Chairperson Dwight Mattingly called the meeting to order at 10:32 A.M. in the Dale R. Smith Conference Room at the Palm Tran North Facility, 3201 Electronics Way, West Palm Beach, Florida.

**TRUSTEES**

Dwight Mattingly
Frank Stanzione
Liz Bloeser
Nancy Bolton

**OTHERS PRESENT**

Chad Little, Freiman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Robert Sugarman, Sugarman & Susskind
Nick Schiess, Pension Resource Center
Bonni Jensen, Law Office of Perry & Jensen
Donna Rainey, Palm Beach County Attorney
Laveme Blackwood & John Murphy, Palm Tran

**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.

**INVESTMENT CONSULTANT REPORT: BURGESS CHAMBERS**

Dwight Mattingly distributed and discussed information he received at a recent educational conference sponsored by the International Association of Employee Benefit Plans on the economic impact of the recent market downturn on benefit plans. He noted that many of the hazards encountered by other pension plans had been avoided by the Plan, which suffered less of an economic impact as a result.

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to provide a report on the investment performance of the portfolio for the quarter ending September 30, 2009. He reported that for the quarter, the investment return for the total portfolio was 10.1% versus 14.8% for the index, with the underperformance attributable to an underweight in equities. However, the conservative strategy of the portfolio resulted in favorable performance of 2.4% versus 1.1% for the index for the trailing one-year period.

Mr. Chambers discussed economic and market conditions and anticipated the continued growth of equities. Mr. Chambers reviewed the asset allocation noting an overweighting in fixed income, but that weighting was still within investment policy guidelines. He recommended the rebalancing of the portfolio in the amount of $2.1M monthly for the next three months from fixed income to equities in order to rebalance the portfolio back to the target asset allocation. He was questioned whether the reallocation was too soon after the recent market turmoil and responded that the market had settled and the timing was appropriate. Liz Bloeser made a motion to rebalance the portfolio from fixed income to equities to achieve the target allocation based upon the recommendation of the Investment Consultant. The motion was seconded and carried 4-0.
Mr. Chambers continued his review of the asset allocation noting that an underweighting in REITs existed that fell below the investment policy guidelines. He discussed the REIT asset class noting that the allocation had been intentionally underweighted in response to market and economic conditions and recommended the continuance of the intentional underweighting for an indefinite period of time. Mr. Chambers provided a proposed revised Investment Policy Statement for the Board’s consideration. He reviewed in detail the primary changes of widening the ranges of the asset allocation and the inclusion of the divestiture of scrutinized companies in response to recent changes in State Statutes. A lengthy and careful discussion ensued. Robert Sugarman advised that the revised Statement had been reviewed and was acceptable. Liz Bloeser made a motion to adopt the revised Investment Policy Statement based upon the recommendation of the Investment Consultant. The motion was seconded and carried 4-0.

Mr. Chambers reviewed the risk and reward measurements of the portfolio noting that long-term outperformance of the benchmark had been attained with significantly less risk.

Mr. Chambers reviewed the performance of the individual investment managers noting all had achieved outperformance of their respective benchmarks with the exception of Lotsoff Capital Management. A lengthy discussion arose regarding the long-term performance of the manager and Mr. Chambers was questioned whether action was necessary. Mr. Chambers explained that the underperformance occurred for the prior year and the longer term performance was satisfactory. He reported that the performance has since rebounded and ultimately recommended the retention of the manager.

The meeting recessed from 12:02 P.M. to 12:35 P.M. for lunch.

**ACTUARY REPORT: CHAD LITTLE**

Chad Little provided and reviewed a cost study on the trimming the ancillary benefits provided by the Plan including the elimination of refunds of participant contributions, elimination of late retirement increases and elimination of the fixed dollar death benefit. He advised the study was based upon the 2009 Actuarial Valuation data. Mr. Little explained that the elimination of the late retirement increase would not have an immediate reduction on the contribution rate because the actuarial assumption for retirement was that all members would retire on their normal retirement date, however, the elimination would affect Plan experience and reduce costs long-term. Mr. Little advised that he was unsure of the State’s position on the timing of the reduction in funding in the event that benefits were reduced. He reviewed various combinations of the benefit reductions, with a range of savings in the range of 0.9% to 1.8% as a percentage of payroll. Robert Sugarman and Bonnie Jensen both discussed the legal implications of reducing benefits and it was noted that reductions cannot be applied to benefits that have already accrued under the Plan but it was safe to reduce benefits prospectively.
A lengthy discussion arose regarding the funding deficit and it was noted that the combined funding deficit for the 2008 and 2009 fiscal years was approximately $2.5M. Mr. Little was questioned regarding the seriousness of the deficit and whether immediate action was required. Mr. Little responded that immediate action was required. A question arose regarding the eventual consequence of the funding deficit and Mr. Little advised that ultimately the State must accept the Actuarial Valuations. It was noted that a possibility exists that if the Actuarial Valuations were unaccepted the State might withhold tax revenue dollars to the County. It was also noted that the issue might also affect the County’s bond ratings. The Board then noted that the long-term issue was that the funding requirements of the Plan exceeded the contributions to the Plan and the Trustees discussed possible courses of action. It was noted that the collective bargaining negotiations were in progress and the Board decided to see if any progress was made on this matter during negotiations and then resume discussion at the next meeting. A discussion arose regarding whether to make the Plan’s Actuary available to the collective bargaining process and Nancy Bolton made a motion to make the Actuary available to the Union and County upon joint request and at the Plan’s expense provided the Actuary provides to the Board a written report on the information that was provided to the parties. The motion was seconded and carried 4-0.

