy names where they can make money on a sustainable basis.

INVESTMENT MANAGER REPORT – POLEN CAPITAL MANAGEMENT (ANTHONY XUEREB)

Anthony Xuereb appeared before the Board. He stated that he was the senior relationship manager on the client service team. He stated that there have been no changes to their employee ownership structure. They are 72% employee owned. Out of 200 employees, at least 30 have ownership. Mr. Xuereb stated that they announced an acquisition last year. He stated that they purchased DEJ out of Massachusetts. The acquisition closed a little over a month ago. There is no impact to the large cap growth team. There have been no changes to the team. They have had a very stable team for many years.

Mr. Xuereb discussed their investment philosophy and investment performance. He stated that they have had no changes to their process and have stayed true to their philosophy for 32 years. The total market value as of March 31, 2022 was \$5,732,001. The portfolio was down 13.26% net

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of fees for the quarter ending March 31, 2022 while the benchmark was down 9.04%. Since inception of January 16, 2018 the portfolio was up 18.07% versus the benchmark which has been up 18.70%. Mr. Xuereb stated that the equity markets have had a tremendous ride. As such, the recent pullback is not totally unexpected. He stated that the market is facing headwinds with inflation and interest rates. The last time the Fed raised rates was in 2018. They do not try to predict what is going to happen but rather focus on the companies in the portfolio. He stated that their turnover rate is normally about 25% but they traded more than they ever have last quarter. He stated that their biggest headwind was not owing Apple and being underweight in Microsoft, which both names are 20% of the index. They also had some stock specific challenges. The huge beneficiaries of the pandemic were Facebook and Netflix. They did not think those could be sustainable going forward. While not growing as much as during the pandemic, they were still growing. They are trying to determine what it will be when things normalize. Mr. Xuereb stated that they are still evaluating Netflix. The market is smaller than once thought and there are 100 million unauthorized users. It was thought that there were more in the range of 30 million unauthorized users and their team was surprised by this new information. Mr. Xuereb reviewed the quarterly excess returns on the trailing 1, 3, 5 and 7 year time periods since about the 1990's. They try to take a very long-term view of the portfolio. He stated that in short term periods they will underperform the market. In rolling 7 year time periods they outperform 100% of the time. He stated that they are patient and not emotional and focus on the companies at hand.

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

Burgess Chambers appeared before the Board. He stated that bonds and stocks are moving downward together. Historically they move in opposite directions. This time it is different. The Fed decided it was going to keep interest rates artificially low for a protracted period of time. It got so out of control that the Fed became a larger borrower than any other bank. The Fed was not printing money but rather borrowing money out of the banking system. The Fed now has a \$9 trillion portfolio to maintain these low rates. What the Fed has done is unprecedented. They wanted to start to unwind it, but then the pandemic came around. The Fed has announced that effective June 1 it will start selling their positions. The Fed raised interest rates last week by 50 basis points. He thinks the greatest exposure right now is with bonds. He stated that the portfolio will suffer a continual headwind from the unraveling policy by the Fed and the increase in the interest rates. He believes that there will be more opportunity to make money on equities because they will snap back. There was discussion on the overlap of stocks in the portfolios among the managers.

John Johnson and Anthony Xuereb departed the meeting.

Mr. Chambers reported on the performance for the quarter ending March 31, 2022. The total market value of the Fund as of March 31, 2022 was \$104,181,970. The total Fund was down 6.1% net of fees for the quarter ending March 31, 2022 while the benchmark was down 3.7%. Total equities were down 7.3%; domestic equities were down 7.4%; large cap infrastructure was up 3.5%; convertibles were down 6.9%; international equity was down 12.1%; REITs were down 3.5%; private real estate was up 8.5%; and fixed income was down 5.8%. Mr. Chambers stated that the Fund has had great performance over the last several years, but the market is heading into some rough weather. He discussed several options for the Board to consider. He stated that maybe fixed income could come down to 20% to soften the blow but it would not be a huge impact. Alternatively, the Board could change the policy to allow them to go into shorter duration bonds, but then they would have to sell and take a loss so, that would not be recommended. He thinks the Board should allow the cash balance to build for a while and maybe increase infrastructure. He suggested reducing bonds to 20% and using the reallocation to fund private real estate bringing American Realty up to the 7% maximum effective July 1, 2022. This would allow for stability of returns and stabilizing fixed income. There was a lengthy discussion.

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- Nick Scopelitis made a motion to reduce bonds to 20% and use the reallocation to fund private real estate with American Realty up to the 7% maximum and put the difference in infrastructure with Cohen & Steers. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.

There was further discussion on the market. Mr. Little stated that he thinks the market is overdue for a correction but thinks it is due for a bigger downturn. There was discussion on liquidity concerns. Mr. Chambers reviewed the growth of investments from 2017 to 2022, noting it looks fairly stable. He thinks the changes adopted are okay.

