Chair Dwight Mattingly called the meeting to order at 8:44 AM in Suite 2S-106N at Palm Tran Connection, 50 S. Military Trail, West Palm Beach, Florida. Those persons present included:

TRUSTEES
Dwight Mattingly
Frank Stanziome
Joe Doucette

OTHERS PRESENT
Bonni Jensen, Klausner, Kaufman, Jensen & Levinson
Ken Harrison, Sugarman & Susskind
Frank Wan, Burgess Chambers & Associates
Chad Little, Freiman Little Actuaries
Scott Baur & Pat Holt, Resource Centers

Mr. Baur reported that John Wilson notified his office in advance that he could not be present at the meeting.

APPROVAL OF THE AGENDA

Dwight Mattingly gave direction to move “Approval of the Agenda” prior to “Public Comment”. He also asked to include “Old Business” on future agendas. The Board noted the next quarterly meeting date on March 2, 2017.

Frank Stanziome made a motion to approve the agenda. Joe Doucette seconded the motion, passed by the Trustees 3-0.

PUBLIC COMMENT

Maria Pagan appeared before the Board to ask questions regarding her pension benefit. She qualified for a Tier 1 unreduced early retirement benefit commencing on November 1, 2016. Scott Baur and Pat Holt both met with her previously in the process to commence her benefits. She clarified questions regarding continuation of her health insurance coverage as a retired employee of Palm Tran.

APPROVAL OF MINUTES

The Trustees reviewed the Minutes for the Meeting of September 8, 2016, and Ken Harrison provided corrections.

Frank Stanziome made a motion to approve the Minutes for September 8, 2016 as amended and corrected. Joe Doucette seconded the motion, passed by the Trustees 3-0.

ACTUARY REPORT: CHAD LITTLE

Frank Wan reported that the market experienced some gains and losses during the quarter ending September 30, 2016, as monetary policy finally shifted to support a likely
interest rate increase. Bond yields rose nearly 70 bp during the quarter, a nearly 50% increase in the current yield rates. Mortgage rates, meanwhile, also increased by 0.5%. While BCA believes that borrowing costs under 5% is still cheap money, any interest rate increases will likely impact the private real estate investments in the near term. Some inflation should help the economy, and consumer confidence increased dramatically beyond expectations.

Dwight Mattingly discussed the possibility of a market correction, which the consultant does not believe will happen in the current market environment. The portfolio gained 3.8% gross and 3.6% net for the quarter ending September 30, 2016, compared to a gain of 2.8% for the benchmark. For the fiscal year, the invested assets gained 9.0% gross and 8.3% net, compared to a return of 10.7% for the benchmark. Mr. Wan attributed the slight performance under the benchmark for the fiscal year to the allocations to Vulcan and Intercontinental. Assets increased by $7.3 million for the year to $89,589,793 as of September 30, 2016. Mr. Wan reviewed compliance of the portfolio with the Investment Policy objectives.

Mr. Mattingly asked for an additional note to the report for any manager performing under the portfolio benchmark for 3 consecutive quarters. The Investment Policy requires the investment consultant to put a manager on a watch list following 4 consecutive quarters of performance under the benchmark or underperformance for the trailing 3- and 5- year periods. Frank Wan used Advent as an example of the analysis and review of manager performance by the consultant, and he expressed continued confidence in Vulcan as well. He noted that Vulcan generated impressive investment results over longer periods, but the manager does not correlate well to the benchmark in shorter time periods.

Mr. Wan considered the risk exposure of the iShares Russell 1000 Growth Index, now weighted 35% to the technology sector. He reported that his office may consider future adjustments to the Russell 1000 Growth Allocation. The Board discussed the manager results in detail. Mr. Wan will continue to monitor the private real estate allocation, and he recommended the liquidation of the hedge fund allocations held by the Plan. He explained that the hedge funds correlated closely to the equity market since 2008 without commensurate gains. With too many hedge fund managers chasing too few ideas, the sector no longer appears to offer any real opportunity to add to performance. As a fixed income alternative, Intercontinental had similar returns to the bonds held by the Plan during the same period. Three of the eight allocations held by Intercontinental are also now in the process of liquidation. Intercontinental requires a 90-day notice for withdrawal, and the process to close the allocation may take up to another 12 months. The Investment Policy offers a target allocation range for hedge funds allowing the position to go to zero. Mr. Wan recommended investing the proceeds to bring the assets back to the target allocations stated in the Investment Policy, so the proceeds might go to the fixed income portfolio.
Joe Doucette made a motion to liquidate the Intercontinental portfolio and use the proceeds to bring the assets back to the Investment Policy target allocations. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

Bonnie Jensen recommended that the instruction to liquidate Intercontinental include two signors on the account. The Board considered the process to rebalance assets, since the Policy already grants the consultant the authority to rebalance assets. Bonni Jensen advised the Board could ratify any asset movements after the fact. She suggested that the Investment Consultant add a column to the quarterly investment report to track fiscal year-to-date performance. Finally, she indicated that she would suggest an update to the Investment Policy to further detail periodic rebalancing of assets.

Joe Doucette made a motion to approve the recommendation of the Consultant to rebalance assets within the Policy target ranges. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

ATTORNEY REPORTS: BONNI JENSEN & KEN HARRISON

Chad Little reported that his firm received the updated and final member data for the 2015 Valuation. He has 16 calculations in process, and assuming no issues with the data, he will provide the Valuation as quickly as possible. The annual benefit statements previously eliminated the benefit projections with the implementation of the tier structure, but the next benefit statements will include those projections again. Mr. Baur also suggested adding the 2011 frozen refund benefit balance to the Annual Benefit Statement.

