

**PALM TRAN ATU LOCAL 1577
MINUTES OF MEETING HELD
AUGUST 26, 2010**

Chairperson Dwight Mattingly called the meeting to order at 10:31 A.M. in the Dale R. Smith Conference Room at the Palm Tran North Facility, 3201 Electronics Way, West Palm Beach, Florida.

TRUSTEES

Dwight Mattingly
Frank Stanzone
Nancy Bolton
Liz Bloeser

OTHERS PRESENT

Chad Little, Freiman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Ken Harrison, Sugarman & Susskind
Nick Schiess, Pension Resource Center
Bonni Jensen, Law Office of Perry & Jensen
Lloyd Stamy, CS McKee
John Murphy & Chuck Cohen, Palm Tran

APPROVAL OF THE AGENDA

The Trustees reviewed the agenda for the meeting. **A motion was made by Nancy Bolton to approve the agenda. The motion was seconded and passed 4-0.**

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on May 27, 2010 and July 20, 2010. **A motion was made by Nancy Bolton to approve the minutes for the meetings held on May 27, 2010 and July 20, 2010. The motion was seconded and passed 4-0.**

INVESTMENT MANAGER REPORT: CS MCKEE

Lloyd Stamy appeared before the Board on behalf of C.S. McKee Investment Managers to provide a report on the investment performance of the large cap value portfolio for the quarter ending June 30, 2010. He reported that for the quarter the investment return was -11.71% versus -11.15% for the index and for the trailing three years was -9.88% versus -12.32% for the index. Mr. Stamy discussed economic and market factors and anticipated that the economic recovery would be sluggish. He was questioned regarding trading costs and explained that the firm used a variety of discount brokerages to keep the trading costs low at approximately two cents per trade. Burgess Chambers confirmed that two cents per trade was very low for trading costs.

INVESTMENT CONSULTANT REPORT: BURGESS CHAMBERS

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to provide a report on the performance of the investment portfolio for the quarter ending June 30, 2010. He reported that for the quarter, the investment return for the total portfolio was -6.8% versus -6.1% for the index and for the fiscal year-to-date was -2.7% versus -2.1% for the index. Mr. Chambers reviewed the performance of the individual investment products, noting all was satisfactory.

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Mr. Chambers reviewed the compliance checklist noting that all was satisfactory except that the returns of managers CS McKee, Fisher Investments and Lotsoff Capital Management did not rank in the 40th percentile of investment returns as was the objective defined in the Investment Policy Statement. He was questioned regarding the unmet objective and responded that while the objectives were important, the performance will likely drift over time due to differences in investment strategies and sector weightings versus the manager's respective indexes. He emphasized that the most important issue is whether the manager's investment strategy or portfolio management team has changed or remains consistent. In addition, the comparison itself can be problematic and unreliable. Ken Harrison was questioned regarding the implications of the unmet performance objectives and he responded that the short-term performance was not as important as the long-term performance and therefore the Trustees should remain watchful over the next year. Mr. Chambers reviewed the rankings of the total portfolio noting that these rankings were well above average. He reviewed the risk and reward measurements of the portfolio noting that long-term outperformance of the benchmark had been attained with significantly less risk.

Mr. Chambers discussed economic and market factors and advised that the anticipated return from fixed income securities was expected to be very low prospectively. He then advised that strict adherence to the target allocation for equities was therefore very necessary. Mr. Chambers continued his report with a review of the current asset allocation, and recommended that the portfolio be immediately rebalanced back to the target allocations. After a thorough discussion, **Nancy Bolton made a motion to rebalance the total investment portfolio back to target allocations. The motion was seconded and passed 4-0.**

Mr. Chambers was questioned regarding alternative investment products or asset classes that could increase the overall investment return of the portfolio. He discussed an alternative investment product, convertible bonds, which he explained were purchased as bonds, but with an option for conversion into equities. Mr. Chambers explained that the product featured the safety of bonds with a potential higher equity return, but without the volatility of equities. He advised that availability of convertible bond products was limited and his office had already been conducting research on potential investment managers and products. Mr. Chambers was questioned regarding hedge funds and a discussion regarding this potential asset class arose. Bonni Jensen advised that the product itself was very complex and it was important for the Trustees, from a fiduciary standpoint, to fully understand the product. Mr. Chambers suggested that if the Trustees were interested in hedge funds, that he would arrange a presentation from one or more potential hedge fund managers and a lengthy discussion regarding hedge funds arose. Mr. Chambers was directed to arrange a presentation from at least one hedge fund manager at the next meeting. A discussion then arose regarding expediting the entry into alternative investments should one or more be selected at the next meeting and it was noted that the Investment Policy Statement would have to be amended. **Nancy Bolton made a motion to direct the Investment Consultant to draft a revised Investment Policy Statement inclusive of alternative investments for consideration at the next meeting. The motion was seconded and passed 4-0.**

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The meeting recessed from 12:02 P.M. to 12:35 P.M. for lunch.

ACTUARY REPORT: CHAD LITTLE

Chad Little reported that no new actuarial issues had arisen since the last meeting.

ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen reported that in response to an inquiry from the Plan Administrator, she had reviewed the Plan provisions pertaining to eligibility for the lump sum death benefit and clarified that this benefit was not applicable for vested deferred members until after they had commenced their recurring monthly retirement benefits.

