Chair Dwight Mattingly called the meeting to order at 8:30 AM in the Dale R. Smith Conference Room, 3201 Electronics Way, West Palm Beach, Florida. Those persons present included:

**TRUSTEES**
- Dwight Mattingly
- Frank Stanzione
- Joe Doucette
- John Wilson

**OTHERS PRESENT**
- Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
- Ken Harrison, Sugarman & Susskind
- Burgess Chambers, Burgess Chambers & Associates
- Chad Little, Freiman Little Actuaries
- Scott Baur & Pat Holt, Resource Centers
- Brid Rinsem & Karen Russo, Salem Trust
- Jon Lewis, Scout Investments

**PUBLIC COMMENT**

No members of the public had any comment.

**APPROVAL OF THE AGENDA**

The Trustees reviewed the agenda for the meeting.

Frank Stanzione made a motion to approve the agenda. John Wilson seconded the motion, passed by the Trustees 4-0.

**APPROVAL OF MINUTES**

The Trustees reviewed the Minutes for the Meeting of February 23, 2016. Ms. Jensen offered a correction regarding adoption of the NCPERS Code of Conduct by Service Providers to the Board.

Joe Doucette made a motion to approve the Minutes for February 23, 2016 as amended. John Wilson seconded the motion, passed by the Trustees 4-0.

**SALEM TRUST: GLOBE TAX SERVICE**

Brad Rinsem explained the relationship between Salem Trust and the Globe Tax Service. Many plans do not reclaim taxes paid on certain foreign holdings. Salem reached an agreement with Globe Tax to recapture foreign taxes where treaties allow. The Plan only pays for the service if taxes are recovered. Globe keeps 25% of any receipts, while Salem Trust keeps 5%. While the Plan has 7 managers with assets in custody at Salem, Mr. Rinsem explained that the $200 account charge only applies to managers holding ADR’s.
The Plan cannot recover any foreign taxes from mutual fund holdings. Globe does not negotiate fees. The time to actually recover taxes, meanwhile, varies by country.

Ken Harrison & Bonni Jensen stated that many other public plans participated in the service. Globe Tax is the largest provider of such services. The Pension Plan may not be able to recover taxes using another provider; many other custodians use Globe as well. Globe will go back 5 years to recover any tax withholding, estimating a potential recovery of $60,000 for the Pension Plan. The Pension Plan might expect to therefore recover about $12,000 per year prospectively.

Joe Doucette made a motion to approve the Globe Tax Service. John Wilson seconded the motion, approved by the Trustees 4-0.

Karen Russo explained that trading volumes through Salem increased significantly with the addition of Scout as an investment manager in 2014. The Plan went from 847 trades to more than 6,000 trades annually. Jon Lewis explained that the manager typically breaks orders into smaller lots for better execution in the mid-cap range. The increased trading volume, however, will ultimately require Salem Trust to raise fees. Dwight Mattingly asked Burgess Chambers to assess the impact to the Plan for the trades by Scout. Scout has alternative commingled portfolios available, with higher fees than the cost to manage a separate account for the Pension Plan. With possible fee increases, the commingled portfolio may still cost less.

Dwight Mattingly requested confirmation when the process to establish the relationship with Globe is completed.

**INVESTMENT MANAGER REPORT: SCOUT INVESTMENTS**

Jon Lewis joined the meeting by conference call. He reviewed the performance for the portfolio managed by Scout for the 12 months ending May 31, 2016. The assets returned 1.35% gross of fees, compared to a loss of -3.18% for the benchmark.

Mr. Lewis explained that Scout employs a top down approach to securities selection followed by fundamental analysis of individual issues. He attributed the strong performance primarily to strong stock selection in certain sectors. He reviewed the market environment, noting that Scout existed the energy sector early and avoided losses. Some consumer discretionary stocks also contributed to gains. Mr. Lewis reviewed the energy and other market sectors in further detail.

Mr. Mattingly asked how the adoption by the Board of the NCPERS Code of Conduct impacted management of the portfolio by Scout. Burgess Chambers also asked Mr. Lewis how the manager balanced between higher commissions and trading costs against any market impact generated by the trading. Mr. Lewis explained the trading strategies used
by the manager. Scout also trades at between 0.02 and 0.05 per share, receiving and using soft dollar benefits at the higher end trading costs in the overall management of the portfolio.

