Chairperson Dwight Mattingly called the meeting to order at 10:33 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
Nancy Bolton
Liz Bloeser

OTHERS PRESENT

Chad Little, Freiman Little Actuaries
Burgess Chambers, Burgess Chambers & Associates
Pedro Herrera, Sugarman & Susskind
Nick Schiess, Pension Resource Center
Bonni Jensen, Law Office of Perry & Jensen
Mike Norman, Galliard Capital Management
John Murphy, Palm Tran

APPROVAL OF THE AGENDA

The Trustees reviewed the agenda for the meeting. A motion was made by Liz Bloeser to approve the agenda. The motion was seconded and passed 4-0.

APPROVAL OF MINUTES

The Trustees reviewed the minutes for the meetings held on June 10, 2011 and July 28, 2011. A motion was made by Nancy Bolton to approve the minutes for the meeting held on June 10, 2011. The motion was seconded and passed 4-0. The Trustees tabled the approval of the minutes of the meeting held July 28, 2011 until the next meeting and requested a copy of the final audit Management Representation Letter that was edited at that meeting.

INVESTMENT MANAGER REPORT: GALLIARD CAPITAL MANAGEMENT

Mike Norman appeared before the Board on behalf of Galliard Capital Management to provide a report on the investment performance of the fixed income portfolio for the quarter ending June 30, 2011. He reported that for the quarter, the investment return was 2.33% versus 2.29% for the index, and for the trailing year was 2.88% versus 2.72% for the index. Mr. Norman discussed economic and market factors and anticipated another four years of measured growth for fixed income investments. He then reviewed in great detail the holdings and sector allocations of the portfolio as well as the construction of the portfolio in response to volatile market conditions.

INVESTMENT CONSULTANT REPORT: BURGESS CHAMBERS

Burgess Chambers provided a report on the performance of the investment portfolio for the quarter ending June 30, 2011. He reported that for the quarter, the investment return for the total portfolio was 1.2% equaling the return of the index, and for the fiscal year-to-date was 5.7% versus 5.4% for the index.
Mr. Chambers reviewed the compliance checklist and the Trustees noted that the performance of many investment managers had fallen below the targets defined within the Investment Policy Statement. Mr. Chambers reviewed the performance of the individual investment managers that had fallen below their performance objectives. Mr. Chambers explained that all managers suffer underperformance in periods in which their respective style is out of market favor and it is more important to evaluate their performance over a complete market cycle. Additionally, the rankings oftentimes are skewed when other managers within peer groups have style drift while the managers engaged by the Plan are required to remain true to their style. He reported that the recent performance and rankings of the managers has dramatically improved; however, their prior underperformance brings down their averages and overall rankings for longer durations. He was questioned regarding the performance and rankings of the managers for his other clients and Mr. Chambers responded that their results have been similar.

Mr. Chambers discussed the market and economic conditions and anticipated that the return would be flat for fixed income securities therefore earnings must be derived from equities. He anticipated continued market volatility but expressed optimism for continued growth.

**ATTORNEY REPORT: PEDRO HERRERA**

Pedro Herrera provided an update on the status of the Application for Disability Benefits for Lorraine Ferguson, noting that all her medical records had been compiled and she had been scheduled for an independent medical exam. The Trustees requested the scheduling a special meeting for her disability hearing as soon as possible.

The meeting recessed from 11:55 A.M. to 12:20 P.M. for lunch.

**ATTORNEY REPORT: BONNI JENSEN**

Bonni Jensen provided a draft of a revised Summary Plan Description for review and consideration at the next meeting. A discussion arose whether any grandfathered members still existed who were still eligible for benefits under the former age sixty-two with five years of service provision and Chad Little agreed to research the matter and report back to the Board.

Ms. Jensen discussed a new Palm Beach County law regarding the Palm Beach County Code of Ethics and noted that it may be applicable to the Trustees as employees of the county instead of their participation in an advisory board.

**ACTUARY’S REPORT**

Chad Little inquired whether any progress had been made within collective bargaining on increasing contributions to the Plan and was advised that no progress had been made. He expressed urgency in increasing contributions to the Plan.
FINANCIAL STATEMENTS

The Board reviewed and then received and filed the un-audited statements of income and expense and balance sheet for the fiscal year through June 30, 2011.

APPROVAL OF DISBURSEMENTS

The Board reviewed the disbursements presented for approval. Nancy Bolton made a motion to approve the disbursements as presented. The motion was seconded and passed 4-0.