APPLICATION FOR DISABILITY BENEFITS: FERNANDO MORENO

Fernando Moreno appeared before the Board and Nick Schiess provided a report on the circumstances regarding his filing of an Application for disability benefits. Mr. Schiess explained that Mr. Moreno’s disability was attributable to several on-the-job injuries for which he received worker’s compensation and he was actually terminated on the date of May 11, 2006 because he could not return to service. Upon termination, he applied for a refund of pension contributions instead of disability benefits. Mr. Schiess reported that when questioned regarding the reason he did not immediately file for disability benefits, Mr. Moreno responded that his physician did not make a formal determination that he was totally and permanently disabled until some time after his termination and he was unaware that he was eligible for disability benefits and therefore elected for a refund of contributions. Mr. Schiess reported that Mr. Moreno initially filed his application for disability benefits on November 28, 2007 but was only recently awarded disability benefits by the Social Security Administration on the date of July 12, 2009. It was noted that he became disabled under Social Security Administration rules as of April 19, 2005, long before his termination of employment. Mr. Schiess further explained that it was not until October 29, 2008 that it was determined that Mr. Moreno actually had the 10 years of service credit necessary to qualify for disability benefits under the Plan.

Robert Sugarman advised that Mr. Moreno was not eligible under the Plan provisions for a disability benefit because he had already received a refund of his pension contributions, however, there were mitigating circumstances for the Trustees to consider. A lengthy discussion ensued regarding the mitigating circumstances and other factors in the Application for disability benefits for Fernando Moreno. Liz Bloeser made a motion that based upon unique circumstances, especially that the records of the Plan required correction by the Plan’s service providers to determine that Mr. Moreno
had the ten years of service credit necessary to eligible for a disability benefit, and meeting all the other eligibility criteria for the benefit, to award Mr. Moreno a disability benefit retroactive to December 2007. The motion was seconded and carried 4-0.

ATTORNEY REPORT: BONNI JENSEN

Bonni Jensen reported that effective October 1, 2009, State Statutes changed regarding the collection of Social Security numbers and repealed the annual reporting requirement to the Governor on the reporting of numbers to other entities. She recommended the updating of the Plan Document.

Ms. Jensen reported that as a follow up to the last meeting, she had prepared and sent to the Administrator an Agreement for Bartogh Ahmadabadi to execute regarding his repayment of pension contributions.

Ms. Jensen reported that the Special Tax Notice required revision and advised that she would provide it to the Administrator after completion.

ATTORNEY REPORT: ROBERT SUGARMAN

Robert Sugarman discussed the provisions within State Statutes regarding forfeiture of pensions for specified criminal offenses. He then reviewed the circumstances of an active Participant who allegedly became involved with illegal activities. Mr. Sugarman concluded the Statutes were not applicable under these specific circumstances and a forfeiture procedure was not warranted.

Mr. Sugarman presented a draft of proposed Amendment Five for the Board’s consideration. The Trustees requested revisions to the Amendment to be presented at the next meeting.

BENEFIT APPROVALS

Nick Schiess reported that the County had encountered a transition in the payroll system, which required the reformatting of payroll data reports and ultimately resulted in a delay in the data required for the processing of benefits. He reported that the matter had been resolved and the flow of payroll data had resumed. Mr. Schiess provided the Board with a list of the affected retirees and advised that they were all receiving estimated benefits.

APPROVAL OF DISBURSEMENTS

The Board reviewed the disbursements provided for approval. Frank Stanzione made a motion to approve the disbursements as presented. The motion was seconded and passed 4-0.
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, 2009.

ADMINISTRATIVE REPORT

Nick Schiess reported that the preliminary testing of TD Bank’s systems had indicated that the systems were conducive for the payment of benefits. He advised that a test benefit payment run would be conducted prior to the full conversion from SunTrust to TD Bank.

Mr. Schiess reported that recent retiree James Blue had been receiving an estimated payment for over six months and had failed to return a selection of an optional form of payment despite numerous notifications. He advised that pursuant to a previously established policy, further payments to Mr. Blue would be suspended until he selects an optional form of payment and notification had been sent to Mr. Blue’s last known address.

OTHER BUSINESS

The Board was presented an Audit Engagement Letter with Cherry Bekaert & Holland. Robert Sugarman reported that the Letter had been reviewed and was acceptable. Frank Stanzione made a motion to execute the Audit Engagement Letter. The motion was seconded and carried 4-0.

SCHEDULE NEXT MEETINGS

The quarterly meetings for the year 2010 were scheduled for February 25, May 27, August 26 and December 2, 2010.

ADJOURNMENT

The meeting was adjourned at 3:15 P.M.