Chairperson Dwight Mattingly called the meeting to order at 10:40 A.M. in the Dale R. Smith Conference Room at Palm Tran North Facility, 3201 Electronics Way, West Palm Beach, Florida.

**TRUSTEES**

Dwight Mattingly
Frank Stanzione
Liz Bloeser
Nancy Bolton

**OTHERS PRESENT**

Bonni Jensen, Hanson, Perry, & Jensen
Sidney Taylor, Burgess Chambers & Associates
Chad Little, Freiman Little Actuaries
Nick Schiess, Pension Resource Center
Ken Harrison, Sugarman & Susskind
Donald Reid, Lotsoff Capital Management
Betty Garrett & John Murphy, Palm Tran
Other Visitors

**APPROVAL OF THE AGENDA**

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

Dwight Mattingly welcomed new Trustees Liz Bloeser and Nancy Bolton and advised that the office of Secretary to the Board must be appointed from among the County appointees. Nancy Bolton made a motion to elect Liz Bloeser as Secretary. The motion was seconded and carried 4-0. Ken Harrison discussed fiduciary responsibility and reviewed the primary provisions of the Sunshine Law for the benefit of the new Trustees.

**MINUTES**

The Board reviewed the minutes for the meeting of November 29, 2007. A motion was made by Frank Stanzione to approve the minutes of November 29, 2007. The motion was seconded and carried 4-0.

**INVESTMENT MANAGER REPORT: LOTSOFF CAPITAL MANAGEMENT**

Donald Reid appeared before the Board on behalf of Lotsoff Capital Management to provide a report for the mid cap portfolio for the quarter ending December 31, 2007. He discussed the qualifications, history, and structure of the firm noting that no material organizational changes had occurred. He then discussed economic and market factors noting that the market had been essentially momentum driven for the previous three years. Mr. Reid was questioned regarding the anticipated performance and he responded that he expected that mid cap equities in general would not be in market favor, however, the allocation itself was important to the overall diversification of any portfolio.
ACTUARY REPORT: CHAD LITTLE

Chad Little discussed the methodology of calculating retirement benefits for vested deferred members noting that members had the option to receive their full retirement benefits upon the attainment of normal retirement age or instead to receive a refund of their personal contributions to the Plan and receive a reduced monthly retirement benefit. He explained that the provisions determining the reduction factors to calculate the reduced benefit had been carried over from when the Plan was a private sector plan. Mr. Little further explained that these factors were not true actuarial equivalent reduction factors and were subsidized by the Plan. He reminded the Board that the expected contribution rates for the Plan were expected to increase and recommended the replacement of the current reduction factors with actuarial equivalent factors. Mr. Little was questioned regarding the anticipated cost savings and he responded that an analysis was required to determine an approximate amount, however, a significant savings was expected. A discussion arose regarding whether the proposed change could be considered as a reduction in benefits. Mr. Little explained that a reduction already exists and only the methodology of calculating the reduction was being revised. It was clarified that the proposed change only affected vested deferred and not early retirements. Dwight Mattingly expressed concerns regarding revising benefits for members already employed. Bonnie Jensen was questioned whether the proposed change could be considered as a reduction in benefits and she responded that further research was required. Mr. Little was questioned whether the use of the existing factors was prevalent in other public pension plans and he responded that the option to receive a refund of contributions and a reduced monthly benefit was itself very rare but among those plans offering this option the use of the existing factors was common. A question arose whether the Plan could be amended so that the proposed change only affects new members and both Ms. Jensen and Mr. Little confirmed that the proposed change could be effective for only prospective members. A lengthy discussion ensued and the Board requested information from the Actuary on the number of persons annually that have elected the option and also additional information on whether the proposed change could be considered as a reduction in benefits. A question arose whether the proposed change would also affect the proposed amendment providing pre-retirement death benefit recipients the same option for a refund and a reduced monthly benefit. Ms. Jensen advised that the proposed change would also impact the proposed amendment. Mr. Little advised that the proposed amendment itself would have a financial impact and does not recommend it’s adoption unless the reduction factors were revised as an actuarial equivalent. Mr. Little was requested to provide supplemental analysis regarding vested deferred members electing a refund of contributions with a reduction in benefits. Frank Stanzione made a motion to table the matter until the next meeting. The motion was seconded and carried 4-0.

Mr. Little provided an update on the status of the 2007 Actuarial Valuation and advised that it would be prepared and submitted by the next quarterly meeting. He was questioned whether the mortality table should be revised for the 2007 Actuarial Valuation and he responded that eventually the State would require the revision of the mortality table but recommended the retention of the current mortality table in the interim.
Mr. Little advised that gaps in employment create difficulties in the determination of benefits and recommended that Palm Tran provide a report on an annual basis to the Administrator. A discussion arose and John Murphy agreed to provide the requested report.