BENEFIT APPROVALS

The Board reviewed the benefit approvals presented for approval. Liz Bloeser made a motion to approve the benefit approvals as presented. The motion was seconded and passed 4-0.

ADMINISTRATIVE REPORT

Nick Schiess reported that the subscription agreement had been completed for the new investment product with Cornerstone Real Estate Advisors and he was awaiting a capital call to fund the mandate, which was likely to occur at the end of the calendar year.

Mr. Schiess reported that the mailing of the notification to active members that the return of employee contributions would cease to accrue after December 31, 2011 had been completed and his office had received many inquiries from the membership regarding the matter.

Mr. Schiess announced the receipt of a report from the Palm Beach County Office of Inspector General that an active member had been terminated for a public entity crime. He agreed to keep the Board informed of the progress of the matter as information becomes available.

OTHER BUSINESS

The Board considered the adoption of the Actuarial Valuation for the fiscal year ended December 31, 2010, which was presented by the Actuary at the last meeting. Nick Schiess reported that, pursuant to the direction of the Board at the last meeting, he had provided notice to the County of the implications of the adoption of the Valuation and new State Legislation along with an invitation to the meeting. A discussion arose regarding the actuarial assumption for salary increases since salaries have been flat due to economic conditions and were expected to remain so for the near future. Mr. Little explained that the total compensation in aggregate is expected to increase 4% annually. He further explained that while payroll has been flat for the last several years, the assumption is long-term in nature and historically there has always been a reversion to
the mean after an economic downturn. He also explained that additionally the State requires that the prior ten years of salary history be given consideration in the selection of the assumed rate of salary growth. Mr. Little advised that lower than expected salary increases do result in favorable experience gains that ultimately reduce prospective contribution rates so therefore it is self correcting. **Liz Bloeser made a motion to adopt the Actuarial Valuation. The motion was seconded and passed 4-0.** Ms. Bloeser expressed concern over the funding deficit of the Plan and that too few measures had been implemented to reduce the cost of the Plan or any progress been realized within collective bargaining. Mr. Little also expressed concern over the funding deficit of the Plan and advised that some measures have to be implemented immediately to protect the financial health of the Plan.

The Board considered the adoption of the Audit and Financial Statements for the fiscal year ended December 31, 2010 that was presented by the Auditor at the last meeting. It was noted that the Management Representation Letter had been revised pursuant to the direction of the Board at the last meeting with acceptable language provided by Robert Sugarman to reflect the disclosure of the reason why outstanding employer contributions were not recorded as a receivable along with a disclaimer that the Board reserved the right to determine that this amount is a receivable in the future. **Liz Bloeser made a motion to accept the Audit and Financial Statements. The motion was seconded and passed 4-0.**

The Board considered an Application for Disability Benefits received from Terrill Beasley. It was noted that he met the eligibility requirements of attaining ten years of credited service and had been awarded disability benefits from the Social Security Administration. **Liz Bloeser made a motion to award disability benefits to Terrill Beasley. The motion was seconded and passed 4-0.**

The Board considered an Application for Disability Benefits received from Ronald Boldin. It was noted that he met the eligibility requirements of attaining ten years of credited service and had been awarded disability benefits from the Social Security Administration. **Liz Bloeser made a motion to award disability benefits to Ronald Boldin. The motion was seconded and passed 4-0.**

The Board discussed the inadvertent omission by the County of Delroy Lopez and Nancy Girard as members to the Plan. Bonni Jensen provided a copy of an inquiry sent to the County and Palm Tran regarding the collection of their delinquent contributions and research into the causation of these omissions. John Murphy believed the incidents to be isolated and then discussed research conducted into identifying the exact cause of the problem to prevent future occurrences. He reported that the omission for Mr. Lopez was caused by a typographical error within the payroll system and for Ms. Gerard was a corrupted record within the system. Mr. Murphy reported that an internal audit had identified that there were no other affected members. Dwight Mattingly reported that a grievance filed on behalf of Mr. Lopez had yielded a settlement in which the County agreed to remit his delinquent contributions in full plus interest. The Board discussed measures to implement to prevent future occurrences of the situation. The Administrator
was requested to obtain a list of all full-time employees from Palm Tran and then perform an internal audit with the payroll system maintained on behalf of the Plan and also request to be provided with Personnel Action Forms for newly hired full-time employees.

**SCHEDULE NEXT MEETING**

The next meeting was scheduled for December 1, 2011.

**ADJOURNMENT**

The meeting was adjourned at 2:20 P.M.

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Secretary