

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 14, 2023

The meeting was called to order at 10:00 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES PRESENT

Jason Alexandre
Mark Ahern
Frank LaPlaca
Michael Salvemini
Nick Scopelitis

OTHERS PRESENT

Margie Adcock, Pension Resource Center
Madison Levine, Sugarman & Susskind P.A.
Chad Little, Freiman Little Actuaries (via electronic)
Burgess Chambers, Burgess Chambers & Associates
Scott Reynolds, Town Finance Director
Rob Rossi, C.S.McKee
Ryan Kolenich, Participant (via electronic)

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held May 15, 2023.

- Nick Scopelitis made a motion to approve the May 15, 2023 minutes. The motion received a second by Frank LaPlaca and was approved by the Trustees 5-0.

ACTUARY REPORT

DISCUSSION ON ASSUMED RATE OF RETURN: Chad Little appeared before the Board electronically. He stated that it was time to decide on the assumed rate of return for the next Valuation. The assumed rate of return is currently at 7%. When looking at the asset allocation, their arithmetic blend is 6.2%. He stated that the last reduction was in 2021 of .2%, which increased the unfunded liability by \$2 million. It added \$300,000 to the City's contribution, so the Board can use that as a ballpark in considering any further change to the assumed rate. He stated that any change to the assumed rate of return needs to be based on what is realistic, not the cost. He stated that 7% is still a little out of range. There was a lengthy discussion. Mr. Chambers noted that the Fund has earned 7.8% a year in the last ten years, so he does not think the assumed rate of return needs to go down too far. The bond market has completely turned around so he thinks the Fund can capture about 5% to 6% there. With the higher large cap returns he thinks that an assumed rate of 7% or better is very doable. Mr. Little stated that he was recommending the Board consider lowering the assumed rate of return to 6.5%, but acknowledged that that was a big bite at one time. He stated that based on past history, he would like the Board to consider lowering the assumed rate of return by 10 basis points today to 6.9%. There was further discussion. The Board decided to hear the investment presentations first before considering any change to the assumed rate of return.

INVESTMENT MANAGER REPORT – CS McKEE (ROB ROSSI)

Rob Rossi appeared before the Board. He provided a firm update. He stated that they moved offices from downtown Pittsburgh to the suburbs. He stated that the profile of downtown had changed so they moved 15 miles out to the suburbs. He discussed some recent promotions. Brian Allen was promoted to CIO; Zack Hubert was promoted to the fixed income Portfolio Manager; and Jack White was promoted to Director of Fixed Income. He noted that there were no changes in terms of personnel in charge of the portfolio but just a matter of giving those members promotions.

Mr. Rossi discussed the market environment for the quarter ending June 30, 2023. The Fed has raised rates from 0 last year to 5.25% now. It was all done in an effort to control inflation, and the Fed has accomplished some of that. The Fed target is 2% inflation, so it still has a little way to go

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 14, 2023

to reach that. The big part of inflation is the housing market. The total market value of the portfolio as of June 30, 2023 was \$24,497,278. The portfolio was down .43% for the quarter while the benchmark was down .84%. For the year to date, the portfolio was up 2.44% while the benchmark was up 2.09%. Mr. Rossi stated one headwind for the quarter was in BBB bonds. He stated that they normally have an underweight in BBB bonds but BBB did well during the quarter, so they lagged in that area. The Board raised a concern over the benchmark used because the benchmark used by CS McKee is different than the benchmark used by Mr. Chambers in the Monitor performance report. Mr. Chambers stated that he would look into that issue and report back to the Board. Mr. Rossi stated that the Fed raised interest rates by 25 basis points earlier this month. The Fed has said now that future raises would be data dependent. He thinks the Fed is leaning toward one or two more rate hikes. He thinks the Fed will start lowering the rates next year. He thinks the Fed has tamed inflation without causing a recession. If that is the case, fixed income stands to do very well. There was a discussion on TIPS. Mr. Chambers stated that he recommended rolling TIPS into the total portfolio. Mr. Rossi stated that they tend to be in and out of TIPS depending on if it is a good time to hold them or not. They do not have a standing position in TIPS. It is more of a tactical decision.

- 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 5-0.

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

Burgess Chambers appeared before the Board. Mr. Chambers provided a proposed revised Investment Policy Statement. He stated that the revisions included language required by House Bill 3 which requires that any investment decision be based only on pecuniary factors. He stated that the Attorney has reviewed the language as well. It was noted that the asset allocation was also changed. He reviewed the changes proposed to the asset allocation. He proposed moving 10% out of convertible bonds, international and REITS into large cap. He further discussed the assumed rate of return. He stated that a 6.9% assumed rate of return fits right in the middle of his plans. Across the board all actuaries have tried to bring the rate down to 7%. Going to 6.9% will have a measurable impact to the Town's budget. He did not see any reason that lowering the rate needed to be done with the data available. He did not see any urgency in reducing the assumed rate of return. Scott Reynolds, the Finance Director for the Town, stated that he agreed with Mr. Chambers. There was a discussion on international. Mr. Chambers recommended lowering the allocation to 10% but stated that if the Board wanted to keep it at 15% that would be fine. It was decided to keep international at 15%. Given that, Mr. Chambers stated that he would recommend increasing large cap growth and value from 10% to 12.5% rather than to 15%.

- Frank LaPlaca made a motion to adopt the revised Investment Policy Statement as amended by the Board at the meeting. The motion received a second from Michael Salvemini and was approved by the Trustees 5-0.