The meeting recessed from 12:06 P.M. to 12:39 P.M. for lunch.

**INVESTMENT CONSULTANT REPORT**

Sidney Taylor appeared before the Board to present an investment performance report for the quarter ending December 31, 2007. He reported that the return for the quarter was -0.7% ranking the fund in the 41st percentile for investment returns. The market value of the portfolio was the amount of $46,455,392.

Mr. Taylor reported that return for the calendar year was 8.4%. He reviewed the performance of the individual investment managers and reported that the best performing managers for the calendar year were Fisher Investments with a return of 16.0%, Galliard TIPS portfolio with a return of 11.4%, and Lotsoff Capital Management with a return of 11.2%. Mr. Taylor reported that the return of the CS McKee large cap value portfolio of 6.2% dramatically outperformed the index of -0.2%. Mr. Taylor discussed market and economic conditions and also the individual asset allocations in great detail. He advised that the asset allocation was appropriate given the current environment. He did suggest the addition of a small cap allocation prospectively, however, there was not an immediate need. Mr. Taylor reviewed risk and performance measurements of the portfolio.

**BENEFIT APPROVALS**

The Board reviewed a list of benefit approvals presented by the Administrator for approval. Nancy Bolton made a motion to ratify the retirement benefits presented. The motion was seconded and carried 4-0.

**REPORTING OF PLAN FINANCIALS**

The Board reviewed the unaudited financial statements provided by the Administrator for the period ending December 30, 2007. The Board received and filed the financial statements.

A lengthy discussion arose regarding the timeliness of employer deposits to the Plan by the County and whether a fifteen-day deadline was an official, regulatory, or even an appropriate deadline. Bonni Jensen advised that the Trustees are responsible for ensuring that the contributions are received by the Plan and whether a fifteen-day benchmark was an official deadline would require additional research. In the interim the Administrator was directed to advise the Attorneys if contributions were not received within 30 days after the payroll ending period.
APPROVAL OF DISBURSEMENTS

The Board reviewed the disbursements provided for approval. A discussion arose regarding a disbursement issued to Ellen Schaeffer for computer programming services. Nick Schiess explained that the services were required to correct the records of active and retired members upon the recent discovery that all employee contributions to the Plan were post-tax contributions. **A motion was made by Frank Stanzione to approve the disbursements as presented. The motion was seconded and passed 4-0.**

ATTORNEY REPORT: KEN HARRISON

As a follow up to the last meeting, Ken Harrison reported that in response to the Board’s request to the Plan’s investment managers for divestiture of holdings identified in conjunction with the Protecting Florida’s Investments Act, all the managers except Fisher Investments responded that their respective portfolios do not contain any of the questionable holdings. Fisher Investments advised that the portfolio did contain some of the identified holdings, however, these holdings would be divested as requested.

Mr. Harrison announced that a revision of the Sudan Accountability and Divestiture Act permitted Trustees to divest from holding on the published list with release of fiduciary responsibility with the only requirement being written notification being properly filed.

Mr. Harrison reported that new State Statutes had been adopted for the collection of social security number information by governmental agencies. He discussed the requirements including notification to members when collecting social security information and the use of that information, filing requirements with the State, and the necessity of the establishment of a formal policy. **Frank Stanzione made a motion to adopt the necessary policy regarding the collection and use of social security information pursuant to State Statutes. The motion was seconded and approved by the Trustees 4-0.**

Mr. Harrison reported that applications for disability pension had been received from Phyllis Johnson, Racheel Wilson, and Fernando Moreno and they had all been mailed medical questionnaires. He explained that once the questionnaires had been received, their medical records would be requested from the treating physicians and then once these were received the applicants would be scheduled for an independent medical exam from a physician that specialized in the area of their respective medical conditions. He further explained that once the independent medical exam was completed that all the medical records would be compiled for the Trustees and a special meeting would be scheduled. A question arose whether an applicant was still eligible for a disability pension after termination of employment. Mr. Harrison advised that the applicant may have entitlement regardless of employment status but he would need to research the matter in collaboration with Bonni Jensen and report back to the Board.
As a follow up to the last meeting wherein the Bob Sugarman discussed the SEC investigation into the Plan’s former Investment Consultant Merrill Lynch Consulting Services and the Board requested Merrill Lynch Consulting Services to execute a tolling agreement, Mr. Harrison reported that the firm had denied the request. He advised that the period to initiate an action would soon expire under the statutes of limitations and requested authorization to research the Plan’s records to investigate whether any misconduct could be identified. Frank Stanzione made a motion to authorize Sugarman & Susskind to proceed with the research into the business practices of Merrill Lynch Consulting Services and direct the Administrator to provide the records. The motion was seconded and passed 4-0.