- Michael Salvemini made a motion to accept the Investment Consultant Report. The motion received a second by Frank LaPlaca 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

Ken Harrison and Madison Levine appeared before the Board electronically. Mr. Harrison discussed the emails regarding a member that was seeking a partial DROP distribution. Clyde Fisher completed the Application for Distribution of his DROP on March 28, 2022. Since he was not requesting the total amount of his DROP account balance he would fall under the rules allowing for distributions during open enrollment periods, which provides that the application must be submitted 30 days before April 1 or October 1. Since he did not submit his application until March 28th, he was past the 30 day notice requirement. The member was apparently requesting the funds as he has an issue related to a flood in his home. However, this issue did not meet the requirements necessary to request the funds in between open enrollment periods under the hardship provisions. There are only 4 hardship options and he did not fit into any of them. Mr. Harrison stated that he discussed the matter with the Chair and the Administrator and opined that the Board could consider the March 28 application acceptable as it was submitted prior to April 1st and approve the partial distribution on April 28 (30 days after submission of the application). The Chair approved this opinion and it was determined that this would have to be ratified by the Board and would require a revision to the policy to simply require applications to be submitted prior to April/October 1st. There was a lengthy discussion on the background of the 30 day policy. It was noted that the Plan needs time from when someone submits an application to when payment can be made, as cash usually needs to be raised.

- Michael Salvemini made a motion to approve the partial payment to Clyde Fisher. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.
- Michael Salvemini made a motion to change the partial DROP distribution from semi-annually to quarterly with applications to be submitted by the first day of each calendar quarter. The motion received a second by Nick Scopelitis and was approved by the Trustees 4-0.

Mr. Harrison stated that he would bring an updated DROP Administrative Rule to the next meeting for the Board to review and approve.

Mr. Harrison provided an update on the Disability Application that was filed by Jose Arango. He stated that Mr. Arango had the IME done on May 5 and he was waiting on the final IME report from the doctor. Once received, he will let the Board know and it can be put on the next agenda or a special meeting can be held.

Mr. Harrison provided a Legislative update. He stated that there was nothing he is aware of that would impact the local pension plans.

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ACTUARY REPORT

Chad Little appeared before the Board. He discussed the IRS minimum distribution rules that changed the age from 70 ½ to 72. He stated that he would be running the numbers and letting those DROP members affected know what needs to be distributed.

Mr. Salvemini stated that retirees have approached him regarding a possible COLA. He stated that he spoke with the Union and based on the number of people that approached him, he felt it was his responsibility to ask the Actuary to run the numbers. Mr. Little stated that he could run the numbers, but there would be a cost for the benefit as well as a cost for him to complete the study. He stated that a COLA is not a cheap benefit, but it is a good benefit. There was a lengthy discussion on the possible COLA options, such as putting in a delay for the start of a COLA. It was noted that the Union was looking for a number to have an idea on what the cost of such a benefit would be. Mr. Little stated that his typical fee for such a study would be \$3,500 to \$4000 per option. There was further discussion. Mr. Harrison stated that because this involves the collective bargaining agreement, he would be more comfortable if one of the parties came to the Board and asked for the information. There was also the matter of who was going to pay for the study. He stated that the parties need to ask for the ability to use the Board's Actuary to do the study and it needs to be done in a more formal matter. He noted that the Investment Monitor has advised the Board that the market is in a tough position right now. It is the Board's responsibility to control costs. Mr. Harrison stated that he has a concern with how this request is occurring. The trend is for both parties to the CBA to share the cost of the studies. That way the Board is curtailing the Plan's costs. Mr. Salvemini stated that there is a time crunch because the parties are currently in negotiations. Mr. Little stated that if both parties wanted the same information, the Board would usually pay for it. If either party wants separate information on their own, that party pays for it. It was determined that the matter would be brought up at negotiations and if both parties want to explore a COLA, a letter would be sent to the Actuary for the study.

- Michael Salvemini made a motion to authorize the Actuary to prepare up to two studies not to exceed \$8,000 if either party to the CBA wants to explore a COLA. The motion received a second from Frank LaPlaca and was approved by the Trustees 4-0.
- Michael Salvemini made a motion to authorize the Board to pay for two studies not to exceed \$8,000 if both parties to the CBA want to explore a COLA. The motion received a second from Frank LaPlaca and was approved by the Trustees 4-0.

APPROVAL OF DISBURSEMENT

The Disbursement list was presented for consideration.

- Nick Scopelitis made a motion to approve the disbursements as presented. The motion received a second from Frank LaPlaca and was approved by the Trustees 4-0.

It was noted the financial statement through March 31, 2022 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 Nick Scopelitis and was approved by the Trustees 4-0.

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PUBLIC COMMENTS

The Board invited members of the public to make comments. There were no public comments.

OTHER BUSINESS

FIFTH TRUSTEE: It was noted that the term for the 5th Trustee that is currently held by Nick Scopelitis is up for reappointment.

- Michael Salvemini made a motion to reappoint Nick Scopelitis as the 5th Trustee for another term. The motion received a second by Jason Alexandre and was approved by the Trustees 3-0.

With there being no further business, the meeting adjourned.

Respectfully submitted,

Jason Alexandre, Secretary