Joe Doucette made a motion to authorize the actuary to use the interim financial statement to produce the Valuation if the actuary does not receive the draft audit report. Dwight Mattingly seconded the motion, approved by the Trustees 3-0.

Mr. Little further discussed the new mortality mandated by the Florida legislature. Since FRS already issued corrections to the mortality for next year, Mr. Little stated that he would prefer to use the more conservative morality tables if permitted for consistency. The Board authorized Chad Little to contact the State and implement the mortality updates early if permitted. Ms. Jensen explained the recent incremental change by FRS to lower the investment return assumption from 7.65% to 7.6% with a 7.0% final target. While such incremental changes reduce the immediate impact to the employer on funding requirements, they make the required contributions less stable and less predictable. The Trustees considered the long term investment assumption used by the Plan as the deficit contributions by the County are coming to an end. The Board viewed a 25 bp reduction in the return assumption as a way to provide greater consistency in contribution requirements for the County budget.
Joe Doucette made a motion to direct the actuary to consider a 25 bp reduction in the investment return assumption for the Valuation. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

The Board authorized Bonni Jensen to update the Summary Plan Description.

The Trustees considered the benefit overpayments to members, originally called to the attention of the Board by the plan administrator. Ken Harrison reviewed his memo dated October 28, 2016, describing options to recover overpaid amounts. The memo described options to recover overpayments from service providers, to recover overpayments from members, or to retroactively amend the Plan following the VCP (Voluntary Correction Program) by the IRS. Bonni Jensen also provided a white paper by the Pension Rights Center addressing the issue with a balanced discussion between the need to recover overpayments with the impact to retired members.

The Board considered the responsibility for the overpayments by ASI, the prior plan administrator, and the Resource Centers, the current plan administrator. The Board also considered how well members of the Plan understand the benefits as well. The Board discussed a notification letter to affected members providing options for repayment with the opportunity to address the Board. The Trustees also considered possible recovery from the future death benefit owed to the retired members. The Trustees decided that an initial notice to the members should offer the option to repay the Plan over the same time the overpayment occurred, with an option for the member to appeal to the Board and appear in person or by phone. The Board directed that counsel should review any notification letter to affected members regarding overpayments.

Joe Doucette made a motion to direct the administrator to send a letter to each individual stating repayment is required and providing the opportunity to appear before the Board. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

ATTORNEY REPORT SOME: BONNI JENSEN & KEN HARRISON

The Trustees executed documents related to the Globe Tax Recovery Service offered through Salem Trust, the custodian. The Board previously approved the agreements.

The Board considered a fee addendum to pay Salem Trust an additional $5 per each manager trade, previously considered in light of the high trading volumes by Scout. The minimum fee in the Addendum increased by $7,000, but the 4 bp basic for trust custody services remained the same. The new fee addendum Exhibit A to the Agreement does not include a fee guarantee period.

Joe Doucette made a motion to approve the fee increase to Salem Trust. Frank Stanzione seconded the motion, approved by the Trustees 3-0.
Mr. Baur provided an update on attempted fraud through the local checking account for the Plan at TD Bank. The account did not sustain any losses as a result of the attempted fraud, but his office monitors the account daily for all new transactions. Mr. Baur said he would review additional options as needed, included additional account services or closure of the operating account.

The Board updated the authorized signors on file for Westwood Capital Management.

**PLAN FINANCIALS**

The Board received the interim financial statement. Mr. Baur reported that the County mistakenly deposited an additional employer contribution, identified during the fiscal reconciliation for the County. The Plan returned the excess contribution back to the County deposited in error, within the time frame permitted by IRS guidelines.

The Trustee reviewed the invoices for expenses detailed on the Warrant dated December 1, 2016.

Joe Doucette made a motion to approve the Warrant dated December 1, 2016 as presented. Frank Stanzione seconded the motion, approved by the Trustees 3-0.

The Board considered an additional invoice received from Ellen Schaeffer, a contract programmer used by the plan administrator. Mr. Baur explained that the corrected data from the County came in 6 separate files, each file separating the replacement data by year. His office had to join the fragmented reports together before applying the updates. Mr. Baur advised that the data would require additional work at fiscal year end, until his office can begin to use updated file formats provided by the County in 2017.

Frank Stanzione made a motion to pay the current invoices to Ellen Schaeffer. Joe Doucette seconded the motion, approved by the Trustees 3-0.

Frank Stanzione asked how often the administrator and the auditor review benefit payments. Mr. Baur described the controls and procedures in place, including the separation between the auditor, the actuary, and the administrator as service providers. The auditor reviews benefit payments annually by random sample. Mr. Baur also periodically reviewed benefit payments for Palm Tran internally as well, given the overpayments to certain retired members of the Plan.

**OTHER BUSINESS**

The Board had no other business for discussion.
BOARD MEMBER COMMENTS

Dwight Mattingly expressed disappointment with recent service and communication issues with members of the Plan from the Plan Administrator. He reviewed the timelines in the Board Policy for paying benefits to pay a member retiring from the Plan. Mr. Baur acknowledged the issues, exacerbated by the number of members receiving estimated payments while the County updated the data used to determine benefits.

ADJOURNMENT

The Board previously scheduled the next quarterly meeting for Thursday, March 2, 2017, and considered the possible need for a special meeting during the interim to review the valuation and the audit. The meeting adjourned at 12:31 PM but continued in workshop mode. Mr. Baur continued to address communication issues with members of the Plan.

[Signature]
Secretary