Mr. Chambers reported on the performance for the quarter ending June 30, 2023. There was discussion on the overlap of holdings between Eagle and Polen. Mr. Chambers stated that the Board cannot force a manager to sell a holding another manager has. He stated that there is a risk in overlap holdings and being too concentrated in certain names. However, these managers have and these concentrations for over 2 years now. He stated that a decision could be made to roll the Polen portfolio into an Index, but there would still be some overlap between the Index and Eagle. He stated that the Fund is getting better performance from Eagle in spite of the overlap. He noted that half of Eagle's portfolio was taken in November 2022 and put in Fidelity due to the Board's concern with the overlap of holdings in the Plan. The market has been very rewarding to Eagle and their stock selection has been different so that is why their results are different. Both managers are concentrated and there is some overlap but their results are different. The Board's

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 14, 2023

concern was not performance based but holdings based, and Mr. Chambers stated that he has been monitoring it. There was a lengthy discussion. Mr. Chambers stated that if the Board wants to make a change and reduce exposure to Polen, it can just put it in the Index because the Index is crushing everyone. The Board could consider moving the Index to 8% and Polen down to 4%. He stated that he wants growth and value to be the same but growth will be tilted toward the Index.

- Nick Scopelitis made a motion to direct the Monitor that when the rebalance is done based on the new IPS, to rebalance in large cap growth to favor the Index versus Polen 2/3 to 1/3. The motion received a second from Michael Salvemini and was approved by the Trustees 5-0.

Mr. Chambers discussed real estate. He stated that private real estate does not correlate with stock and bonds and is not usually volatile. He stated that private real estate is being marked down with most mark downs occurring in office space. He noted that the Fund put in a redemption request last November for \$2.5 million and the Fund has received a little back so far. He stated that in July the Board decided to pull the money a little quicker and suspended the DRIP, deciding not to reinvest the dividends.

The total market value of the Fund as of June 30, 2023 was \$97,100,922. The total Fund was up 3.1% net of fees for the quarter ending June 30, 2023 while the benchmark was up 2.9%. Total equities were up 5.1%; domestic equities were up 7.6%; international equity was up 2.2%; REITs were up 2.9%; private real estate was down 2.5%; and fixed income was down .4%.

- Frank LaPlaca 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. There was discussion on Labaton Sucharow as a securities monitor. It was noted that they recently reached out as they were having an issue pulling the Fund's statements from the Custodian. It was noted that they do not provide quarterly monitoring reports like the other two securities monitors. They stated that rather, they would reach out if there was ever a case or issue that they needed to discuss with the Board. The Board stated that they were fine not receiving quarterly reports from them.

ATTORNEY REPORT

Madison Levine appeared before the Board. She provided a Special Report on House Bill 3. She stated that the Board had already addressed updating the IPS earlier in the meeting. She stated that she will keep monitoring for the reporting requirements that need to be filed by December 15th.

ACTUARY REPORT (CONTINUED)

DISCUSSION ON ASSUMED RATE OF RETURN: There was further discussion on the assumed rate of return. Mr. Reynolds stated that he agreed with Mr. Chambers. From the Town's perspective, they are starting to see the market turn around. He thinks it would be good to hold steady at 7% for the assumed rate of return.

- Mike Salvemini made a motion to keep the assumed rate of return at 7% for the next Valuation. The motion received a second from Frank LaPlaca and was approved by the Trustees 5-0.

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 14, 2023

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 5-0.

It was noted the financial statement through June 30, 2023 was included in the Trustee packet for review. The Trustees accepted the financial statement.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: Benefit Approvals were presented for consideration.

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

RENEWAL OF FIDUCIARY LIABILITY INSURANCE: Ms. Adcock advised that the Fiduciary Liability Insurance is due to expire on September 30, 2023.

- Michale Salvemini made a motion to renew the Fiduciary Liability Insurance with the cost not to exceed 20% of the premium amount last year. The motion received a second by Frank LaPlaca and was approved by the Trustees 5-0.

COMPLIANCE BUDGET 2023-2024: Ms. Adcock presented a draft administrative expense budget for fiscal year 2024 that is required by Section 185.08(a)2, Florida Statutes. The Board reviewed the draft budget. The Board decided to lower the fiduciary liability insurance amount to \$10,000.

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

ENGAGEMENT LETTER ROM KSDT FOR AUDIT FOR FYE September 30, 2023: The Board was presented with the engagement letter for the audit for the fiscal year ending September 30, 2023. Ms. Levine stated that she reviewed the engagement letter and it was acceptable. There was discussion on the cost and doing an RFP next year to make sure that the cost is in line with other auditors.

- Michael Salvemini made a motion to approve the engagement letter for the audit for the fiscal year ending September 30, 2023. The motion received a second by Frank LaPlaca and was approved by the Trustees 5-0.

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.

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

AUGUST 2023 SUBMISSION OF BOARD'S GOAL AND OBJECTIVES: It was noted that the Town Council previously requested to be provided with the Board's goal and objectives twice a year. Ms. Adcock provided the Board with the memorandum that was sent to the Town based on discussion at a prior meeting.

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD

August 14, 2023

AUTHORIZED SIGNER FORMS: It was noted that the authorized signer forms needed to be updated given the changes on the Board.

OTHER BUSINESS

There was no other business.

PUBLIC COMMENTS

There were no public comments.

With there being no further business, the meeting adjourned.

Respectfully submitted,

Michael Salvemini, Secretary