PALM TRAN ATU LOCAL 1577
MINUTES OF MEETING HELD
DECEMBER 14, 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	**OTHERS PRESENT**
Dwight Mattingly	Chad Little, Freiman Little Actuaries
Frank Stanzione	Burgess Chambers, Burgess Chambers & Associates
Nancy Bolton	Ken Harrison, Sugarman & Susskind
Liz Bloeser	Nick Schiess, Pension Resource Center
	Bonni Jensen, Law Office of Perry & Jensen
	John Murphy & Chuck Cohen, Palm Tran

APPROVAL OF THE AGENDA

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

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meeting held on August 26, 2010. **A motion was made by Nancy Bolton to approve the minutes for the meeting held on August 26. The motion was seconded and passed 4-0.**

ACTUARY REPORT: FREIMAN LITTLE ACTUARIES

Chad Little discussed the calculation of the retirement benefits for vested deferred member Francis Jeter. He advised that a calculation had been prepared by the Plan's former actuary, however, this calculation applied a minimum benefit provision that had been adopted after Ms. Jeter had terminated employment. Based upon the advice of legal counsel and the date that she terminated employment, it was determined that that Ms. Jeter was ineligible for the minimum benefits from the Plan. A question arose whether Ms. Jeter had ever been provided a copy of the incorrect calculation and a lengthy discussion ensued. Ken Harrison advised that the Board was obligated to correct any errors. Based upon the advise of legal counsel, the Board determined that Ms. Jeter's benefits were not subject to the minimum benefits provision and she should be provided with a copy of the revised and correct calculation of her benefits.

Mr. Little reported that a request had been received from the County's actuary for information and data on the Plan, and he will provide the information pursuant to the direction of the Board at the last meeting.

A very lengthy discussion arose regarding the funding situation of the Plan. It was noted that either additional contributions must be received or the expenses of the Plan must be reduced. It was then noted that there was not any favorable movement within collective bargaining and since no other alternative existed, Mr. Little recommended the trimming of benefits to stabilize the financial health of the Plan. A lengthy discussion ensued regarding the implementation of benefit reductions specifically whether the change must only be prospective. Bonni Jensen advised that case law existed that established that benefits cannot be changed for members that are already eligible for normal retirement. After further discussion, it was noted that any changes must be prospective only and should altogether exclude members already eligible for normal retirement. A question arose whether the County is legally responsible for the actuarial soundness of the Plan. It was noted that while State Statutes establish that a plan sponsor is legally responsible for their plan, in this case a Collective Bargaining Agreement establishes the employer's contribution rate. Therefore, the Statutes and the Collective Bargaining Agreement are conflicting and no applicable case law exists because there has not yet been an instance of a resolution of a similar conflict elsewhere.

A discussion arose regarding the costs of the Plan and Mr. Little advised that the costs of providing the actual benefits was approximately 15% of payroll with the remainder of the funding requirements being applied to the amortization of the unfunded actuarial liability. It was noted that the unfunded liability was not created by the Board but instead was attributable to a prior reduction in the employer contribution rate along with unprecedented investment losses that occurred within the last decade. It was confirmed by legal counsel that the employer contribution rates were established by the Collective Bargaining Agreement and therefore the Board does have the authority and obligation to revise benefits in order to maintain the financial health of the Plan.

The Board discussed the options for trimming ancillary benefits including but not limited to the elimination or freezing of the return of employee contributions, elimination of lump sum death benefits, elimination of the late retirement factor and revising the eligibility for unreduced early retirement to sixty years of age plus fifteen years of service. Mr. Little was directed to prepare a cost study on the impact of the potential reductions in benefits.

The Board reviewed proposed Amendment Seven, which established that the eligibility requirement for normal retirement was sixty-five years of age along with five years of credited service. It was noted that the purpose was to revise this definition to conform with the definitions of the other eligibility requirements. Chad Little advised that the propose change was not anticipated to directly impact the costs of the Plan, however, adverse selection might occur. **Liz Bloeser made a motion to adopt Amendment Seven. The motion was seconded and carried 4-0.**

The meeting recessed from 12:30 P.M. to 12:45 P.M. for lunch.

PRESENTATION FOR INVESTMENT MANAGEMENT SERVICES

Peter and Leon Palandjian appeared of behalf of Intercontinental Capital Management to present and discuss the firm's hedge fund investment product. Peter Palandjian discussed the firm's qualifications and experience in the management of their hedge fund product, which is a commingled fund of many different hedge funds. Leon Palandjian discussed the individual fund selection process noting that the individual selections were very diversified and to a large extent contained unrelated investments. He thoroughly reviewed the risk measurements and long-term performance of the product noting out performance of both the S&P 500 Index and the Barclay's Hedge Fund of Funds Index. Mr. Palandjian was questioned regarding due diligence and fraud identification and he discussed the due diligence performed on the funds within the product which included the continuous review of independent audits. He advised that the fund was intentionally very conservative and defensively postured and the individual funds were leveraged relatively low in comparison to industry standards.

INVESTMENT CONSULTANT REPORT: BURGESS CHAMBERS

Burgess Chambers reviewed the presentation received from Intercontinental Capital Management, noting that the firm will acknowledge fiduciary responsibility and has the added advantage of employing a full-time compliance officer. He advised that this type of investment product has gained popularity and the prospective manager has an excellent performance record and performs a significant amount of due diligence in the selection of the individual funds. The proposed fees were 1% plus 10% of the investment return with a resetting baseline that protected the Plan in the event of a market downturn. Mr. Chambers advised that the proposed fees were competitive for this type of product. A discussion arose regarding the proposed allocation of the portfolio to this type of investment and ultimately Mr. Chambers recommended a 5% allocation to a hedge fund of funds asset class. Mr. Chambers was questioned regarding the popularity of this type of product with other governmental pension plans and he responded that the product was very popular for larger plans and only now gaining in popularity for smaller plans because until now access to the product had been very limited for smaller investors. A lengthy discussion ensued regarding the proposed asset class and the Intercontinental Capital Management presentation and Mr. Chambers ultimately recommended establishing a new asset class for hedge funds and engaging Intercontinental Capital Management to manage a 5% allocation of the total portfolio.