Mr. Chambers inquired further regarding the brokers used by Scout and the trading costs. He suggested the Board might direct brokerage to recover some of the trading costs, but Mr. Lewis explained that the trading desk cannot break out trades to direct brokerage. Mr. Lewis agreed to provide a more detailed letter to explain the trading practices at Scout. Mr. Lewis then continued to review portfolio performance, noting the portfolio gained 4.3% for the quarter ending March 31, 2016 compared to 3% for the benchmark. Mr. Chambers asked Mr. Lewis to make a recommendation to the Board between the separate account managed by Scout and the mutual fund alternative. While the mutual fund has an expense ratio of 1.04% of assets, the Plan pays 80 bp for management, 4 bp for custody, and additional costs related to brokerage. Notwithstanding the details related to the trading, Scout has generated consistently strong performance for the strategy now for 8 years.

INVESTMENT CONSULTANT REPORT: BURGESS CHAMBERS

Burgess Chambers reviewed the portfolio for the quarter ending March 31. He reported that the MLP (Master Limited Partnership) rebounded from prior losses with an additional gain of 20% just since April 1. The 4.5% allocation to the hedge fund of funds had losses due to pass through exposure from Valiant. The Board increased the commitment to the real estate portfolio with an additional allocation on April 1. Momentum in the market, meanwhile, has slowed. Mr. Chambers discussed the impact of a flattened yield curve on earnings by banks.

The assets gained 0.6% for the quarter ending March 31, 2016, compared to a gain of 1.6% for the benchmark. The midcap and the international allocations detracted from performance for the quarter. The portfolio lost -3.5% for the 12 months ending March 31 compared to a loss of -1.6% for the benchmark, due primarily to the hedge fund allocations, the MLPs, and Vulcan. Dwight Mattingly considered the goals in the Investment Policy. He asked what changes Mr. Chambers would recommend to help the Board achieve those goals. Mr. Chambers explained that recent changes to the asset allocation and managers reduced the risk exposure for the Plan. Mr. Mattingly considered the criteria used to evaluate individual manager performance.

Mr. Chambers believes that changes to the tax code might provide a source for further stimulant to the economy, since interest rate policy seems to have run its course. He did not recommend any rebalance of assets. The Investment Policy already includes a 9% target allocation to real estate, while the Board currently has an allocation of 6.9% of assets. The Board therefore agreed to a recommendation to increase the current
allocation to the 9% target, taking money from the fixed income portfolio managed by Cornerstone as the real estate manager calls for additional capital.

Mr. Chambers addressed the performance by Fisher, the international manager engaged by the Board. Fisher has strong performance over the longer term, but recent performance has been poor. Mr. Chambers recommended splitting the portfolio managed by Fisher with the American Funds EuroPacific Growth Fund. The American Funds portfolio offers more consistent performance than Fisher, reducing the specific manager risk. Bonni Jensen advised that the Board does not have a fiduciary relationship with a mutual find like a separate account manager.

Frank Stanzione made a motion to move half of the assets from Fisher to the American Funds EuroPacific Growth Fund. Joe Doucette seconded the motion, approved by the Board 4-0.

**ACTUARY REPORT: CHAD LITTLE**

Mr. Little provided the required GASB 68 report. He will prioritized the benefit statements for members when he receives corrected data. He discussed the expected rate of return adopted by the Board, which affects the timing of funding to the Plan. While Mr. Little still considers 8% reasonable over the very long term, he noted that the 8% assumption now falls at the high end of the typical range. Mr. Chambers stated that he would not recommend any changes to the asset allocation even if the Board lowers the investment return assumption. The Board discussed the return expectations at length. The Board already authorized an experience study, which will also consider salary increases and other assumptions as well.

**ATTORNEY REPORT: BONNI JENSEN**

Bonni Jensen addressed the proposed Policy on Benefit Payments, which incorporated changes requested by the Board. Ms. Jensen reviewed the opportunity for a member to appeal decisions by the Board as part of the Policy.

Joe Doucette made a motion to approve the Policy on Benefit Payments. Frank Stanzione seconded the motion, passed by the Trustees 4-0.

The Board considered a request to have the administrator participate in new hire orientations, with concern about accuracy of information provided to members to balance against increasing demands on the administrator. Currently an HR Specialist provides new hires with information. Ms. Jensen asked if the administrator can do orientations once or twice a year for all new hires, instead of the more frequent new hire orientation meetings. Mr. Baur suggested that his office try to accommodate the request to participate in the orientations and report back to the Board.
Bonni Jensen reported that all service providers had agreed to abide by the voluntary NCPERS Code of Conduct approved at the last meeting except for Advent Capital Management. The manager had requested clarifying questions about the Code.

