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
Larry Cole, Burgess Chambers & Associates
Chad Little, Freiman Little Actuaries
Nick Schiess, Pension Resource Center
Bob Sugarman, Sugarman & Susskind
Gus Rivera, LaPadula Carlson & Company
Betty Garrett & John Murphy, Palm Tran
Phyllis Johnson, Disability Applicant
Other Visitors

APPROVAL OF THE AGENDA

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

MINUTES

The Board reviewed the minutes for the meeting held on May 22, 2008. A motion was made by Frank Stanzione to approve the minutes of the meeting held on May 28, 2008. The motion was seconded and carried 4-0.

INVESTMENT CONSULTANT REPORT

Larry Cole appeared before the Board to present an investment performance report for the quarter ending June 30, 2008. He reported that the best performing investment products for the quarter were the Lotsoff Capital Management mid-cap portfolio with a return of 6.0%, Fisher Investments international portfolio with a return of 2.0%, and i-Shares of Russell 1000 large cap equities with a return of 1.5%. He reported that the return for the quarter was -0.5% ranking the fund in the 21st percentile for investment returns. The market value of the portfolio was the amount of $45,148,827. Mr. Cole advised that while the absolute performance was negative, the relative performance of the portfolio was very satisfactory and had achieved returns in excess of the blended benchmark. Mr. Cole discussed market and economic conditions, noting that recent market volatility was attributable to a crisis within credit markets and other events that had led to uncertainty in the market.

Mr. Cole reviewed the asset allocation noting, that all the allocations were within guidelines except the REIT allocation was lower than the 4.0% minimum specified within the Investment Policy Statement. He reminded the Board that the general rule was two consecutive quarters of noncompliance before action was required and since the
allocation had been below the minimum for two consecutive quarters, Mr. Cole recommended a rebalancing with $300K from the Galliard Capital Management fixed income portfolio to the RREEF REIT product. Nick Schiess explained that the Plan’s cash account generally had a positive cash flow that required monthly reductions with transfers to asset accounts, which might be used to partially or fully fund this purchase of the REIT product. Liz Bloeser made a motion pursuant to the recommendation of the Investment Consultant for the Consultant to collaborate with the Administrator to transfer the amount of $300K to the RREEF product with excess cash from the Plan’s cash account and the balance from a partial redemption of the Galliard Capital Management fixed income portfolio. The motion was seconded and carried 4-0. Mr. Cole was questioned regarding recommendations for the portfolio and he responded that there were no other recommendations for any changes at this date.

Mr. Cole reviewed the compliance checklist noting all other items were in compliance, except the performance objectives of ranking in the top 40th percentile for a trailing five-year period had not been met.

Mr. Cole advised that Galliard Capital Management had reported the downgrading of the security AmeriCredit in July 2008 and the new rating of the security did not meet the quality restrictions specified within the Investment Policy Statement. The manager had requested permission to retain the holding for the reason that a recovery of the full value of the security was anticipated if redemption was delayed until the year 2009. Mr. Cole recommended the liquidation of the bond at the earliest beneficial opportunity because the retention of the asset violated the Investment Policy Statement and also was not worthy of any risk, given the expected loss was only $6K or just 5% of the security’s original value. Liz Bloeser made a motion to deny the request of Galliard Capital Management to retain the bond, AmeriCredit within the portfolio. The motion was seconded and carried 4-0. Mr. Cole agreed to provide notification of the Board’s decision to Galliard Capital Management.

Mr. Cole reviewed the performance of the individual investment managers and products in great detail. He then reviewed the risk reward analysis and down and up-market performance noting exceptional outperformance of the benchmark in both positive and negative market conditions. Mr. Cole was questioned regarding alternate investment classes and whether the overall portfolio was anticipated to meet an actuarial assumption of an investment return of 8.0% without alternative investments. He responded that while it was an increasingly difficult challenge to meet the investment return objective of 8.0%, he was not convinced that the objective could not be met with just the standard asset classes. Mr. Cole advised that alternate asset classes had been under review and he anticipated presenting the results of the research to the Trustees soon at a future meeting.

