

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

November 14, 2022

The meeting was called to order at 10:16 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES PRESENT

Marc Dobin
Jason Alexandre
Frank LaPlaca (via electronic)
Michael Salvemini
Nick Scopelitis

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Ken Harrison & Madison Levine, Sugarman & Susskind P.A.
Chad Little, Freiman Little Actuaries (via electronic)
Burgess Chambers, Burgess Chambers & Associates
Richelle Cook; American Realty
Brain Casey; Cohen & Steers

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held August 15, 2022.

- Nick Scopelitis made a motion to approve the August 15, 2022 minutes. The motion received a second by Jason Alexandre 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 1987. They have managed in several up and down market cycles. They have 580 institutional investors with \$13.3 billion in assets under management. They have 80 employees. They have diverse and targeted private real estate platforms. Real estate did phenomenally well last year.

She stated that she was advised that at the last meeting there was a lengthy discussion on the investments in single family homes in the residential market in their Core portfolio. She stated that they saw a huge need for more space and people not being able to afford housing, so they went into single family rentals. She stated that it is like an apartment complex, but with more room. They are not buying single family homes and competing with big companies by renting them out and removing them from community ownership. They are not buying homes and decreasing available purchase availability. Mr. Dobin stated that he spoke with Ms. Cook after the meeting on the phone and was satisfied with her explanation. Ms. Cook stated that they used to call it multi-family and now it is called residential. The Fund's money is not going to adversely affect residential neighborhoods.

Ms. Cook reviewed the American Core Realty Fund. She stated that this was their flagship fund. She reviewed the performance of the portfolio. The total market value as of September 30, 2022 was \$7,030,446. The portfolio was up 1.66% net of fees for the quarter while the benchmark was up .52%. For the fiscal year the portfolio was up 25.79% net of fees while the benchmark was up 22.09%.

Ms. Cook discussed more about the American Core Realty Fund. She stated that she thinks there might be some write down in the next quarter. The allocation to industrial has really helped with returns. Residential is doing super well. Office is on a downturn. They are selling off office properties. They are down to 10 office properties now. Some office space is being repurposed. She stated that life science is a growing part in office space. Retail was not doing well prior to 2020 and continues to not do well. She stated that they have no exposure to malls.

Ms. Cook discussed the investments. There are 89 investments in the portfolio. Their leverage ratio is 19.0% which is pretty low right now. There are 465 investors. Here is no contribution

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queue but there is a \$230.8 million redemption queue, most of it related to rebalancing issues on the side of the plans. The portfolio is in a good position. They have a nice staggered lease schedule. She reviewed their diversification across markets and property types. She reviewed their recent investments and dispositions. She stated that they reduced office and retail exposure. She reviewed their debt management. They do not hold any debt on their firm's balance sheet.

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

INVESTMENT MANAGER REPORT – COHEN & STEERS (BRIAN CASEY)

Brian Casey appeared before the Board. Mr. Casey stated that he was on the client service team and with the firm for five years. He provided an overview of the firm. He stated that the firm was founded in 1986. They are a boutique asset management firm. They have \$79.2 billion in assets under management with \$8 billion in this strategy. They have 350 employees. Mr. Casey reviewed the investment team. He stated that they have the largest infrastructure team in the world. He discussed the market. He stated that they are seeing tailwinds for infrastructure.

Mr. Casey reviewed the performance of the portfolio year to date as of September 30, 2022. The portfolio was down 5.29% gross of fees for the one year while the benchmark was down 6.15%. Since inception the portfolio was up 3.62% while the benchmark was up 1.81%. He stated that it was a challenging quarter. He reviewed attribution. He stated that the contributors were midstream energy, electric and gas distribution. The detractors were communications, railways and airports. Infrastructure has historically shown resilience after interest rate increases. Infrastructure has often lagged global equities during periods where rates increase but has historically outperformed after the initial reaction. He thinks the Fed will stop raising rates pretty quickly here and that will help. He reviewed the infrastructure portfolio weights by region and sector. They are overweight in commodities, midstream energy, and railways. They have a real balanced portfolio at the moment.

- Jason Alexandre 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.

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

Burgess Chambers appeared before the Board. He stated that this has been the worst performing year since 2008. It was a year where there was nowhere to hide except in cash. He stated that the Fund's offensive has been ineffective. There were problems with technology that were built into the portfolios of Polen and Eagle. He thinks long term, technology will be the driver in growth. Private real estate has been a wonderful place to hide because it does not track the stock and bond markets. Global infrastructure, while down, has been down a lot less than the US equity markets. The biggest disappointment this year has been in bonds. Historically when equities go down, bonds remain positive. However, both equities and bonds are negative, with bonds begin down 15% year to date. He stated that the Fund could take some money out of real estate, but as Ms. Cook noted, it will take at least three quarters to get the money out.

