

PALM TRAN ATU LOCAL 1577
MINUTES OF MEETING HELD
August 24, 2006

Chairperson Dwight Mattingly called the meeting to order at 10:13 A.M. in the Dale R. Smith Conference Room at Palm Tran North Facility, 3201 Electronics Way, West Palm Beach, Florida.

TRUSTEES

Dwight Mattingly
Brad Merriman
Richard Roberts

OTHERS

Bonni Jensen; Hanson, Perry, & Jensen
Burgess Chambers; Burgess Chambers & Assoc.
Ronelda Arnette; Palm Tran
Scott Baur & Denise Clougherty; Pension Resource Center
Robert Sugarman; Sugarman & Susskind
John Murphy and Lydia Chung, Palm Tran Finance
Carol Heffner, Gabe Santamarina, Retirees
Frank Stanzone

Approval of the Agenda

The Board reviewed the Agenda for the meeting. Mr. Mattingly noted he would add the reading of a letter immediately following the approval of the Agenda. He also noted that Chad Little of Public Pension Professionals would be late to the meeting, due to a conflict. A motion was made by Mr. Roberts to approve the Agenda with the addition of the letter. The motion was seconded and carried 3-0.

Mr. Mattingly read a letter addressed to the Board of Trustees from Mr. Lou Guido, Trustee. The letter indicated that Mr. Guido would resign from his position as Trustee, effective August 22, 2006. Mr. Mattingly requested advice from counsel regarding appointing a new Trustee, effective immediately. Counsel advised that Mr. Mattingly could appoint a union trustee, as he is also the President of Local ATU 1577 and he could advise the Board that the union knows who they would like to appoint as Trustee to replace Mr. Guido. Per Mr. Mattingly, the union's desire is to remove Mr. Lou Guido from the Board immediately, and appoint Mr. Frank Stanzone. A motion was made by Mr. Merriman to acknowledge that the union is appointing Mr. Frank Stanzone as Trustee, replacing Mr. Lou Guido, effective August 24, 2006. The motion was seconded and carried 3-0.

Mr. Frank Stanzone took his seat among the Trustees.

Minutes

The Board reviewed the Minutes for the meeting of June 15, 2006. Ms. Bonni Jensen had some minor changes on page three that will be amended by the Administrator. A motion was made by Mr. Merriman to approve and file the Minutes of the June 15, 2006 meeting. The motion was seconded and carried 4-0.

Mr. Burgess Chambers joined the meeting at 10:30 a.m.

Reporting of Plan Financials

Scott Baur advised the Board that due to the transition from one administrator to another, we do not have a complete and accurate statement of plan financials, but will have one for the next meeting.

Benefit Applications

The Administrator provided Benefit Applications to the Board. These applications are estimated benefits that will need to be approved and also reviewed by the actuary. These applications were reviewed by the Board, the attorneys and the Administrator, in detail. The Board requested a recalculation for Mr. Leaf indicating a reduction from age 65. The Board requested the Administrator get with the Actuary and see if calculations are based on age 65 or age 62. Mr. Mattingly requested that the Administrator include interest amounts paid on all benefit applications, as well as years of service. There was a lengthy discussion regarding interest payable to members with more than 10 years of service; deferred vested members who receive interest; non-vested participants and vested participants. Some questions arose that Counsel advised he would research for the next meeting. The Board asked that Administrator delete Ms. Moreino from the Benefit Applications, as this was added in error.

A motion was made by Mr. Roberts to approve the Refund of Contribution requests, as amended. The motion was seconded and carried 4-0.

There was discussion regarding Ms. Brancato and why she is being paid so little. Mr. Baur advised he would come back to the Board with an explanation on Ms. Brancato and Mr. Selga. A motion was made by Mr. Merriman to approve the Application for Retirement requests, as amended. The motion was seconded and carried 4-0.

There was discussion among the Board regarding the re-calculations that were presented for approval. Mr. Sugarman requested the Board look into what could have gone wrong in the original calculation and how we can prevent it from happening in the future. A motion was made by Mr. Merriman to accept the Recalculation of Benefits for approval. The motion was seconded and carried 4-0.

Disbursements

The Board reviewed the disbursements presented for approval. A motion was made by Mr. Roberts to approve the disbursements. The motion was seconded and carried 4-0.