AUDITOR’S REPORT: GUS RIVERA

Gus Rivera appeared before the Board on behalf of LaPadula Carlson & Company to present the audited financial statements for the fiscal year ending December 31, 2007,
noting that they had been issued with an unqualified clean opinion. As of December 31, 2007, the net assets of the Plan were the amount of $46,244,000 representing an increase in the amount of $5,142,000 from the net asset value of $41,102,000 as of December 31, 2006, with the increase primarily attributable to investment income. Mr. Rivera reviewed in detail statements of changes in plan assets. He was questioned regarding a significant increase in investment related expenses and advised that the increase was favorable as it was directly correlated to an increase in the market value of assets. A discussion arose regarding the large increase in benefit payments, which was determined to be likely attributable to a backlog of benefits processed through the transition of administrators. A discussion arose regarding the increase in actuarial service fees, which Chad Little attributed to issues that occurred under the prior administrator. A question arose as to the amount attributable to these special services and whether recourse was possible against the former administrator. Gus Rivera reported the amount of $52K of the total actuarial services were attributable to special actuarial services. A discussion ensued regarding pursuing recourse against the former administrator providing that it was cost effective. Nancy Bolton made a motion to authorize Sugarman & Susskind to review the matter and send a demand letter for the reimbursement of actuarial expenses to the former administrator if determined to be appropriate. The motion was seconded and carried 4-0. Chad Little agreed to research and report to Sugarman & Susskind the exact amount of expenses incurred from issues with the former administrator. Mr. Rivera continued his detailed review of the financial statements. He was questioned whether any issues were identified with the administration of the plan or any difficulties were encountered with the preparation of the financial statements. Mr. Rivera responded no difficulties were encountered and no weaknesses were identified within the financial statements. He advised that ordinarily SAS 112 required a Statement of Auditing Services to be issued, however, since the administrator had a certified public accountant on staff, the statement was unnecessary.

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

**ACTUARY REPORT: CHAD LITTLE**

Chad Little advised that issuance of the final Actuarial Valuation was contingent upon the receipt of the final audit that was just presented today and the settlement of the language of the proposed Plan Amendment.

Mr. Little discussed the State Division of Retirement’s proposed changes to Chapter 60T of the Florida Administrative Code in great detail and the substantial impact upon the funding and administration of the Plan, if adopted. The Trustees discussed attending the next scheduled workshop by the State.

As a follow up to the last meeting, Mr. Little advised that the itemized proposal for the experience study would likely be completed and presented to the Board at the next meeting.
APPLICATION FOR DISABILITY BENEFITS: PHYLISS JOHNSON

Bob Sugarman reviewed the procedures for the disability hearing proceeding, the Plan provisions, and substantive law for the Trustees. He explained the definition of total and permanent disability, as well as the provisions of the Ordinance containing the substantive provisions in the Plan relating to disability pensions. He noted that the disability must be determined to have occurred in the line of duty for the Board to grant a service related disability pension. Mr. Sugarman explained that the provisions of the Plan afforded disability benefits for a service related disability for a maximum period of four years, unless the recipient was awarded social security disability benefits. Mr. Sugarman advised that an independent medical evaluation could be performed for an additional medical opinion, but at an additional cost to the Plan.

Phyllis Johnson appeared before the Board and discussed her injuries that occurred while in service and her subsequent medical treatments. She was questioned in great detail regarding her physical limitations and medical treatments, including medications. She explained that the limitations prevented her from performing the duties of a full-time driver and no light duty employment was available with Palm Tran. She explained that she had obtained maximum medical improvement and therefore no improvement in her condition was expected.

The Trustees, having reviewed the medical records individually prior to the meeting, discussed in great detail Ms. Johnson’s medical condition, physicians’ evaluations, and other factors regarding the Application for Disability Benefits for Phyllis Johnson. Frank Stanzione made a motion based upon the medical evidence to award Ms. Johnson a service related disability benefit. The motion was seconded and carried 4-0.

APPLICATION FOR DISABILITY BENEFITS: RASCHEEL WILSON

Nick Schiess explained that Ms. Wilson had relocated across the country and was unable to attend the meeting. The Board, having reviewed the medical records individually prior to the meeting, discussed in great detail the medical records of Ms. Wilson and it was noted that the record was unclear as to whether she had attained maximum medical improvement. A discussion arose regarding whether the sufficient information existed to determine the status of Ms. Wilson’s disability at this meeting. Nancy Bolton made a motion to table further consideration of Ms. Wilson’s Application for Disability Benefits until a future meeting when Ms. Wilson is available either by telephone or in person to discuss her medical condition and treatments. The motion was seconded and approved by the Trustees 4-0. It was noted that the next meeting was scheduled for November 20, 2008.
ATTORNEY REPORT: BOB SUGARMAN

Bob Sugarman provided an update on the status of the Application for Disability Benefits for Fernando Moreno, noting that he had failed to complete and submit a disability questionnaire. Nick Schiess advised that he had contacted Mr. Moreno several times regarding the missing questionnaire.