Mr. Chambers reported on the performance for the quarter ending September 30, 2022. The total market value of the Fund as of September 30, 2022 was \$87,431,994. The total Fund was down 4.8% net of fees for the quarter ending September 30, 2022 while the benchmark was down 4.6%. For the fiscal year, the total Fund was down 18.9% while the benchmark was down 13.6%. Total equities were down 5.9%; domestic equities were down 4.4%; large cap infrastructure was

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down 9.0%; convertibles were down 1.5%; international equity was down 9.3%; REITs were down 10.4%; private real estate was up 1.4%; and fixed income was down 4.8%.

There was a lengthy discussion regarding concerns of Polen and Eagle. Mr. Chambers stated that the overweight to technology hurt the portfolios. However, they are invested in stable companies that are not going to go out of business. He thinks the Fund needs to ride through the storm. Eagle and Polen are great companies. They just owned too much technology which has hurt. He stated that two quarters ago the market was in the thick of the storm and the market is still in the storm. He thinks the Fed will start to ease off sooner rather than later. The dollar has become too strong globally. It will create a global depression with this high dollar. He thinks the Fed will go to a global weakening of the dollar. The Board expressed concern over too much investment overlap. Both managers are looking at the same stocks and see them differently and that does not protect the Fund. The Board stated that it needs to be figured out, so they do not have managers stepping on the toes of the other. Mr. Chambers stated that Eagle should be the first go to because they have holdings that are arguably more growth than value. It is not a benefit to have multiple managers if they all have the same stocks. Mr. Chambers stated that there was nowhere to hide. The damage is done. He stated that the Board could move one half of Eagle into the Russell 1000 Value Index. It is a good, solid Index. He stated that any overlap would instantly change. He stated that Polen and Eagle only have about 11% of the Fund, and within that there is some overlap. Instead of waiting and looking at an analysis, the Board can cut Eagle's portfolio in half and reduce fees by putting it in the Russell 1000 Value Index. It is the easiest way to dilute the overlap and address the situation. He stated that the Fund already has the Fidelity Large Cap Value Index in place. There was a lengthy discussion. Mr. Chambers stated that there is no denying there is an overlap. Running an analysis is not going to change anything. He stated that the Board can look at other value managers at the next meeting. Mr. Chambers recommended splitting off half of Eagle and putting it in the Fidelity Large Cap Value Index. He stated that if the Fed raises rates in December, technology will take another hit.

- Jason Alexandre made a motion to take half of the Eagle portfolio and put it in the Fidelity Large Cap Value Index. The motion received a second by Michael Salvemini and was approved by the Trustees 5-0.

Mr. Chambers discussed private real estate. He stated that it is a stable return. It has the lowest volatility. He stated that the maximum target in the policy is 7% and the Fund is a little over the maximum. He stated that he thinks it is a good idea to move some of the private real estate out and put it into asset classes that are outside of the targets. He recommended taking about \$2.5 million. He stated that he would probably put it into fixed income when the funds come in.

- Michael Salvemini made a motion to reduce real estate by \$2.5 million. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.
- Jason Alexandre made a motion to accept the Investment Consultant Report. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

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. The Board was provided with the Final Revised Administrative Rules and Regulations for the DROP that were approved by the Board at the last meeting.

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It was noted that the Town inquired regarding the 300+ overtime hours and comp time. Mr. Harrison stated that it is still on hold. He stated that he talked to the Finance Director and was told the parties are in negotiations. Mr. Alexandre stated that the collective bargaining agreement was signed and there were no changes. Mr. Harrison stated that if the language remains the same, there would be no change in the way it has been handled in the past.

Richelle Cook and Briand Casey departed the meeting.

ACTUARY REPORT

Chad Little appeared before the Board electronically. He advised that he was in the process of preparing the DROP Statements.

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 Jason Alexandre and was approved by the Trustees 5-0.

It was noted the financial statement through September 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.

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

2023 MEETING DATES: The Board reviewed the proposed 2023 meeting dates.

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, 2022.

OTHER BUSINESS

Mr. Dobin advised that the next meeting would be his last meeting as a Trustee. He advised the Town this morning that he would be moving out of the Town. It was noted that his term ends on March 30, 2023.

It was noted that this would be Ken Harrison's last meeting as he would be retiring at the end of the year. The Board thanked Mr. Harrison for all he has done for the Fund.

There was discussion on a request from Mr. Alexandre to update the Summary Plan Description. Mr. Alexandre stated that he would like the language regarding the eligibility for Tier 2 members to be made clearer. Mr. Little stated that he would update the Summary Plan Description.

The Board was provided with communication from Scott DeAtley regarding a COLA request. The Board advised that they were not the right entity to deal with such a request. The Board only implements the Plan and does not decide policy.

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PUBLIC COMMENTS

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

With there being no further business, the meeting adjourned.

Respectfully submitted,

Jason Alexandre, Secretary