Ms. Jensen discussed the Plan provisions pertaining to eligibility requirements for retirement benefits. She explained that nearly all the eligibility requirements for service were based upon years of credited service with a year defined as an anniversary year with a thousand hours or more of service. However, the normal retirement eligibility requirements of age sixty-five with five years of employment was an exception because it was based upon full years of employment instead of credited service. It was noted that the language within the Plan Document should be consistent and the Board directed the drafting of an Amendment to the Plan Document revising the eligibility requirements for normal retirement to be based upon years of credited service. Chad Little was directed to prepare an actuarial impact statement reflecting the financial impact of the proposed change.

ATTORNEY REPORT: KEN HARRISON

Ken Harrison discussed the securities monitoring services already provided to Plan from various legal firms and he noted that some disparity existed within the monitoring because the different firms monitored for different types of class action lawsuits. He announced that his office was preparing a database of clients' investment holdings in anticipation that additional class action lawsuit opportunities would be identified. Mr. Harrison explained that the service would be provided at no fee and all that was required was for the Board to authorize the Plan's Custodian to provide investment holding information. **Liz Bolton made a motion to authorize the Salem Trust Company to provide the Plan's investment holding information to Sugarman & Susskind. The motion was seconded and passed 4-0.**

FINANCIAL STATEMENTS

The Board reviewed and then received and filed the un-audited statements of income and expense and balance sheet for the period ending June 30, 2010.

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APPROVAL OF DISBURSEMENTS

The Board reviewed the disbursements presented for approval. **Liz Bloeser made a motion to approve the disbursements as presented. The motion was seconded and passed 4-0.**

BENEFIT APPROVALS

The Board reviewed the benefit approvals presented for approval. **Liz Bloeser made a motion to approve the benefit approvals as presented. The motion was seconded and passed 4-0.**

ADMINISTRATIVE REPORT

Nick Schiess reported that the Plan's new bank, TD Bank, had performed several months of benefit payments now without incident.

OTHER BUSINESS

The Board discussed the funding deficit of the Plan and reviewed correspondence dated August 16, 2010 to Palm Beach County providing an update on the funding situation along with the recently adopted Actuarial Valuation as of January 1, 2010. The Trustees reviewed the County's response dated August 25, 2010 and discussed the County's engagement of an independent actuary and request for the Plan's actuary to share data and cooperate with this actuary. **Liz Bloeser made a motion to authorize the Plan's actuary to cooperate fully with the with County's actuary. The motion was seconded and passed 4-0.**

Bonni Jensen provided and reviewed revised Amendment Six containing the changes requested by the Board at the last meeting. **Nancy Bolton made a motion to adopt Amendment Six. The motion was seconded and passed 4-0.** It was noted that that all active participants who were reinstated prospectively must repay any contributions withdrawn from the Plan. Ms. Jensen provided a memorandum dated August 26, 2010 concerning two active participants, Eric Calssado and Stephanie Crowley, who were reinstated by Palm Tran and had withdrawn their contributions to the Plan. It was noted that Ms. Crowley had since terminated employment again. It was also noted that Ms. Crowley might submit an Application for Disability Benefits and a discussion arose whether it would be necessary for her to repay her contributions because she would be issued the same amount as a lump sum benefit if awarded disability benefits. **Liz Bloeser made a motion to offer Eric Cassaldo the option to repay his contributions withdrawn from the Plan. The motion was seconded and passed 4-0.**

Ken Harrison reported that the records requested from Frederick Fashaw pertaining to his Application for Disability benefits had only been received prior to the meeting and therefore the matter must be deferred until the next meeting.

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Dwight Mattingly announced that the pension trade organization Florida Public Pension Trustees Association had offered to conduct a local educational workshop for the benefit of the public and financial decision makers. A discussion arose regarding the logistics of scheduling the workshop.

Nick Schiess provided a quote for the annual renewal of fiduciary liability insurance from the Hudson Insurance Company in the amount of \$11,869.72. **Frank Stanzione made a motion to renew the fiduciary liability insurance. The motion was seconded and passed 4-0.**

Nick Schiess provided for execution an Audit Engagement Letter for the audit of the Plan's financial statements for the fiscal year ending December 30, 2010 to be prepared by Cherry Bekaert & Holland for a fee of \$15,500. **Frank Stanzione made a motion to execution the Audit Engagement Letter. The motion was seconded and passed 4-0.**

The Board considered active participant Stephon McAfee's request to pay contributions on just the balance of 1000 hours for each of the two years he was away on military leave. Ken Harrison reviewed the relevant USERRA provisions regarding the purchase of service credit for active participants returning from active military service. A discussion arose whether Mr. McAfee must pay contributions on the entire amount of the estimated wages he would have earned had he remained in service or instead just the wages on the balance of 1000 hours necessary to obtain service credit for those years. After a lengthy discussion, the Board determined that if Mr. McAfee desired the service credit, he must pay contributions on the entire amount of the estimated wages he would have earned had he remained in service.

SCHEDULE NEXT MEETING

It was determined that the next quarterly meeting previously scheduled for December 2, 2010 must be rescheduled.

ADJOURNMENT

The meeting was adjourned at 2:55 P.M.

Secretary