

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 15, 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

Marc Dobin
Jason Alexandre
Frank LaPlaca
Michael Salvemini

OTHERS PRESENT

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

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meetings held May 9, 2022 and June 21, 2022.

- Frank LaPlaca made a motion to approve the May 9, 2022 minutes. The motion received a second by Michael Salvemini and was approved by the Trustees 4-0.
- Jason Alexandre made a motion to approve the June 21, 2022 minutes. The motion received a second by Frank LaPlaca and was approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT – CS McKEE (ROB ROSSI)

Rob Rossi appeared before the Board. He discussed the market environment for the quarter ending June 30, 2022. He stated that the first six months of the year were the worst six months for stocks in over 50 years. The first six months of the year were also the worst six months for fixed income in over 40 years. There was no place to hide. There was a late quarter rally in bonds. He stated that are already about half the way back in the span of just six weeks. The total market value of the portfolio as of June 30, 2022 was \$19,169,082. The asset allocation was 98.7% in fixed income and 1.3% in cash. The portfolio was down 4.93% for the quarter while the benchmark was down 4.69%. Mr. Rossi stated that the portfolio gave back some gains from the first quarter in the second quarter. He provided an update as of July 31, 2022. The total market value of the portfolio as of July 31, 2022 was \$19,713,713. The portfolio was up 2.86% for the quarter to date while the benchmark was up 2.44%. Mr. Rossi reviewed the portfolio characteristics. He stated that they will remain in high quality. Their investment model has built in a 30% chance of a recession,

- Michael Salvemini made a motion to accept the Investment Manager Report from C.S. McKee. The motion received a second from Frank LaPlaca and was approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT – EAGLE CAPITAL MANAGEMENT (JOHN JOHNSON)

John Johnson appeared before the Board electronically. He reviewed the market environment for the quarter ending June 30, 2022. He stated that their underperformance is due to a global pandemonium versus the global pandemic. He stated that they believe it is important to have long term appreciation and be willing to accept short term volatility. The portfolio gained 15% in the first half of the third quarter versus the Russell Value which gained 10%. He stated that he feels a lot better today than he did in May. Mr. Johnson reviewed the portfolio holdings and drivers of performance. He stated that the business structure is resilient in this country. He feels very confident about the portfolio. He feels very strongly in the long-term strength of the holdings

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 15, 2022

in the portfolio. He stated that nothing has changed with their firm. They are not a statistical value manager. They look to how businesses will be in five years. Mr. Johnson stated that they have not made any significant changes to the portfolio. They have trimmed a little bit here and there to take on some small positions. He stated that he wanted to reiterate the high level of confidence he has in the portfolio.

- Jason Alexandre made a motion to accept the Investment Manager Report from Eagle Capital. The motion received a second from Frank LaPlaca and was approved by the Trustees 4-0.

John Johnson departed the meeting.

INVESTMENT MANAGER REPORT – POLEN CAPITAL MANAGEMENT (ANTHONY XUEREB & STEVE ATKINS)

Anthony Xuereb and Steve Atkins appeared before the Board. Mr. Xuereb provided a brief introduction. He stated that he was the senior relationship manager on the client service team. He stated that Mr. Atkins was the portfolio strategist and analyst and has been with the firm since 2012. Mr. Atkins stated that it has been a challenging year. Performance peaked in mid-November, about the same time the Fed made it clear that they were going to raise rates more aggressively than was originally thought. He stated that the reason performance peaked was because growth equities become more sensitive to interest rate changes, both on the upside and the downside. Low interest rates are good for growth equity markets and high interest rates are bad for growth equity markets. Mr. Atkins stated that what has been disappointing is not only their absolute returns but that their relative returns have been worse than the benchmark, besides the negative returns across the board. He stated that they have seen dramatic changes in spending patterns. There has been a move away from ecommerce to more offline spending, like on travel. He noted that Netflix underperformed for the year to date. He further noted that Apple is the largest weight in the benchmark and they did not own any Apple, which hurt performance. There was a discussion on Apple and why they did not own this holding. Mr. Atkins stated that Amazon is their largest weight. While there is a shift in spending from ecommerce to offline, they still see ecommerce to be 15% of total retail spending and expect it to go higher, which supports Amazon's growth. Amazon expanded its fulfillment network during the pandemic and now they have a little too much capacity. In the meantime, it allows them to pull spending back which should have a positive impact.

Mr. Atkins reviewed performance as of July 31, 2022. The total market value as of July 31, 2022 was \$4,894,474. The portfolio was down 26.33% net of fees for the year to date while the benchmark was down 19.44%. He stated that their absolute underperformance is being impacted by macro factors and their relative underperformance is being impacted by certain stock selections. Since June the market has done much better. Inflation is starting to stabilize. He believes the Fed is beginning to moderate policy. Mr. Atkins stated that looking at the long term, their set up is much better in the portfolio than it was compared to the third quarter last year. He reviewed the performance attribution for the quarter.

Steve Atkins departed the meeting.

