

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

February 13, 2023

The meeting was called to order at 10:07 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
Madison Levine, Sugarman & Susskind P.A. (via electronic)
Chad Little, Freiman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Scott Reynolds, Town Finance Director
Eric Leventhal, KSDT
Ryan Kolenich, Participant (via electronic)

APPROVAL OF MINUTES

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

- Michael Salvemini made a motion to approve the November 14, 2022 minutes. The motion received a second by Jason Alexandre 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 a lot of things happened since the last meeting. He noted that there was a rebalance where one half of Eagle's portfolio as well as some monies from large cap value and the cash account were moved into bonds. He stated that these changes were consistent with balancing back to targets. He also noted that the Board previously put in a redemption with American Realty for \$2.5 million. He stated that the Fund received \$100,000 of that redemption request in January. Mr. Chambers stated that the Fund was pretty much in line with the targets now. He stated that the money was moved back towards bonds because the yield is between 5% and 6%. He noted that there has not been a yield to maturity like that in a long time. He stated that JP Morgan apparently thinks that the market will hit inflation at 3% this year. If true, bonds will come back down. He stated that the market could see a bond rally and a stock rally this year if inflation continues to decline. The last time there was a downturn in the market like this was in 2008. However, this downturn is half as long in duration, similar in magnitude but is snapping back much quicker. Mr. Chambers discussed what is expected in 2023. He stated that there are hiring freezes and corporate layoffs; the CPI continues a gradual decline; consumer spending moderates as borrowing slows down; corporate earnings growth moderates; and the Fed pivots to neutral.

Mr. Chambers reported on the performance for the quarter ending December 31, 2022. The total market value of the Fund as of December 31, 2022 was \$91,223,991. The total Fund was up 5.3% net of fees for the quarter ending December 31, 2022 while the benchmark was up 6.5%. Total equities were up 8.0%; domestic equities were up 7.1%; large cap infrastructure was up 9.0%; convertibles were up 2.7%; international equity was up 13.8%; REITs were up 4.7%; private real estate was down 5.7%; and fixed income was up 2.4%. Mr. Chambers stated that last year was the year for value, noting that technology really got obliterated. Eagle was a contributor to the underperformance. He noted that Eagle has already made a change to rectify that, and their performance is coming back this quarter. Polen is also coming back. Private real estate has had nice, steady performance for the year. He stated that with respect to convertible bonds, the Index is selling at or below par so the underlying bonds are priced at or below where

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they will mature in the next three years. He stated that they will come back fast so everyone just needs to be patient.

Jason Alexandre stepped out of the meeting.

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

Jason Alexandre re-entered the meeting.

2022 AUDITED FINANCIAL STATEMENT

Eric Leventhal of Kabat Schertzer De La Torre & Taraboulos appeared before the Board. He presented the Annual Audit as of September 30, 2022. He stated that they were issuing a clean unmodified opinion. He reviewed Management's Discussion and Analysis. He reviewed the Statement of Net Fiduciary Position as of September 30, 2022. The total assets were \$87,616,565 with most of the money in investments. Total liabilities were \$180,729. Total net position restricted for pensions was \$87,435,836, with \$76,650,892 restricted for defined benefits, \$9,751,582 restricted for DROP benefits and \$1,033,362 restricted for Share benefits. Mr. Leventhal reviewed the Statement of Changes in Net Fiduciary Position. He stated that there were total additions of \$15,753,770 and total deductions of \$5,103,036 leaving a decrease in the Plan net position of \$20,856,806.

Mr. Leventhal reviewed the schedule of investment and administrative expenses. He stated that there were no substantive changes to any of the disclosures. He stated that he found no significant internal control issues. He received full cooperation from management and the service providers. There were no significant deficiencies or material weaknesses.

- Jason Alexandre made a motion to approve the 2022 Audited Financial Statement as presented. The motion received a second by Nick Scopelitis and was approved by the Trustees 5-0.

Mr. Leventhal presented the Management Representation Letter.

- Nick Scopelitis made a motion to authorize the Chair to sign the Management Representation Letter. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

ATTORNEY REPORT

Madison Levine appeared before the Board electronically. The Board was provided with a Special Report Regarding SECURE Act 2.0 dated February 2023. She stated that the SECURE Act 2.0 was enacted in December 2022. She suggested the Board read through the Special Report. She stated that their office is still scrutinizing the Act and will follow up with more summary reports and make sure the Fund is in compliance with all of the requirements.