Investment Consultant Report, Burgess Chambers

Mr. Chambers appeared before the Board to present the Investment Performance Report for the second quarter 2006. Mr. Chambers reported that for the quarter, the total fund was down -.8% which is in line with the benchmark. He stated that the market slow

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down is due to the May and June market sell-offs. Mr. Chambers further reported that Fisher Investments was down -2.5% for the quarter; REITT was up 2.4% for the quarter, being the best performing asset class in the portfolio. He added that the portfolio had near \$38 million at the end of June 2006. There was a lengthy discussion regarding the market and the asset allocation for the fund. Mr. Chambers has the authority to make changes that would re-balance the fund, but recommends doing nothing at this time. He feels we should stay under allocated in real estate as we are still in the 5-15% range. He advised that he would let us know when he makes any changes, however. Mr. Chambers further reported that the fund is behind by 1.9% for the fiscal year to date, which occurred during that quarter of this year. We are in a transition period.

Mr. Roberts pointed out that the math is incorrect on page three. Mr. Chambers will check the numbers. As it is written, the numbers are off by \$20,000. Mr. Chambers will research which one of the line items is incorrectly reported. He also stated that it most likely would not change the outcome of the total fund performance of -.8%.

Mr. Chambers went on to report on equity performance for the quarter, which was down -2.0%. Domestic Equity was down -1.8%. Large Cap Core was down -0.2% for the quarter, versus the Russell 1000 Value at .6%. iShares (index product) was down -3.7% versus the Russell at -3.9%. Lottsoff Mid Cap down -1.2% versus the MSCI at -2.8%. Fisher was down -2.5% versus the benchmark at .9%. Mr. Chambers emphasized that the Board should not worry about these numbers, as this is just the start of the new quarter. He noted that this is why it is so important to have diversification in the portfolio.

Fixed Income. Ten years ago well over half the assets were in bonds that were generating 7-8% per year. That may be over. Underlying value shrunk by 5%.

TIPS have turned out to be very good. Mr. Chambers believes we show huge deficits by receiving faulty information on where it really is. He believe it is higher than what they tell us.

Mr. Chambers reported that he is trying to steer away from Bonds as they will not be making the money they once did, so we need to make it up in these other allocation classes. He further stated that he believes the underperformance of the portfolio comes from equities, but they are working on that. The market has come back so the portfolio has made back the losses from May and June. We are back on track. There was discussion on Managers and fees. Mr. Chambers explained that implied incentive to perform keeps the managers working for asset-based fees. Hedge funds like to take their fees off the top, but Mr. Burgess does not recommend doing that.

The Board took a 5-minute break at 11:40 a.m.

The Board reconvened at 11:48 a.m.

Attorney Report, Sugarman & Susskind

Mr. Robert Sugarman addressed the Board with an update of Mr. McAfee's purchase of military time. Mr. McAfee requested to pay the plan his contributions during his active duty. The employer is required to contribute their portion to the plan after Mr. McAfee makes his contributions. Mr. McAfee has already made payment to the plan. The Board discussed having the actuary and the auditor say that the employer owes the money to the plan. It is the employer's obligation as it is fixed in the bargaining unit agreement with Palm Tran. The Board decided to direct the Administrator to send an invoice to Palm Tran for their portion of the contributions and include that page of the ordinance that requires them to pay that portion.

Attorney Report, Hanson, Perry and Jensen

Ms. Bonni Jensen appeared before the board with the Restated Trust Agreement, which includes everyone's suggestions. Ms. Jensen stated she would like to have a special meeting to discuss the Agreement. She pointed out that on page two, the language has been added regarding members who are not in the union, but are in the plan. This language has been changed throughout the entire document, so everyone is included with the addition of this language. She further pointed out that page 11 describes how to value the voting of the Trustees in the event that there are uneven numbers of Trustees present. Each Trustee must have a vote. Page 12 of the Agreement discusses AAA Rules for the multi-plan employer. The Board discussed binding arbitration in the event of a deadlock. The Board also discussed reconstituting the Board to have an uneven number of Trustees. Mr. Sugarman added that the Board need not consider doing anything at this time. There was discussion regarding the employer having the right to appoint a representative of the other unions not being represented on this Board. This would take care of a deadlock vote, as the number of Trustees would be uneven, and all unions would be represented on the Board of Trustees. Mr. Sugarman reported that AAA has a selection of arbitrators who understand pension plans. The selection of an arbitrator is a process and the arbitrator makes the final decision.