There was a discussion on the overlap of holdings between Polen and Eagle. The Board stated that they would like to be advised of the exact overlap as it continues to be a concern of the Board. There was discussion on the performance attribution analysis. The Board noted that they are paying for the losses. It was noted that both Polen and Eagle have the same allocation in Microsoft. Mr. Chambers stated that from a value and growth perspective, it seems to be a very attractive company. The Board stated that they wanted to look at the longer term overlap of holdings and see if the selection affect is hurting the overall portfolio. Mr. Chambers asked Polen

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 15, 2022

to go back as far as they could to do a selection affect and provide the information to him so he can prepare an analysis for the Board at the next meeting.

- Jason Alexandre made a motion to accept the Investment Manager Report from Polen Capital. The motion received a second from Frank LaPlaca and was approved by the Trustees 4-0.

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

Burgess Chambers appeared before the Board. He stated that interest rates are still very low. The Fed has not started to tighten but is taking the foot off the gas and shifting to a neutral policy. He stated that he is not worried about the Fed trying to put the market into a recession. Mr. Chambers stated that he understands that American Realty is starting to pivot to buy single family homes. He stated he had no problem with it. It is a business decision but it is bad for the members and their kids. The Board stated that they wanted to voice their concerns about this to American Realty. The Board stated that it was bad for the members of the Plan and for residents trying to buy into the community. The Board does not want the Fund's money used to disadvantage their community. Mr. Chambers stated that a letter would be in order to American Realty from the Board to ask them to turn their energy into a positive and suggest they buy office buildings and convert them into affordable housing. The Board feels that if American Realty wants to invest in single family homes they should open a new fund. The Board's view is that investing in single family homes is a significant change to the current fund. There was a lengthy discussion. The Board asked Mr. Chambers to send American Realty a letter and invite them to the November meeting.

- Jason Alexandre made a motion to authorize the Chair to review and sign the letter prepared by the Investment Consultant to American Realty regarding the Board's concern on possible single family home investments and request their attendance at the next Board meeting. The motion received a second from Michael Salvemini and was approved by the Trustees 4-0.

Mr. Chambers reported on the performance for the quarter ending June 30, 2022. The total market value of the Fund as of June 30, 2022 was \$91,043,979. The total Fund was down 12.3% net of fees for the quarter ending June 30, 2022 while the benchmark was down 10.5%. Total equities were down 16.5%; domestic equities were down 18.6%; large cap infrastructure was down 6.6%; convertibles were down 15.8%; international equity was down 14.7%; REITs were down 18.3%; private real estate was up 4.5%; and fixed income was down 5.0%. Mr. Chambers stated that private real estate and infrastructure have been the biggest shock absorbers in the portfolio. There was discussion on international. He stated that he sees no reason to add to international right now. He wants things to settle down a bit before adding more to it. He stated that he had no recommendation for any rebalancing right now.

- 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 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.

Anthony Xuereb departed the meeting.

ATTORNEY REPORT

Ken Harrison and Madison Levine appeared before the Board. Mr. Harrison provided the Board with a Draft Revised Administrative Rules and Regulations for the DROP that was discussed and

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 15, 2022

authorized at the last meeting. This Revised Administrative Rule offers greater flexibility to the members. He reviewed the changes with the Board. The 30 day notice requirement was removed. Additionally, language was added to allow the distribution of partial lump sum requests. The open enrollment periods and hardship withdrawals were likewise removed. There was a lengthy discussion. Mr. Little stated that he had no issues with the changes and noted that there was no concern about negative returns. The Board stated that they wanted to be accommodating to the members but did not want to create an administrative burden.

- Michael Salvemini made a motion to adopt the Revised Administrative Rules and Regulations for the DROP. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

ACTUARY REPORT

Chad Little appeared before the Board. He advised that the State released the amounts of the 2021 185 premium tax monies.

APPROVAL OF DISBURSEMENT

The Disbursement list was presented for consideration.

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

It was noted the financial statement through June 30, 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.

- 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 4-0.

ENGAGEMENT LETTER ROM KSDT FOR AUDIT FOR FYE September 30, 2022: The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2022. Mr. Harrison stated that he reviewed the engagement letter and it was acceptable.

- Jason Alexandre made a motion to approve the engagement letter for the audit for the fiscal year ending September 30, 2022. The motion received a second by Frank LaPlaca and was approved by the Trustees 4-0.

COMPLIANCE BUDGET 2022-2023: Ms. Adcock presented a draft administrative expense budget for fiscal year 2023 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 4-0.

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 Frank LaPlaca and was approved by the Trustees 3-0.

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 15, 2022

RENEWAL OF FIDUCIARY LIABILITY INSURANCE: Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on September 30, 2022.

- Frank LaPlaca made a motion to renew the Fiduciary Liability Insurance with the cost not to exceed \$11,000. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

PUBLIC COMMENTS

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

OTHER BUSINESS

With there being no further business, the meeting adjourned.

Respectfully submitted,

Jason Alexandre, Secretary