ATTORNEY REPORT: KEN HARRISON

Ken Harrison and Bonnie Jensen addressed proposed IRS rules on normal retirement age. Ms. Jensen stated that the plan should meet the safe harbor provisions of the proposed rules. Mr. Harrison will consider if in service distributions could become a problem if the IRS adopts the proposed rules.

John Wilson expressed concern about options detailed in the letter proposed by the Resource Centers to collect overpayments to retired members of the Plan. Mr. Mattingly suggested that the administrator should be liable for any errors. Ken Harrison characterized the letter provided by the Resource Centers as a counteroffer to his demand letter. Mr. Mattingly requested an updated list of any overpayment situations detailing the source of the error in each case.

ADMINISTRATOR REPORT: SCOTT BAUR

The Board considered recent issues with payroll data that caused delays in reporting, calculating benefits for members, and annual benefit statements. Initially the administrator identified issues with reported hours at fiscal year end. Further issues with under reporting of overtime due to holiday spread pay were then identified, as the 300 hour cap on overtime was applied to these additional pay elements paid at the overtime rate. The Board discussed the payroll issues at length, and resulting delays in providing members with information or final benefit calculations. The County estimates that replacement data will take several more weeks to provide. Since the current data contains known flaws, Mr. Baur stated that his office could not accurately process data to the actuary until the County corrected that data. His office will continue to make every effort to provide members with estimated benefits through the interim period to minimize the impact created by the delays.

Clinton Forbes, the new Executive Director for Palm Tran, joined the meeting. Chad Little explained the role of the actuary, which includes production of the annual valuation that determines required contributions to the Plan. The actuary also provides final benefit calculations and annual benefit statements to members. The other service providers briefly introduced themselves and explained their respective roles in the operation of the Plan as well.

Mr. Baur addressed recent staff transitions in his office, following the departure of Nick Schiess to take the position as in house administrator to the Ft Lauderdale General
Employees Pension Fund. Mr. Baur recognized that the Board previously urged his office to make every effort to retain Mr. Schiess. While Mr. Baur stated that he did not like to lose senior staff in his office after 12 years, he understood very well the demands on staff and the operational requirements for the plans served by his office. He wished Mr. Schiess well in his future endeavors, and he stated that he would come to future Board meetings for the Pension Plan himself, just as he had previously when the Board engaged his firm to provide administrative services to the Plan. Mr. Baur then introduced Pat Holt from his office, a new employee hired to oversee communications with plan members in his office. Pat Holt will assist him with the communication to members of the Palm Tran/ATU Local 1577 Pension Plan.

Mr. Baur updated the Board on progress for the annual audit. The data issues delayed the valuation, the audit, and related reporting functions.

**PLAN FINANCIALS**

The Board received and reviewed the interim Plan financial statement through May 31, 2016. The Trustees reviewed the payments of invoices included in the Warrant dated June 23, 2016.

Frank Stanzione made a motion to approve the disbursements. John Wilson seconded the motion, passed by the Trustees 4-0.

Mr. Baur deferred benefit approvals while his office worked through the data issues creating delays in providing final benefits to members.

**OTHER BUSINESS**

The Board briefly considered issues with the final benefit calculation to vested deferred member Blanche Uzama, and other issues recently brought to the Board by vested deferred members seeking payment of the lump sum refund benefit according to their interpretation of the Plan document. Ms. Uzama indicated that she had returned previously refunded contributions to the Plan, but neither the member nor the Plan had records of any such repayment. Chad Little, meanwhile, said that he would forward some historical details to counsel and the administrator that previously addressed the lump sum refund benefit paid to vested deferred members.

Mr. Mattingly addressed the election for the FPPTA Board of Directors. Mr. Mattingly discussed the procedures for the Board to cast a vote at the upcoming conference; he stated that the Board has always voted for the directors of the organization. He indicated a preference for two candidates, Ann Thompson and Rob Gordon.
John Wilson made a motion to designate Dwight Mattingly as the official representative to cast the ballot on behalf of the Board. Joe Doucette seconded the motion, approved by the Trustees 4-0.

BOARD MEMBER COMMENTS

There were no additional Board comments by the Trustees.

ADJOURNMENT

The Board discussed the schedule for the next quarterly meeting, and the possible need for a special meeting during the interim.

There being no further business and the next regular meeting having previously been scheduled for Thursday, September 8, 2016, the meeting was adjourned at 12:00 PM.