The Board went back to the review of the Trust Agreement and Ms. Jensen informed the Board that cosmetic changes were made and the pages were re-numbered. The last page of the document no longer has a page for signatures of the employer representative and the union representative. They were deleted because the only entity amending the agreement is the Board of Trustees. Ms. Jensen repeated that the vote to accept the Restated Trust Agreement must be unanimous. A motion was made by Mr. Merriman to table the final acceptance of the Restated Trust Agreement and bring it to the County Attorney, then re-visit it at the November meeting. The Chairman asked that the item be put on the Agenda for the next meeting. Mr. Sugarman recommended scheduling a workshop to discuss the Agreement.

Ms. Jensen presented the Board with the Educational and Travel Expenses Policy. She reported that the State increased their per diem rate to \$50 per day. The Trustees discussed changing their current policy to mirror the state's. Ms. Jensen added that the provisions in the state's policy take into consideration the region you have traveled to.

The Board indicated that they would like the plan policy to pay reimbursement of actual costs, not to exceed \$50.00 per day. Anything over \$25 per day must have back up receipts and documentation for reimbursement. A motion was made by Mr. Stanzione to change the current policy to \$80 per diem. The motion died for lack of a second.

A motion was made by Mr. Roberts to put a \$60 per day cap, and require receipts for reimbursement over \$25 per day. The motion was seconded and carried 4-0.

At this time, Mr. Burgess Chambers reported to the Board that he had found the discrepancy of \$20,000. Mr. Chambers indicated that on page 3 of his report there is a typographical error that was not caught in proof-reading.

The Board took a 5-minute break at 12:40 p.m.

The Board reconvened at 12:45 p.m.

Annual Actuarial Valuation, Public Pension Professionals

Mr. Chad Little appeared before the Board to present the Annual Actuarial Valuation. Mr. Little discussed where we were as of the last valuation, and the funded position of the plan. Mr. Little reported that last year the plan was 80% funded; in 1996 the plan was 79% funded; now we have 82% funding. Mr. Little went on to explain the requirements of funding for the plan. The funded percentage decreased from the prior valuation primarily due to the losses in the actuarial value of assets. The assets are not growing at the same rate as the liabilities. It is really the investors that hindered the fund this year. The bad years will begin to drop off. The year 2003 was a very bad year for the plan as it showed a loss at -12.42%. The actuarial valuation assumed a +8% return.

The projected contribution going forward is 22% of payroll. That is what Mr. Little recommends to keep the fund going. The Board questioned salaries and the history of the actual salary increases versus salary assumptions. Mr. Little advised that the Board can request an assumption review but he believes the assumptions of payroll are in the ballpark. Mr. Little further reported that both the expense statement and the actuarial audit make the determination that the assumptions are correct. Mr. Little reiterated that based on the plan of benefits, as it is now, the recommended and projected contribution rate is 22% of payroll. Board counsel added that it is the responsibility of the Trustees to fund what benefits we can with the amount of money we are given.

Mr. Little advised the Board that last year (year ending 12/31/05), the fund paid \$1,900 in interest on contributions to members. Assuming no more interest going forward, it decreases the liability of the plan by \$20,000 which will lower contributions by \$1,900 which is not a significant amount. The Board had no more questions of Mr. Little.

Administrative Report, Pension Resource Center

Mr. Scott Baur appeared before the Board and reported that a Request For Proposal had been sent to several banks for Custodial Services. A response is due from the recipients around the end of

September. He advised they would be distributed to the Board prior to the November meeting for review. The short list that Mr. Baur recommends is 1) Comerica, 2) Fifth Third Bank, 3) Salem and 4) the Bank of New York.

Mr. Baur further reported that we are now at the point of completing our transition of data. The Administrator will be replacing the data back to 1999 which should give us more accurate data. The Administrator advised they have some additional procedures that are being worked out with Palm Tran but he does not believe there are, nor will there be, any other issues.

Mr. Baur also noted that the on-line services offered to members should be up and running within the month. The benefit statements were received from the Actuary and were mailed to members yesterday, August 23, 2006.

Other Business

There is an upcoming conference October 8th through 11th in St. Petersburg that two of the Trustees will be attending.

There was no other business.

A motion was made to adjourn and the meeting was adjourned at 1:55 p.m.

Respectfully Submitted