Ms. Levine stated that she reviewed the draft Summary Plan Description and noted some scrivener's errors. She stated that this would be discussed further under the Actuary's Report.

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ACTUARY REPORT

Chad Little appeared before the Board.

2022 ACTUARIAL VALUATION REPORT: Mr. Little presented the Actuarial Valuation as of October 1, 2022. This Valuation determines the minimum funding requirements for the plan year ending September 30, 2024. He stated that the total employer expected contribution requirement is \$3,156,663. With the expected State contribution of \$611,245, the Town's contribution increased from \$2,271,218 in the last Valuation to \$2,545,418. He stated that the funded ratio was 93.11% compared to 94.58% last year. The assumed investment return remained at 7.0%.

Mr. Little reviewed the participant data. Active members increased from 83 to 88. Salary increased 8.1% versus the expected increase of 8.4%. There was a demographic loss for the year mainly due to three DROP entrants, one retirement, one disability retirement, and payroll increases more than expected for certain active members. While the market value of assets was a negative 18.82%, the return on the actuarial value of assets used for funding purposes was 4.66%. There were no changes in methods since the prior Valuation. Mr. Little reviewed the historical investment returns since October 1, 1981. It was noted that they are required to include certain examinations of risk in the Valuation. He reviewed the assessment and disclosure of risks. He reviewed the historical asset values. Mr. Little reviewed the minimum required contribution breakdown. He reviewed the DROP reconciliation.

- Nick Scopelitis made a motion to approve the Actuarial Valuation as of October 1, 2022. The motion received a second by Jason Alexandre and was approved by the Trustees 5-0.

The Board was provided with a letter from the Division of Retirement dated December 1, 2022 advising that all Valuations have been approved through October 1, 2020. He stated that the State made a comment that the investment return was too high at 7.2% and wanted the Board to consider reducing it to somewhere between 5.50% to 6.5%. He stated that he will discuss this at the August meeting to prepare for the next Valuation.

SUMMARY PLAN DESCRIPTION

Mr. Little provided the Board with a draft updated Summary Plan Description. He stated that a couple of items came up. Ms. Levine stated that Municode Section 15-3772 incorrectly reflects the average salary as the best 5 years for Tier 1 members and it should be the best 3 years. She stated that it was just a scrivener's error that needs to be corrected by the Town. Scott Reynolds noted the section that needs to be changed and he will work with the Town to get it corrected. There was further discussion on the draft SPD. Mr. Alexandre stated that he thought Section 2 of the SPD regarding DROP eligibility was confusing and would like to see it reworded. It was determined that Mr. Alexandre and Mr. Little would work together on the language and have Ms. Levine review the new language. Mr. Little stated that he would bring a revised draft SPD to the next meeting for Board approval and adoption.

ANNUAL DECLARATION OF EXPECTED RATE OF RETURN: It was noted that the Board needed to formally determine the expected rate of return for the short term and long term, as is required by the State. The Board stated that they would like to see it match the Valuation, which is 7.0%.

- Jason Alexandre made a motion to determine the expected rate of return using the rate of 7.0%. The motion received a second from Nick Scopelitis and was approved by the Trustees 5-0.

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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 Nick Scopelitis and was approved by the Trustees 5-0.

It was noted the financial statement through December 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.

- 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 5-0.

OTHER BUSINESS

The Board was provided with a Memorandum from the Town Regarding Boards and Committees Goals and Objectives. It was noted that the Town wanted the Board to provide semi-annual reporting on their goals and objectives. The Board stated that their goals and objectives are to meet or exceed the actuarial rate of return over the long term. The Board stated that the second paragraph of the IPS accurately sets forth the Board's goals and objectives. The Board requested that the Administrator draft a letter to the Town on the Board's goals and objectives and have it reviewed by Mr. Alexandre and Mr. Salvemini.

The Board was provided with Trustee Qualified Applications from the Town. It was noted that the Trustee positions are for the Town Appointments that are coming up at the end of March 2023. Mr. Reynolds stated that he was planning to recommend Mr. LaPlaca for reappointment to the Board. It was noted that Mr. Dobin was leaving the Board as he was moving out of the Town. Mr. Reynolds stated that he was planning to recommend Mark Ahern to be Mr. Dobin's replacement. There was a lengthy discussion. The Town will advise the Board once the appointments have been made.

It was noted that this was the last meeting for Mr. Dobin as a Trustee. The Board presented Mr. Dobin with a plaque of appreciation for his 20 years of service on the Board.

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