Mr. Chambers provided a proposed revised Investment Policy Statement containing provisions for the addition of convertible bond securities, hedge funds and private real estate. He reviewed the proposed Investment Policy Statement and discussed in great detail the differences between private real estate and REITs, noting that the proposed allocation to private real estate would be within a large professionally managed commingled fund of commercial office buildings, hotels, and shopping centers, not the outright purchase of property. Mr. Chambers discussed the respective indexes of the proposed new asset classes. A very lengthy and careful discussion ensued and the Board requested that a special meeting be scheduled for Mr. Chambers to provide additional information on the three proposed asset classes.

Mr. Chambers provided a report on the performance of the investment portfolio for the quarter ending September 30, 2010. He reported that for the quarter, the investment return for the total portfolio was 9.2% versus 9.5% for the index and for the fiscal yearto-date was 6.2% versus 7.2% for the index. Mr. Chambers reviewed the performance of the individual investment products, noting all was satisfactory.

Mr. Chambers reviewed the compliance checklist noting that while the performance of several managers was below the target defined within the Investment Policy Statement, their performance was still acceptable and he recommended that no action be taken.

Mr. Chambers announced that the international equity manager, Fisher Investments, had recommended implementing a small exposure of the portfolio to emerging markets to attain enhanced performance. Mr. Chambers advised that he would conduct research into the proposed emerging market exposure and provide a recommendation to the Board.

ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen provided and reviewed a memorandum regarding recent actions taken by the Securities and Exchange Commission and Governmental Accounting Standards Board that could impact the Plan.

ATTORNEY REPORT: KEN HARRISON

Ken Harrison provided an update on the application for a favorable tax determination letter from the Internal Revenue Service..

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 September 30, 2010.

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. **Nancy Bolton 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 County would permit payroll deductions on a limited basis, which would facilitate the repayment of refunded pension contributions for those members who were re-employed.

APPLICATION FOR DISABILITY BENEFITS: FREDERICK FASHAW

Ken Harrison reviewed the circumstances surrounding the Application for Disability Benefits of Frederick Fashaw. He reported that Mr. Fashaw's date of termination was August 1, 2007. Mr. Fashaw was awarded disability benefits from the Social Security Administration on the date of November 4, 2009, which was awarded retroactively back to the date of Mr. Fashaw's termination. Mr. Harrison advised that Mr. Fashaw was clearly disabled by Social Security standards and, based upon the date of the award of Social Security disability benefits, was disabled at the date his employment terminated with Palm Tran. Mr. Harrison advised that the only issue was the fact that Mr. Fashaw had applied for and received a refund of his contributions, which then entitled him to a reduced vested deferred benefit instead. It was noted that the award of disability benefits from the Social Security Administration was difficult and oftentimes required years, which was all beyond the control of the Plan participants. It was then noted that social security has found that Mr. Fashaw was disabled at the date of his termination and that disability occurred during his employment. It was also noted that disability recipients also received a refund of their contributions just like normal retirements. After a lengthy discussion, **Frank Stanzione made a motion to award Frederick Fashaw disability benefits effective January 1, 2011. The motion was seconded and carried 4-0.**

APPLICATION FOR DISABILITY BENEFITS: STEPHANIE CROWLEY

Ken Harrison reviewed the circumstances surrounding the Application for Disability Benefits of Stephanie Crowley. He reported that she was employed on December 18, 1995 and terminated by Palm Tran on January 1, 2007. She applied for and received a refund of her contributions, which then entitled her to a reduced vested deferred benefit. Ms. Crowley was reinstated through arbitration with back pay on June 5, 2007 but did not restore her prior service credit by returning the refund of contributions. She was terminated again on May 15, 2009. Ms. Crowley was subsequently reinstated through arbitration with partial back pay on March 5, 2010 and then finally terminated on May 25, 2010. Ms. Crowley was awarded disability benefits from the Social Security Administration effective July 20, 2009 . Mr. Harrison noted that Ms. Crowley's situation was unique because she did not restore her service credit for her first term of service after being re-employed through a buyback and without that prior service she did not meet the eligibility requirements for a disability benefit. It was then noted that if Ms. Crowley was awarded a disability pension, she would have received a refund of her contributions regardless. A lengthy discussion ensued whether it would be necessary for Ms. Crowley to first restore her service to become eligible for disability benefits when she would just be returned the same contributions afterwards. Mr. Harrison opined that under the current situation, Ms. Crowley is not eligible for a disability benefit because she does not meet the eligibility requirements as defined within the Plan Document. **Fran Stanzione made a motion to issue a notice to Stephanie Crowley regarding the amount she must remit to the Plan to restore her prior service in order to meet the eligibility requirements for a disability pension and that upon the award of a disability pension she would be entitled to a monthly pension plus a refund of her contributions to the Plan. The motion was seconded and carried 4-0.**

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SCHEDULE NEXT MEETINGS

The quarterly meetings were scheduled on the dates of February 24, May 26, August 25 and December 1, 2011.

ADJOURNMENT

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

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Secretary