Mr. Harrison discussed the preparation of an Internal Revenue Service Tax Determination Letter. He advised that Internal Revenue Service was offering a twelve to eighteen months forgiveness period and many public pension plans had either not obtained a Tax Determination Letter or it was outdated. He explained that the preparation of the Letter was labor intensive and proposed preparation by his firm for the amount of $9,500 inclusive of the $1,000 filing fee. A lengthy discussion ensued and it was noted that a Letter would eventually be required in conjunction with the Board’s expressed intent to establish that employee contributions to the Plan be deducted on a pre-tax basis. Frank Stanzione made a motion for Sugarman & Susskind to prepare a Tax Determination Letter for the amount of $9,500 inclusive of the $1,000 filing fee. The motion was seconded and passed 4-0.

Mr. Harrison reporting reviewing the proposed revised Summary Plan Description and provided comments. A discussion ensued regarding the size of the document and it was determined that the document was too lengthy for the membership. Chad Little agreed to reduce the content Summary Plan Description.

ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen provided the Board with a draft Trust Agreement that had been revised to remove provisions contrary with State Statutes and reviewed the various provisions therein. She also provided the Board with comments received from County regarding the document. Nancy Bolton made a motion to schedule a special meeting for further consideration of the document and table the matter until the special meeting. The motion was seconded and approved by the Trustees 4-0.

Ms. Jensen presented draft Amendment Five, which revised the existing pre-retirement death benefit to provide for the option of a return of contributions and a reduced monthly benefit. She reminded the Board that the Trustees had requested a draft amendment after a discussion at the previous meeting to provide the same benefits and options to pre-retirement death benefit beneficiaries as is currently afforded to vested deferred members. Chad Little advised that the Amendment would result in a more than marginal cost to the Plan because the factors used to determine the reduced benefit were not true actuarial equivalent reduction factors and instead were subsidized by the Plan. A discussion ensued and Nancy Bolton made a motion to table the matter until the next
quarterly meeting to be addressed when the Board considers the Actuary’s recommendation to revise the reduction factors for vested deferred retirements. Ms. Jensen advised that the Board had received a request from Lorraine Szyms requesting the consideration extended in Amendment Five and requested direction from the Board in the matter. Ms. Szyms appeared before the Board and requested a lump sum distribution equivalent to her late husband’s contributions to the Plan and a reduced monthly benefit. The Trustees noted that under the current provisions of the Plan and until the adoption of proposed Amendment Five, the Board could not honor Ms. Syzms’ request and she should be provided with notification of the denial of her claim and appeal procedures under the Plan.

ADMINISTRATIVE REPORT

Nick Schiess announced that the backlog of retirement applications being processed has been resolved.

Mr. Schiess provided the Board with correspondence received from retiree Edvins Selga who had expressed great discontent with the reduction of his benefit as correction for overpayments received as estimated benefits from the Plan. The Board considered his correspondence as a request for an appeal on the correction of benefits and requested the Administrator to provide a full report on his payment history and invite Mr. Selga to the next meeting.

OTHER BUSINESS

Nick Schiess discussed the tax reporting and distribution of post-tax contributions to the Plan. He clarified that lump sum benefit distributions to retirees were actually not a return of their post tax contributions to the Plan but were instead an amount equivalent to their contributions, which were fully taxable because the Internal Revenue Service guidelines required that post tax contributions be distributed to retirees over a long period of time usually thirty years. Mr. Schiess then reminded the Board that it was originally believed that starting in the year 2003, a switch had occurred to employee contributions being deducted on a pre-tax basis but it was recently discovered that all the employee contributions to the Plan were instead deducted on an after tax basis. The result of the discovery of the mistaken switch to pre-tax contribution was that the amounts of the excluded contributions were incorrect and therefore the amount of taxable income reported to the Internal Revenue Service were also incorrect. Mr. Schiess reported that fortunately the retiree records were corrected before the annual reporting of income was provided to Internal Revenue Service for the year 2007. He reporting discussing the issue with the Plan’s Auditor and Bonnie Jensen and the Auditor had recommend the filing of amended tax reporting for the previous three tax years. The Board requested the Auditor recommendations in writing.

Dwight Mattingly advised that he had requested Burgess Chambers to schedule an investment manager report at each quarterly meeting.
The Board requested that the Administrator publish the Board meeting dates on the Plan’s web page.

With there being no other business and the next quarterly meeting scheduled for May 22, 2008, the meeting was adjourned at 3:45 P.M.

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Secretary