Mr. Sugarman announced that State legislation passed that added crimes against minors to the list of crimes that resulted in forfeiture of pensions. He was questioned regarding the basis for the inclusion of new language within the recently revised Summary Plan Description regarding forfeiture of pensions. Mr. Sugarman explained that the forfeiture provisions already existed within State Statutes and were included within the revised Summary Plan Description as important information.

Mr. Sugarman provided and reviewed recent publicity regarding changes in GASB.

ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen presented draft Amendment Four, which combined the provisions of the previously considered proposed Amendment Four revising the existing pre-retirement death benefit to provide for the option of a return of contributions and a reduced monthly benefit, and proposed Amendment Five revising the definition of actuarial present value. She also provided an alternate Amendment Four, which additionally revised the provisions regarding interest on employee contributions to the Plan. Mr. Little was questioned regarding the financial impact of alternate Amendment Four and he responded that the provisions within the Amendment would result in a cost savings to the Plan. It was confirmed that vested deferred members would still receive a refund of contributions with the only change being the termination of the accumulation of interest on their contributions after the date of May 15, 2007. A lengthy and careful discussion ensued regarding both versions of the proposed amendment. Liz Bloeser made a motion to adopt proposed alternate Amendment Four. The motion was seconded and carried 4-0. Mr. Little reported that four members were impacted by the revision of the existing pre-retirement death benefit to provide for the option of a return of contributions and a reduced monthly benefit, and the Board requested the Administrator to inform the affected members.

Ms. Jensen provided and discussed the recently adopted federal legislation Heroes Earnings Assistance and Relief Tax Act of 2008. It was noted that clarification regarding some provisions within the Act was pending and the deadline for enacting revisions to the Plan was not until September 30, 2011. Ms. Jensen advised that additional information would be presented to the Trustees as it became available. A question arose regarding the current provisions of the Plan pertaining to active military duty as to whether members must wait to return from active military service before repaying their employee contributions, or remit contributions while still in active military service. Mr. Sugarman advised that members would be permitted to remit
contributions while still in military service, however, they would only receive the actual service credit after returning to employment with Palm Tran.

**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 June 30, 2008. **Liz Bloeser made a motion to receive and file the financial statements. The motion was seconded and carried 4-0.**

**APPROVAL OF DISBURSEMENTS**

The Board reviewed the disbursements provided for approval. **A motion was made by Frank Stanzione to approve the disbursements as presented. The motion was seconded and passed 4-0.**

**ADMINISTRATIVE REPORT**

Nick Schiess reported that an Application for Retirement Benefits had been received from Antonio Garcia and a difficulty had arisen with the commencement of an estimated payment. He explained that the Board had authorized the commencement of an estimated payment based upon the estimated accrued benefit reported within the members’ most recent annual benefit statements, however, benefit statements had not been issued for Mr. Garcia. Chad Little explained that benefit statements had not been produced for Mr. Garcia, which was attributable to a coding error due to the unusual circumstance that he was also a retiree already collecting a benefit from the Plan for a previous term of service. The Board requested Mr. Little to research whether the same issue might affect other retirees. Mr. Schiess reported that his office had prepared an estimated calculation of Mr. Garcia’s accrued benefits and requested the Board’s permission to commence an estimated benefit based upon that calculation. Mr. Little confirmed that the estimated calculation was reasonable and the Board directed the administrator to commence an estimated benefit to Mr. Garcia based upon that calculation.

**OTHER BUSINESS**

The Board reviewed the responses to the recent request for proposals for legal services. A question arose regarding the circumstances behind the retention of two attorneys and Bob Sugarman advised that originally two attorneys had been retained to separately represent labor and management interests. He further explained that this was no longer the case and the roles had been transformed with very little overlap between the services
provided by Hanson, Perry & Jensen and Sugarman & Susskind. A lengthy discussion ensued and the significant contribution of both firms was noted. **Frank Stanzione made a motion to maintain the relationship with both firms. The motion was seconded and carried 4-0.**

The Board reviewed the responses to the recent request for proposals for auditing services. Gus Rivera discussed the qualifications and experience of LaPadula Carlson & Company, noting the long relationship with the Board and familiarity with the Plan. A discussion arose regarding a replacement auditor who would perform the audit with a fresh viewpoint. **Liz Bloeser made a motion to engage the services of Cherry, Bekeart & Holland.** A discussion arose regarding conducting interviews, or the formation of a subcommittee to review the proposals. **The motion died for a lack of a second.** Further discussion ensued and the Board decided to schedule interviews of Cherry, Bekeart & Holland and Goldstein Shechter Koch at the next meeting.

With there being no other business and the next quarterly meeting scheduled for November 20, 2008, the meeting was adjourned at 4:15 P.M.

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Secretary